



FAIR LABOR
ASSOCIATION®

INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: Team Beans & Forever Collectibles

COUNTRY: China

ASSESSMENT DATE: 10/10/17

ASSESSOR: Elevate

PRODUCTS: Apparel

NUMBER OF WORKERS: 200

Summary of Code Violations

Companies that join the FLA agree to uphold the FLA Workplace Code of Conduct throughout their entire supply chain. The Code of Conduct is based on International Labour Organization (ILO) standards, and defines labor standards that aim to achieve decent and humane working conditions.

While it is important to note when violations of the FLA Workplace Code of Conduct occur, the purpose of these assessments is not simply to test compliance against a particular benchmark, but rather to develop an understanding of where and how improvements can be made to achieve sustainable compliance. Code of Conduct violations can be found throughout the course of an assessment of the employment and management functions, and are addressed in companies' action plans.

Findings and Action Plans

FINDING NO.1

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. The factory has not hired any disabled workers, which is a violation of local legal requirements, that state that at least 1.5% of the workforce should be disabled workers. There are 28 workers in the factory; therefore, there should be at least one-disabled worker.

Furthermore, the factory does not contribute to the Employment Security Fund in lieu of employing disabled workers. ER.14

2. The factory does not have a formal performance reviews. Supervisors conduct rough performance reviews for workers, but these are not documented. ER.1.3, ER.29.1

Local Law or Code Requirement

Regulations on the Employment of Persons with Disabilities (2007), Article 8; FLA Workplace Code (Employment Relationship Benchmarks ER.1.3, ER.14, and ER.29.1)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Factory Is currently reviewing this matter with regards to meeting the requirement Including learning about the employment security fund.

Action Plan no 2.

Description

Factory Is currently working on a suitable performance review procedure for the work force. 3 worker have been voted as the work force representatives.

FINDING NO.2

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. A total of 28 employees were eligible to be enrolled in the five types of social insurance; however, only 25 employees were enrolled in pension insurance, medical insurance, occupational injury insurance, unemployment insurance, and child-bearing insurance. Furthermore, the contribution base of all 25 workers was the minimum legal amount, rather than their actual earnings. ER.22.1, ER.22.2, C.10

Remark: Based on the social insurance receipt and bank transferring records, the factory afforded the social insurance fees of both employer and employees and the workers were not deducted such fees from wages, e.g. the factory contributed RMB1126 (USD170.60), which equaled to 40.21% of the basis of legally required social insurance contribution fee RMB2800 (USD424.24).

2. The factory does not pay into the legally required Housing Provident Fund for any of the workers. ER.22.1, C.10

Local Law or Code Requirement

Labor Law of PRC, Article 72; Social Insurance Law of PRC, Articles 58 and 60; Regulation on the Housing Provident Fund Management (2002), Article 15; Notice on Adjustment of Social Insurance Contribution Base of Yangzhou City in 2017; FLA Workplace Code (Employment Relationship Benchmark ER.22; Compensation Benchmark C.10)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Provide occupational injury insurance to all employees through social or commercial insurance. 2. Set up improvement program to fully provide legally required five types of social insurance to all employees based on the minimum contribution basis. 3. Adjust contribution basis to employees' actual earning. 4. Pay legally required Housing Provident Fund to all employees.

FINDING NO.3

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

Based on the review of time records of recent one year from September 2016 to August 2017, 100% of the workers' monthly overtime working hour ranged from 42 hours to a maximum of 58 hours in December 2016, March 2017, April 2017 and Aug 2017, and 70% of sampled workers' monthly overtime hours ranged from 52 to 64 hours from May to July 2017 (due there were 3 shifts in computer knitting section in peak season). The average was 52 hours of monthly overtime, with a maximum of 64 hours in July. HOW.1.1

Local Law or Code Requirement

Labor Law of PRC, Articles 41; FLA Workplace Code (Hours of Work Benchmark HOW.1)

Recommendations for Immediate Action

Ensure workers do not work more than 36 hours of overtime per month.

Develop a plan to annually decrease 2-3 weekly overtime hours for the upcoming years in order to implement a production strategy that does not include overtime on a regular basis.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Analyze the root cause of excessive overtime hours.
2. Set up the corrective plan based on root causes including but not limit to increase production capacity, or negotiation lead time with buyers.
3. Coordinate following topics with buyers: how to provide better order forecasts to the factories; possible workshops/consultancy for the factory on how to improve productivity/quality; clear guidelines on how to extend shipment deadlines in case of contingencies; steps that factory management must follow if overtime is inevitable; clear guidelines on the calculation and setting of reasonable production targets that will not demand work beyond regular working hours or during breaks; and clear guidelines

on how and when the factory can use subcontractors and/or temporary workers to avoid excessive overtime.

FINDING NO.4

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

The Chinese constitution guarantees Freedom of Association; however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union – the All China Federation of Trade Unions (ACFTU). According to the International Labor Organization (ILO), many provisions of the Trade Union Act are contrary to the fundamental principles of freedom of association, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. Recently, however, the government has introduced new regulations that could improve the functioning of the labor relations' mechanisms. The Amended Trade Union Act of October 2001 stipulates that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. It also grants the trade union an enhanced role in dispute resolution. In December 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements. FOA.2, FOA.10, FOA.11, and FOA.12

Local Law or Code Requirement

FLA Workplace Code and Benchmarks (Employment Relationship Benchmark ER.16.2; Freedom of Association Benchmarks FOA.2, FOA.10, FOA.11, and FOA.12)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Provide awareness training to all employees on industrial relation and freedom of association together with legal requirements.
2. Consult with employees on topic of set up trade union or worker representatives committee.
3. Coordinate and provide necessary support to employees to set up trade union or worker representative committee.
4. Arrange regular meeting between management and worker or union representatives.
5. Communicate the meeting minutes with all employees and get their input of feedback.

FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. None of the sewing machines have needle guards. HSE.14.1
2. The factory only provides cotton facemasks for workers in yarn section who was in contact with cotton dust. HSE.7
3. The chairs provided to seated workers are not adjustable and do not have backrests to minimize workers' bodily strains. Additionally, the factory has not conducted an ergonomics assessment to identify potential repetitive stress issues. HSE.17.1
4. There is no MSDS for the cleanser used in the factory. HSE.10.1
5. There is no secondary containment for the two barrels of cleanser in the factory. Additionally the factory has not provided a spill kit for these chemicals at the sample room. HSE.9.1

Local Law or Code Requirement

PRC Work Protective Equipment Outfit Standard, clause 8-13; Regulation for Safety of Dangerous Chemical article 20; Regulation for Chemical Usage Safety in Work Place clause 27; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.7, HSE.9, HSE.10, HSE.14, HSE.17)

Recommendations for Immediate Action

1. Ensure that all production machinery, equipment and tools have the correct safety guards.
2. Provide the anti-dust masks to workers in the yarn section.
3. Obtain an MSDS for the cleanser.
4. Provide secondary containment for the cleanser barrels.

COMPANY ACTION PLANS

Action Plan no 1.

Description

We have been aware of the problem and have installed protective devices for the working machines and have regular inspections.

Action Plan no 2.

Description

We have been aware of the problem and have been equipped with dust masks for employees who are exposed to dust.

Action Plan no 3.

Description

Factory Is currently working on purchase of new adjustable Chairs. Factory Is also looking for 3rd party to conduct ergonomics assessment to Identify potential repetitive stress Issues

Action Plan no 4.

Description

HSE 10.1 MSD FOR CLEANER

Action Plan no 5.

Description

Chemicals are now kept In secondary containment container,