



## **INDEPENDENT EXTERNAL ASSESSMENT**

---

Worker Survey  
& Management Self-Assessment Report

**COMPANY:** Asics

**COUNTRY:** Indonesia

**FACTORY CODE:** GS201206

**SURVEY DATE:** October 31, 2012

**PRODUCTS:** Sportswear

**TOTAL NUMBER OF WORKERS:** 1,546

**NUMBER OF WORKERS SURVEYED:** 156

**FLA Comment:** Asics 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.

**TABLE OF CONTENTS**

**Executive Summary ..... 3**  
    **Key Findings ..... 3**

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

**II. Key Findings ..... 5**  
    **2.1 Recruitment, Hiring & Personnel Development ..... 5**  
    **2.2 Compensation ..... 6**  
    **2.3 Hours of Work ..... 7**  
    **2.4 Industrial Relations ..... 8**  
    **2.5 Workplace Conduct ..... 9**  
    **2.6 Grievance System ..... 9**  
    **2.7 Health & Safety ..... 10**  
    **2.8 Environmental Protection..... 11**  
    **2.9 Termination & Retrenchment..... 12**  
    **2.10 Management Functions..... 13**  
    **2.11 Loyalty and Satisfaction ..... 13**  
    **2.12 Correlation Analysis..... 14**

## **EXECUTIVE SUMMARY**

Fair Labor Association (FLA) conducted an Independent External Assessment in a factory in Indonesia, a supplier of Asics, on October 31, 2012. The assessment evaluates the 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 various 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 generally has clear policies and procedures in place to manage its practices in relation to assessed Employment Functions; workers have a general understanding of the policies and procedures, have knowledge in the factory's worker representative bodies, and are willing to voice their concerns. Training and communication at the factory could be improved, as workers are less familiar with worker participation and communication; anti-retaliation policy; health and safety; and waste handling.
- Several risks are identified in both Health & Safety and Termination & Retrenchment, which are likely to hinder the factory's sustainable development, as they may adversely affect the work-life balance of workers.

## I. INTRODUCTION

Fair Labor Association (FLA) conducted an Independent External Assessment in a factory in Indonesia, a supplier of Asics, on October 31, 2012. The assessment evaluates the 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.

<b>Table 1</b>		<b>Characteristics of Surveyed Workers</b>	
		(%)	(%)
<b>Gender</b>		<b>Migrant or Local</b>	
	Male	5.8	Local 66.0
	Female	94.2	Migrant 32.7
<b>Education</b>		<b>Position</b>	
	No Schooling	0.6	Worker 88.5
	Primary School	22.4	Supervisor 4.5
	Middle School	36.5	<b>Employment Status</b>
	High School	38.5	Fixed/Long-term Contract 51.9
	Technical/Vocational School	0.6	Contractor/Dispatched worker -
	College/University	-	Intern/Temporary 46.2
<b>Average Age (Years)</b>		32.8	<b>Average Length of Service (Months)</b> 74.7

The assessment is comprised of a Worker Survey and a Management Self-Assessment. Findings from both the Worker Survey and the Management Self-Assessment: 1) provide a broad picture of the current conditions and 2) identify areas of good performance as well as weakness.

### Worker Survey

At the time of the survey, there were 1,546 workers at the factory, 156 of whom were randomly selected to participate in the survey.<sup>1</sup> 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.<sup>2</sup>

### Management Self-Assessment

Factory's management was also requested to complete an online Management Self-Assessment and to submit various documents<sup>3</sup> for review; this assessment is structured in line with the Worker Survey and aims to assess performance from management's perspectives. Comparing results from both the Worker Survey and Management Self-Assessment enriches our understanding of the

<sup>1</sup> According to the Factory Information sheet submitted by the factory, the factory has a total workforce of 1,546 workers. Sample size was based on a deducted population of 1,457 production-related frontline workers, along with (+/-) 7.5% error range, at 95% confidence level.

<sup>2</sup> Percentages may not always add up to 100% due to unanswered questions.

<sup>3</sup> The factory was requested to provide a set of documents to be reviewed upon survey date, including its most up-to-date policies, records, and training materials covering all possible aspects regarding workers' employment lifecycle at the factory.

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 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.

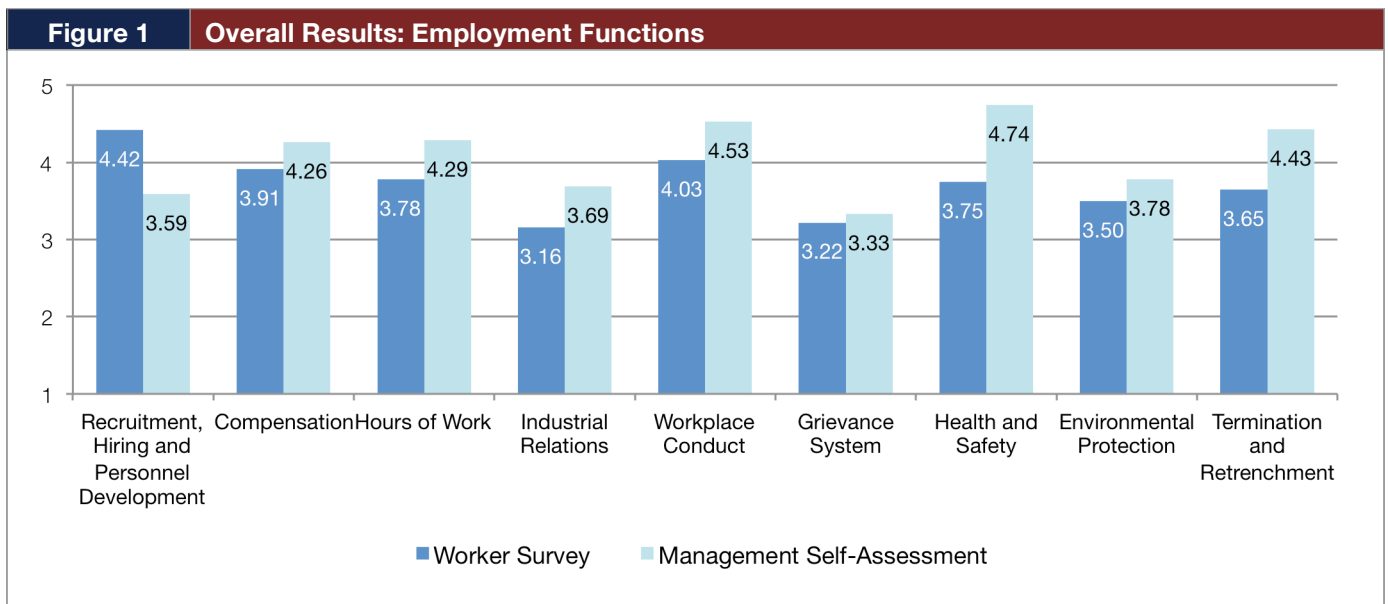


Figure 1 displays the factory’s results from both the Worker Survey and the Management Self-Assessment with respect to each Employment Function. Overall, scores from the Management Self-Assessment are positive, ranging between 3.33 and 4.74. On the workers’ side, no significant gaps are found when compared to management, except for: 1) Health & Safety, 2) Recruitment, Hiring & Personnel Development, and 3) Termination & Retrenchment. The gaps suggest the existence of profound problems in these employment functions that the factory may need to better address.

### 2.1 Recruitment, Hiring & Personnel Development

This Employment Function covers the factory’s hiring process and procedure, investigating their implementation within the factory. Decent scores in the assessment results from both workers and management show that the factory manages its practices on hiring and career development with clearly established policy and procedures. Management reports they have signed work contracts with all employees, echoed by nearly all (96%) respondents. 155 (out of 156) workers report they

have not been charged for additional fees<sup>4</sup> and all (100%) state that they were informed of the terms and conditions upon hire. The great majority (88%) of workers state that they received orientation training when joining the factory. Management states they review most workers' (60%-80%) job performance; this is more or less in line with the Worker Survey results, as nearly all (96%) respondents mention they have been reviewed. Management reports that they do not offer ongoing skill training for workers.

The relatively lower score from management in this Employment Function is mainly reflected in the factory's hiring process. As reported in the Self-Assessment, age is "very important" in the factory's decision-making process when recruiting workers. This may be an indicator of the factory's noncompliance with the FLA benchmarks<sup>5</sup>. The factory needs to review and amend its current hiring policy, putting less priority on age and focusing more on the overall qualifications of the candidates.

## 2.2 Compensation

Compensation examines the wage and benefits system within a factory, whether it complies with regulatory standards and if it ensures fairness and productivity. Both workers and management report that the factory paid wages on time and in full over the last 12 months. Remarkably, nearly all workers state that they have not experienced any wage delays (99%) or underpayment (97%), and that they always receive pay slips on payday (98%). Management Self-Assessment results and reviewed pay slips indicate that the basic salary offered

Table 2	Monthly Wage (IDR)
<b>Legal Local Minimum Wage</b>	1,236,991
<b>Basic Wage Offered*</b>	1,236,991
<b>Average Monthly Wage*</b>	1,523,326 (Net)
* Source: Management Self-Assessment & Worker Survey	

by the factory is equal to the legally-required minimum wage and is based on a fixed wage, which workers' average earnings exceed (see Table 2). On top of the basic salary, the factory also offers social insurance and several bonuses related to attendance, seniority, position, and individual performance.<sup>6</sup> Worker Survey results show that almost all (97%) workers are covered by the social insurance scheme<sup>7</sup>, and bonuses related to attendance and individual performance are the ones most widely known among workers<sup>8</sup>, with an additional 22% claiming the factory offers a year-end

<sup>4</sup> 1 respondent reported having paid for legal mandatory medical test.

<sup>5</sup> As defined in *FLA Workplace Code of Conduct & Compliance Benchmarks*, ER.3.1: All employment decisions shall be made solely on the basis of a person's qualifications, in terms of education, training, experience, demonstrated skills and/or abilities, as they relate to the inherent requirements of a particular job; ER.3.2: Employment decisions shall not be made on the basis of gender, race, religion, age, sexual orientation, nationality, political opinion, social group, ethnic origin, marital status, or union affiliation or sympathy.

<sup>6</sup> Information obtained from Management Self-Assessment.

<sup>7</sup> The remaining 3% do not know if they are covered by the social insurance scheme.

<sup>8</sup> In the survey, 66% of respondents state the factory has attendance bonus, 50% indicate the existence of individual performance bonus, 49% point out the factory offers seniority bonus, and 35% mention bonus on position.

bonus as well. Management reports that free/subsidized meals and medication/medical care are offered at the factory, which is verified by most workers<sup>9</sup>.

In regard to overtime pay, almost all (99%) workers state they are always compensated for overtime work<sup>10</sup>. Moreover, a great majority (91%) of workers are aware of being: 1) paid at a premium rate and 2) fully paid during legally-entitled leave, which is in line with Management Self-Assessment results. These findings imply that the factory pays workers according to legal standards and that, in general, workers possess knowledge of overtime work and compensation.

## 2.3 Hours of Work

This section looks into the factory's working hours management system and its daily practices. Management reports that the factory has distinguished peak seasons and low seasons. Management Self-Assessment and document review show that during low season, workers work 5 days per week, with an average of 8 hours per day and 54 hours per week; in peak season, they work 6 days per week, with an average of 10 hours per day and 57 hours weekly. In the Worker Survey, over half (54%) of workers report that they work 8 hours a day<sup>11</sup> and almost all (98%) work 5 days a week<sup>12</sup>. As for peak season, three-quarters (75%) of workers report that they work 6 days per week<sup>13</sup>, and the workload of the majority (89%) of workers is between 10 and 11 hours per day<sup>14</sup>. These findings suggest that there may be a risk of potential violation of FLA benchmarks<sup>15</sup> at the factory. Root causes for this issue may be closely related to the factory's business operations. There have been unexpected late deliveries and damages to raw/packaging materials from brand-nominated suppliers that, as the factory reports, have occurred several times a year. Once or twice a year, the factory also encountered: 1) sudden changes of product styles requested by clients after orders were placed, 2) buyer's requests of shorter delivery time, 3) labor shortages during peak season, and 4) an overload of the factory's overall productivity<sup>16</sup>.

With regards to work overtime, management states that workers are informed of overtime work in the afternoon of the same day, results which concur with those of almost all (93%) workers. 6% of workers are notified in the morning of the day when overtime is needed, 1% are notified 1 day or more in advance. The great majority (87%) of workers report that they have been told that they could

---

<sup>9</sup> 83% of workers state they enjoy free/subsidized meals and 96% enjoy free/subsidized medication/medical care. Around a third (33%) of workers state that they also receive subsidization on accommodation.

<sup>10</sup> 1 respondent states that overtime payment is "mostly" paid.

<sup>11</sup> 3% state they work 9 hours per day, 20% work 10 hours per day, 21% work 11 hours per day, 1% work 12 hours per day, and 1% work 13 hours per day.

<sup>12</sup> The remaining 2% state they work 7 days per week.

<sup>13</sup> 20% of workers state they work 5 days per week in the peak season, 4% state they work 5.5 days per week, and the remaining 1% state they work 7 days per week.

<sup>14</sup> 5% state they work 8 hours per day, 4% work 9 hours per day, 28% work 10 hours per day, 61% work 11 hours per day, 1% work 12 hours per day, and 1% work 13 hours per day.

<sup>15</sup> 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.

<sup>16</sup> Information obtained from Management Self-Assessment.



refuse overtime work<sup>17</sup>; however, wider coverage could be achieved in a consistent manner, through activities like daily briefings/meetings.

## 2.4 Industrial Relations

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

According to the management, there is a trade union and a bipartite cooperation institution<sup>18</sup> in the factory. Almost all (94%) workers are aware of the current representative bodies. However, a considerable number (41%) of workers state they have not taken part in activities/meetings held by the representative bodies<sup>19</sup>, even though management reports they are arranged on a regular basis. Additionally, the factory has 12 worker representatives<sup>20</sup> who are known by almost all (94%) workers. Management reports that solely workers elect worker representatives, this is confirmed by over three quarters (78%) of workers who know of worker representatives; almost all (97%) workers report having participated in the election process. Significantly, the number of workers who consider themselves unfamiliar with the responsibilities of worker representatives is minimal<sup>21</sup>: around two thirds (65%) state they have spoken to worker representatives to both share problems encountered and give suggestions<sup>22</sup>. Three-quarters (75%) of workers regard worker representatives an effective means to solve problems. Moreover, 86% of workers say they always receive feedback/results on meetings between workers/worker representatives and management.<sup>23</sup>

Although all workers report that their relationships with their supervisors are decent<sup>24</sup>, most (65%) feel nervous toward management's inspection at work to varying extents<sup>25</sup>. Management reports that the factory has no trainings targeting worker participation and communication.

---

<sup>17</sup> 8% of workers state they are not informed of the right to refuse overtime work, while the remaining 5% did not answer.

<sup>18</sup> As stated in Management Self-Assessment, the trade union ([Trade union name]) was established in March 2008. The bipartite cooperation institution ([Institution name]) was founded on October 28, 2009, as a mandatory worker-management committee required by the Indonesian Labor Law. Their main responsibilities include: 1) accommodate, respond and solve problems and avoid early employment, potential misunderstandings, and differences in opinion in deliberation; 2) support and encourage discipline, peace and tranquility and excitement of work effort; 3) establish other institutions related to interests of labor; and 4) increase employee participation in developing and advancing the factory.

<sup>19</sup> 16% of workers state they take part in the activities/meetings quite often, and 43% say they have participated for once or twice.

<sup>20</sup> Stated in Management Self-Assessment, there are 5 worker representatives in the union and 7 in [Institution name]. The major role of worker representatives is to "accommodate and convey all aspiration of all employees."

<sup>21</sup> Only 6 respondents (4%) say they do not understand what worker representatives do, 44% understands "to a good extent," 49% think they "partly" understand, and the remaining 4% did not answer.

<sup>22</sup> 32% state they have talked to worker representatives once, 35% have done so more than once, while the remaining 33% have never spoken with worker representatives.

<sup>23</sup> 11% state they "sometimes" receive feedback/results of meetings or discussions, 1% do not receive any feedback/results, and the remaining 2% do not know.

<sup>24</sup> 74% of workers say they get along well with their supervisors, and the remaining 26% say their relationship is "more or less okay."

<sup>25</sup> The remaining 35% considers themselves not nervous towards management's inspection at work.



To conclude, workers have good knowledge of the factory's existing worker representative mechanisms. The degree of interaction between workers and worker representatives is high, and workers are well informed of the results from meetings/discussions. Issues that could be improved include: 1) workers' lack of participation in collective activities/meetings, 2) their widespread nervousness toward management, and 3) lack of training on worker participation and communication. For healthy and sustainable industrial relationships, the factory is suggested to develop specified training plans on how workers can: 1) actively take part in factory affairs and 2) effectively communicate with the management.

## 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.

Factory management states that policies and regulations regarding harassment, abuse<sup>26</sup>, discrimination, and workplace conduct/discipline are in place, which is echoed by the majority (83%) of workers<sup>27</sup>. Nearly all participants report they have not experienced harassment/abuse (99%), discrimination (98%), or monetary fines for violating factory rules (98%). Similarly, almost all workers have free unlimited access to toilets (99%) and drinking water (98%). In addition, 96% find the disciplinary measures fair and reasonable<sup>28</sup>, and all report that the factory allows them to take emergency leave. Management reports that security searches are performed, stating that body searches are part of the factory's daily routine. This is confirmed by 94% of workers, among whom all regard the security searches as appropriate. The majority (85%) of workers report that their bodies were searched on a daily basis. Considering the fact that body searches are common practice in most factories within the garment and textile industry in Indonesia, along with the absence of legislation, it is suggested that a more in-depth assessment is carried out at the factory by either an affiliated brand or FLA. Doing such an assessment would help to better understand the situation and to gain more understanding of the feeling or acceptance of workers towards body searches in particular, before further analysis is made.

## 2.6 Grievance System

Grievance System examines the factory's systems, policies, and practices on: 1) workers' ability 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. The relatively lower scores in this section suggest the existence of substantial problems in the factory in this regard.

---

<sup>26</sup> Shouting and yelling are defined as forms of abuse.

<sup>27</sup> 9% of workers deny the existence of such policies, 7% respond they do not know, and the remaining 1% remains unanswered.

<sup>28</sup> 2% considers only part of the disciplinary measures fair and reasonable, 1% does not know if there are disciplinary measures at the factory, while the remaining 1% states there are no disciplinary measures.

Assessment results show that the factory has several grievance channels<sup>29</sup> for workers to file complaints and express concerns/problems. Nearly all (99%) workers know of the factory's grievance procedure, and only around two thirds (65%) confirms the existence of the anti-retaliation policy, which management reports is in place. Apart from the 16% of workers who state they have not used the grievance channels as they do not have any concerns/problems, over half (53%)<sup>30</sup> of the remaining 84% who do have concerns/problems report to have expressed themselves through the channels, while the rest (47%) have never used them. Of those who voiced their opinions through the existing channels, most were done through suggestion boxes (58%) and line supervisors (28%); their concerns were mainly about canteen food (71%)<sup>31</sup>. Despite the great majority (91%) of workers reporting that their cases were followed up on and that final feedback was given<sup>32</sup>, only 59% were satisfied with the handling results and 40% were "more or less"<sup>33</sup> so.

The findings above suggest that, in general: 1) workers are aware of the factory's grievance procedure, but the anti-retaliation policy is not widely known, 2) some workers do voice their concerns through existing grievance channels, and 3) most of their cases were handled. The factory could enhance its grievance system by increasing the coverage of its anti-retaliation policy to more workers, and reviewing how communication has taken place in its current handling of grievances, aiming to improve workers' overall satisfaction toward their 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, the evaluation regarding Health and Safety focuses on its workplace and canteen. As the score gap between workers and management is a notable one, there may be substantial problems the factory needs to better address.

Only slightly over half (56%) of workers believe that their workplace is not dangerous and is without health risks, and more than a third (32%) think their workplace is fine, but contains potential risks<sup>34</sup>. Almost all (96%) report that the personal protective equipment (PPE) provided by the factory is sufficient to prevent them from unsafe exposure to health and safety hazards<sup>35</sup>. As for noise control, the majority (72%) of workers find their workplace "somewhat noisy" or "a bit noisy."<sup>36</sup> In addition, 87% of workers consider the indoor ventilation/air conditioning/ventilation at

---

<sup>29</sup> According to management, workers can file complaints or express concerns/problems through: 1) suggestion box, 2) line supervisors/section leads, 3) department manager, 4) HR staff, 5) factory director/general manager, 6) trade union/worker representative, 7) bipartite cooperation institution and 8) client/brand hotline.

<sup>30</sup> 42% say they have used the channels once, and 11% report to have used for more than once.

<sup>31</sup> Other concerns include problems with supervisors (30%), working hours and shift arrangements (19%), and problems with co-workers (17%).

<sup>32</sup> 6% states their cases were partly followed up with no final results, 3% say their cases were not followed up at all.

<sup>33</sup> The remaining 1% is "very dissatisfied" with how the factory handles their case.

<sup>34</sup> 2% considers their workplace "quite dangerous," 8% remain uncertain, while the remaining 2% did not answer.

<sup>35</sup> 2% regards PPE as insufficient, and another 2% did not answer.

<sup>36</sup> 5% think their workplace is not noisy at all, 18% regards as quite noisy, 4% describe is as "very noisy," and the remaining 1% did not provide an answer.

the workplace sufficient, while 10% think it is insufficient. 82% of workers report to have participated in the evacuation drill at the factory, while the remaining 18% stated otherwise.<sup>37</sup>

What appears to be less encouraging is that up to 90% of workers report they either “frequently” or “occasionally” have physical pain after a full day of work<sup>38</sup>. While management reports that all workers are trained on the proper use and operation of machinery equipment and tools and almost all (98%) workers confirm the existence of first aid kits that could be easily accessed, over a quarter (28%) of workers also report that they have either had or witnessed injuries at work. According to management, injuries do exist at the factory, and that 8 cases of work-related injuries have occurred in the past 12 months; they were all treated with basic first aid without the loss of a workday<sup>39</sup>.

As reported by both management and the 7% of workers who live there, the factory has a dormitory<sup>40</sup>. Among the workers who live in the dormitory, three-quarters (75%) think their rooms are not crowded at all, and all (100%) consider the number of toilets and shower facilities adequate. The factory canteen enjoys a high usage among workers (97%); 44% of workers feel that the canteen is very clean and hygienic, while as many as 56% hold the opinion “more or less.”

Overall, the factory has an average performance regarding the creation and maintenance of a healthy and safe work environment. The findings suggest that noises, workers’ physical pains, work injuries, full worker participation in evacuation drills, and canteen hygiene are issues that the factory should not overlook and that need improvement upon. Hence, the factory is recommended to: 1) guarantee proper noise control on production floors, 2) introduce recreational tips to workers that may help to ease physical pains caused by repetitive work, 3) look into the root causes of work injuries and strengthen workers’ knowledge in their daily operation, and 4) more actively consult workers on the factory canteen to better identify their needs and to make relevant adjustments.

## 2.8 Environmental Protection

This aspect examines the knowledge and awareness of both workers and management on environmental protection. Generally, workers recognize the importance of energy saving; 97% think it is “very important” or “fairly important,” and 90% agree that saving water and energy will benefit both the factory and the workers. Yet, management reports that the factory does not have incentives to encourage water and energy saving. Furthermore, although most (80%) workers know the existence of a dedicated area for production waste<sup>41</sup>, nearly half (49%) state they do not know how to handle the waste<sup>42</sup>. These findings suggest that the factory should: 1) develop incentives on environmental protection to better motivate and encourage workers to save energy

---

<sup>37</sup> 17% state they have not participated in the evacuation drills, and 1% does not know, as they are a new hire.

<sup>38</sup> 7% report they rarely have physical pain, 1% claims they do not have any physical pain, and the remaining 2% did not answer.

<sup>39</sup> Information obtained from Management Self-Assessment.

<sup>40</sup> 90% of workers state they do not live in the dormitory, 3% believe the factory has no dormitory.

<sup>41</sup> 5% of workers deny the existence of a dedicated area for production waste, while 15% do not know and 1% did not answer.

<sup>42</sup> 11% says they “absolutely” know about waste handling, 37% state they know “a little,” and the remaining 3% did not answer.

and water in their daily work and 2) strengthen relevant training on waste handling, such as waste storage and disposal, ensuring that workers have a better grasp of how to properly handle the waste they produce at work.

## 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 both the Worker Survey and the Management Self-Assessment indicate that there is a resignation procedure in the factory; nearly all (92%) workers know of its existence<sup>43</sup> and 91% are aware of the personnel responsible for handling resignations<sup>44</sup>.

87% of workers believe the factory would not force them to stay if they resigned<sup>45</sup>. According to management: 1) only a few relevant HR/admin staff are trained on handling termination and retrenchment matters and 2) a total of 320 workers left the factory without informing management in the past 12 months<sup>46</sup>, this is echoed by around a quarter (24%) of workers. Notably, as many as 99% of workers state they have neither seen nor heard of workers being laid off by the factory without legitimate reasons. When being asked what would they do if they were unfairly fired or retrenched, nearly all (92%) workers say they would not remain silent<sup>47</sup>, with half (50%) stating they would talk to their supervisors; 44% would speak with management, and 38% would use the factory's grievance channels.

In all, workers possess knowledge of the factory's resignation procedure and are aware of their basic rights toward unfair retrenchment. Weaknesses are found with regards to: 1) the lack of training of relevant personnel, which may possibly hinder the factory's top-down communication to workers and 2) the implementation quality of such policies, thereby resulting in a considerable number of workers unofficially leaving the factory without following the resignation procedure, as reflected in the assessment. The management is thus advised to invest in more training for all relevant staff, so as to facilitate more effective communication and implementation of the factory's termination and resignation policies.

---

<sup>43</sup> With regards to the resignation procedure, over three quarters (76%) of workers know of the steps they should take prior to leaving the factory.

<sup>44</sup> 8% of workers believe that no one handles workers' resignations at the factory, and 1% did not answer. Of the 91% who know of the personnel in charge of resignations, the majority (67%) mention the line manager as the person responsible, while supervisors (31%) and department managers (25%) are also referred to by a few.

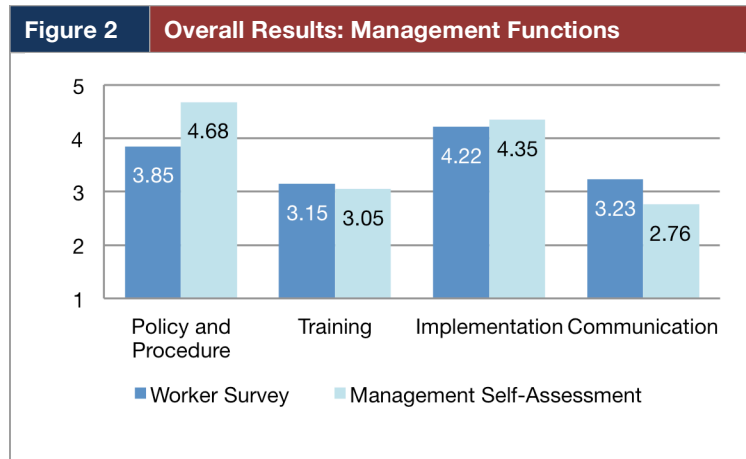
<sup>45</sup> 10% answered "maybe," while 2% gave a definite "yes," 1% did not answer.

<sup>46</sup> Information obtained from Management Self-Assessment.

<sup>47</sup> 8% think they cannot do anything.

## 2.10 Management Functions

The assessment also analyzes the factory’s performance with regards to 4 “Management Functions:” Policy & Procedure, Training, Implementation, and Communication. This allows 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 both Policy & Procedure and Communication.

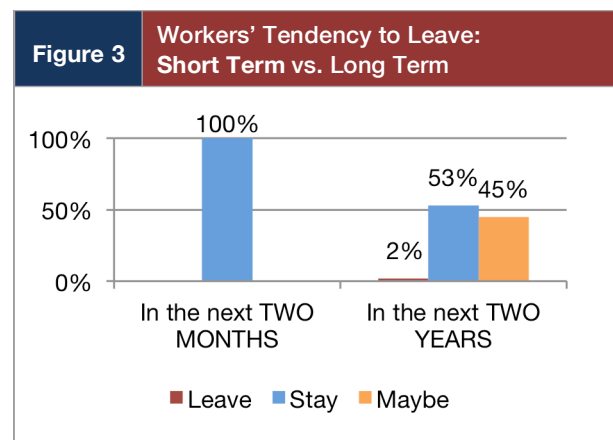


The documents<sup>48</sup> submitted by management show that the factory has written policies and procedures in place that cover most of the Employment Functions. In line with previous discussions, workers are found to have less knowledge of worker participation and communication; anti-retaliation policy; health and safety; and waste handling – topics on which the factory should enhance its training continuously. In addition, the factory shall improve the training for its staff handling resignations and terminations. The factory is encouraged to adopt less rigid forms of training methods (e.g., through direct verbal conversations and interactions) and to develop training materials that are better catered to workers, so as to increase their overall knowledge and awareness of factory policies in a more effective manner.

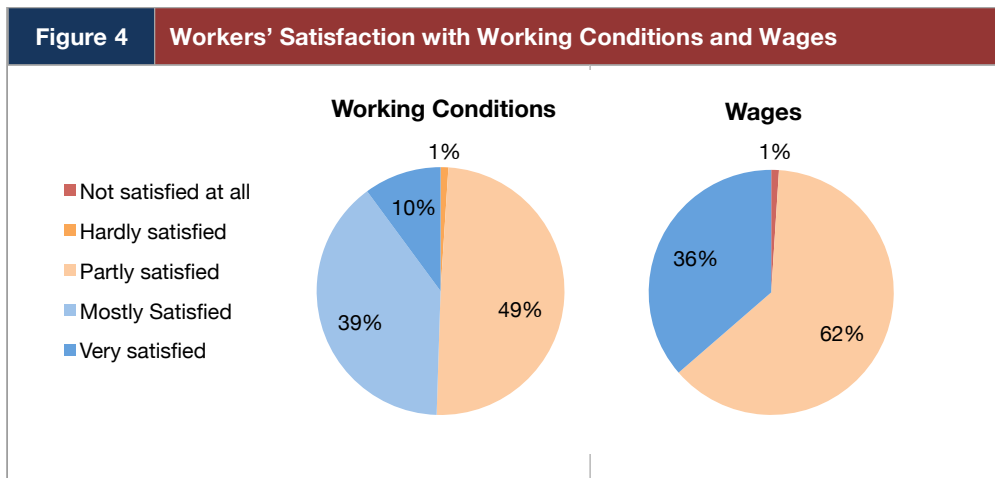
Communication in this context refers to communication between workers, management, and trade union/worker representatives. As previously discussed, more improvements are needed in the workers’ notification of overtime work; grievance handling; participation toward collective activities/meetings; management-worker interaction; and incentives on environmental protection. The factory is recommended to address these issues presented under relevant Employment Functions; more actively and informally consult workers on work- and worker-related topics; and develop incentive-based policies to create a more dynamic communication flow between workers and the factory.

## 2.11 Loyalty and Satisfaction

Along with 9 Employment Functions and 4 Management Functions, the Worker Survey collects workers’ feedback on their tendency to



<sup>48</sup> The documents submitted by management include copies of policies and procedures as well as training records on Freedom of Speech, Non-Retaliation, Harassment and Abuse, Forced Labor, Working Hours, Wage and Benefits, Child Labor, Freedom of Association, Career Development, Management Performance, Recruitment, Disciplinary Measures, and HSE-related (Health, Safety and Environment) policies.



leave and their satisfaction toward working conditions provided by the factory. Impressively, as illustrated in Figure 3, no workers intend to leave the factory in the next 2 months. Over 53% also express certainty that they will remain in the factory for the next 2 years, with only 2% intending to leave, implying that the factory has a relatively stable workforce. As Figure 4 shows, around half (49%) of workers are either “mostly” or “very satisfied” with the factory’s working conditions, along with the same percentage who are “partly” satisfied. As for wages, the great majority of workers are also “partly” satisfied.

## 2.12 Correlation Analysis

Different Employment Functions and Management Functions are analyzed and measured to identify if there are any correlative factors that positively or negatively affect the factory’s overall performance. Key findings are:

- Communication positively correlates with Policy & Procedure and Implementation<sup>49</sup>. With better two-way communication between workers and management, worker representatives, and worker representative bodies the factory’s various policies and procedures can be 1) delivered and maintained more strongly and 2) implemented more effectively.
- Significant discrepancies are found between migrant and local workers concerning Grievance System and Termination & Retrenchment. This implies that migrant workers have better knowledge regarding the factory’s grievance policies and are more active in voicing their concerns through existing channels. Moreover, migrant workers also appear to be more familiar with resignation procedures and their rights to counteract unfair retrenchment.

<sup>49</sup> The correlation coefficients between Communication and Policy & Procedure and Implementation are 0.427 and 0.350 respectively (statistically significant at 0.01 level).