



COMPANIES: Lakeshirts, Inc.

COUNTRY: Pakistan

ASSESSMENT DATE: 11/15/16

ASSESSOR: Insync Global

PRODUCTS: Apparel

NUMBER OF WORKERS: 450

FLA Comments

Company Comment: Lakeshirts ceased sourcing from this supplier at the end of 2016, for internal business reasons. Lakeshirts only constituted a small percentage of the production at this factory, and the company's exit will not cause any retrenchment. Lakeshirts left the factory before the creation of a remediation plan, therefore no remediation plan will appear on the report.

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 does not have a formal written policy on the following Employment Functions: Recruitment & Personnel Development, Termination & Retrenchment, and Industrial Relations. However, there are some documents or systems in place to manage Termination.
2. The factory does not have formal written procedures on the following Employment Functions: Recruitment & Personnel Development, Compensation, Termination & Retrenchment, and Grievance System. However, there are some documents or systems in place to manage Compensation, Termination, and Grievance System.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.7, ER.19, ER.25, ER.28, ER.29, ER.30, and ER.32)

FINDING NO.2

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Training (Macro)

Finding Explanation

1. The orientation training provided to new workers does not cover Industrial Relations.
2. The factory does not provide specific training for the relevant supervisors or ongoing training for workers on the following Employment Functions: Recruitment, Hiring & Personnel Development; Compensation; Hours of Work; Termination & Retrenchment; Industrial Relations; Workplace Conduct & Discipline; Grievance System; and Environmental Protection.
3. The factory does not provide specific training on Workplace Conduct & Discipline for the relevant Human Resources (HR) personnel and administrative staff.
4. Workers with maintenance responsibilities do not receive specific training on maintenance safety. Workers with specific, additional responsibilities in responding to an emergency such as an earthquake, flood, or terrorist attack do not receive training so that they can effectively execute these responsibilities. The general Health & Safety training provided to workers does not cover ergonomics or electrical safety.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.15, ER.17, and ER.27; Compensation Benchmark C.17; Health, Safety & Environment Benchmarks HSE.5 and HSE.14)

FINDING NO.3

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Communication & Worker Involvement (Macro)

Finding Explanation

1. The factory does not communicate with workers regarding its policies, procedures, and their updates on any of the Employment Functions.
2. The factory does not communicate all legal updates to employees. Recent legal updates on sick leave, minimum wages, life insurance, and disability benefit insurance have not been communicated to workers using any channel of communication, as is required by law.
3. Abstracts of the applicable labor laws, such as the Factory Act and Compensation Act, were not posted on notice board in the factory as required by the respective Act.

Local Law or Code Requirement

The Sindh Factories Act 2015, Chapter VIII; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.2, ER.16, ER.25, ER.27, ER.29, and ER.30; Compensation Benchmark C.17)

FINDING NO.4

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Review Process (Macro)

Finding Explanation

1. The factory does not have a mechanism for the regular review and update of its policies and procedures. The procedures were all created on January 1, 2013 and have not been systematically reviewed since.
2. The factory has not updated its Compensation policy to reflect the October 2016 minimum wage increase, the April 2016 change to sick leave requirements, or the May 2016 change to life insurance coverage requirements. Neither have they updated the policy to reflect the increase in disability benefit insurance contributions required as a result of the October 2016 wage increase.
3. Merchandising and marketing manager of the factory has signed on all policies and procedures but his responsibilities related to Human Resources (HR) have not been defined anywhere in the system.
4. The responsibilities of management staff responsible for managing the Employment Functions are communicated verbally and not in writing.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.2, ER.28, ER.29, ER.30, and ER.31)

FINDING NO.5

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. 15 out of 25 piece-rate workers stated during interviews that they had not receive a copy of their employment contract, although a signed copy is maintained in their personnel files.
2. The factory has not hired any apprentices; however, local law requires that 20% of the workforce be made up of apprentices. Given the size of the workforce at the time of the assessment, the factory would need to employ 80 apprentices.
3. The factory does not conduct performance reviews for any workers. Workers are never promoted. Instead, salaries are revised based on informal management decisions.
4. There are no written job descriptions available for any positions at the time of hiring.

Local Law or Code Requirement

The Sindh Terms of Employment (Standing Orders) Act 2016, Section 3; Apprenticeship Ordinance 1962 section 4. Obligations of employers; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.29, and ER.30; Child Labor Benchmark CL.8)

FINDING NO.6

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

The factory does not pay the current minimum wage. The minimum wage for unskilled workers was increased from PKR 13,000 to PKR 14,000 (USD 124.02 to USD 133.62) in October 2016, effective as of July 1, 2016 (the effective date is backdated). At the time of the assessment (November 2016) the factory was still paying workers PKR 13,000 (USD 124.02) per month. Although they were notified of the most recent change in October 2016, the factory had not yet revised its Compensation policy.

The factory does not guarantee that piece-rate workers will receive at least the legal minimum wage; they do not pay the difference when piece-rate workers' earnings fall below the minimum wage due to low production volumes. The factory employs 25 piece-rate workers in the "ideal 5" section. Three out four piece-rate workers (two machine operators and two helpers) worked 25 days in the month of October 2016 and were paid PKR 11,594 (USD 110.66), PKR 11,553 (USD 110.26) and PKR 11,622 (USD 110.92) respectively. The fourth piece-rate worker worked 12 days and was paid PKR 5,250 (USD 50.11). The other 21 piece-rate workers were paid more than PKR 13,000 (USD 124.08) per month. However, the minimum wage is PKR 14,000 (USD 133.62) per month.

The factory does not issue termination payouts by the end of the second working day after the date of termination, as required by law. A sample of six personnel files showed that one worker was paid six days after resignation, one worker was paid 15 days after resignation, and four workers were paid after one month after resignation.

The legal requirements on sick leave were updated in April 2016 but the factory has not yet revised their Compensation policy to reflect this and continues to follow the old guidelines. Previously, the law required the factory to provide 16 days of sick leave with half pay. The revised law of April 2016 requires the factory to provide 16 days of sick leave with full pay.

The legal requirements on life insurance coverage were updated in May 2016 but the factory has not yet revised their Compensation policy to reflect this. The insurance coverage requirement increased from PKR 200,000 (USD 1,908.85) to PKR 500,000 (USD 4,772.13). The factory's disability benefit insurance contributions have not been revised from PKR 6500 (USD 62.04) to PKR 7000 (USD 66.81) per worker, according to the revised minimum wage. Local law requires disability benefit contributions to be half of the legal minimum wage. The factory does not contribute towards the workers' children education program as required by law.

The factory has a policy for providing loans to employees which states that workers who have been employed at the factory for more than one year can request a loan from management. The loan limit and term of repayment are not defined. Repayment amounts are mutually agreed upon between the worker and the employer. A review of the loan records revealed that loans have been provided to eight employees. The workers' name, department, loan amount, and balance due is recorded. This document is not signed by the workers. Deductions are recorded in the payroll. The factory does not obtain workers' written consent regarding these deductions.

Local Law or Code Requirement

The Sindh Terms of Employment (Standing Orders) Act 2016, Sections 6, 12, and 16; The Sindh Factories Act 2015, Section 79; Workmen Compensation Act, Schedule IV; Workers' Children Education Ordinance 1972, Section 3; Minimum wages notification issued by Sindh government on October 30, 2015 Ref: L-II-13-4/78-1; Minimum wages notification issued by Sindh government on October 14, 2016 Ref: L-II-13-3/2016; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.19, and ER.22; Compensation Benchmarks C.1, C.2, C.4, and C.11; Hours of Work Benchmarks HOW.1 and HOW.16)

Recommendations for Immediate Action

1. Pay the minimum wage (PKR 14,000 (USD 133.62)). Retroactively compensate any workers who did not receive the minimum wage in the last 12 months.
2. Ensure that piece-rate workers meet the minimum wage, even if they do not produce enough pieces to reach a minimum wage through the piece-rate system. Pay these workers the difference. Retroactively compensate any workers who did not receive the minimum wage in the last 12 months
3. Issue termination payouts by the end of the second day after the date of termination, as required by law.
4. Provide 16 days of sick leave with full pay, as required by law.
5. Increase workers' life insurance coverage from PKR 200,000 to PKR 500,000 (USD 1,908.85 to USD 4,772.13), as required by law.
6. Increase disability benefit insurance contributions as per the revised minimum wage.
7. Contribute PKR 100 (USD .95) annually, per worker, towards the workers' children education program as required by law.

FINDING NO.7

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Termination & Retrenchment

Finding Explanation

The factory does not maintain resignation letters in resigned workers' personnel files. Instead, workers verbally communicate to management their intent to discontinue their employment.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.2 and ER.32.2)

FINDING NO.8

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. The Hours of Work procedures do not cover: a) how a worker should record their attendance if they forget to bring their swipe card to work or misplace the card; or b) information on special working hours provisions for special categories of workers, including pregnant women and new mothers.
2. The working hours records do not identify pregnant and lactating women.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.2, and ER.23; Hours of Work Benchmark HOW.5; Non-Discrimination Benchmark ND.8)

FINDING NO.9

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

The worker representation structure is not independent from management interference. There are 14 members of the Worker Council, one of whom is a management representative who attends all meetings. The other 13 members were freely elected by workers.

Local Law or Code Requirement

FLA Workplace Code (Freedom of Association Benchmark FOA.10)

FINDING NO.10

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. The Workplace Conduct & Discipline procedures do not: a) require all warnings and disciplinary actions to be recorded and maintained in workers' personnel files; b) define the types of misconduct, the actions that will be taken for each type of misconduct, or the timeline of disciplinary actions; c) allow workers to appeal disciplinary actions taken against them; d) embody a system of progressive discipline; e) require that workers be informed when disciplinary actions are initiated against them; f) give workers the right to participate and be heard in disciplinary procedures; g) require workers to sign written records of disciplinary actions taken against them; or h) require a third party witness to be present during the imposition of disciplinary actions.
2. The factory does not record all warnings and disciplinary actions in workers' personnel files. At the time of the assessment, the factory had not taken disciplinary action against any workers; only verbal warnings had been issued, but they were not documented.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.2 and ER.27)

FINDING NO.11

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. There are no spill response kits in the chemical, machine oil, and diesel storage and usage areas (the generator room where diesel is stored and used, and the main stores where chemicals are stored).
2. The factory has not conducted an environmental risk assessment to identify whether its on-site operations generate any negative environmental impacts.
3. The Environmental Protection policy does not include a statement of the factory management's general support of energy and water efficiency and a commitment to minimize impacts with respect to air emissions, waste, hazardous materials and other applicable environmental risks. The Environmental Protection procedures do not include: a) procedures on managing the factory's environmental impact to its surroundings, such as reducing air emissions; b) procedures to enable workers to raise environmental concerns; c) procedures that protect workers who allege environmental violations; and d) procedures for reporting environmental emergencies.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.31; Health, Safety & Environment Benchmarks HSE.5 and HSE.6)

Recommendations for Immediate Action

Provide spill response kits wherever chemicals are used or stored (i.e. the generator room and the main stores).

FINDING NO.12

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory has not commissioned a third-party fire risk assessment.
2. One fire alarm button in the sample room is obstructed by a table.
3. The food counter in the canteen is placed in front of one of the canteen's two emergency exits, blocking the door. There is also no emergency light above the emergency exit door.
4. Corrugated waste cartons, polybag, and fabric waste are stored together in an open area near the cargo lift. This poses a fire risk.

Local Law or Code Requirement

The Sindh Factories Act 2015, Sections 21 and 29.3; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.5, and HSE.6)

Recommendations for Immediate Action

1. Commission a qualified third-party to conduct a fire risk assessment.
2. Ensure that fire alarm buttons are unobstructed at all times.
3. Move the food counter in the canteen and ensure that emergency exits are unobstructed at all times. Install an emergency light above the canteen emergency exit door.
4. Segregate waste material prior to storage and store in a secure and protected area.

FINDING NO.13

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The canteen roof is covered in asbestos sheeting. Management has not taken the proper steps to ensure that workers are not exposed to asbestos; for example, there are no warning signs posted to indicate the presence of asbestos, no inspections are carried out to ensure that the asbestos is in good condition (not cracking), and workers have not been trained on what to do if they notice any damage to the asbestos. The assessors did not notice any damage to the asbestos sheeting at the time of the assessment.
2. The eye wash station is located on the ground floor instead of near the stain removing areas located on each floor.
3. Approximately 25% of the 196 sewing machine operators were not using the dust masks they were provided.
4. The factory has not provided helmets to maintenance workers who work at heights.
5. One of the 11 eyelet machines is not equipped with a finger guard.
6. There are no indicators, convex mirrors in dead ends, reflectors, etc. installed to ensure safe driving practices on factory premises.
7. The factory has not implemented a lockout/tagout program by locking out equipment when needed.
8. One electric panel door was left open near the cargo lift, posing a risk of electrocution. There is also no danger sign posted on one electric panel in the generator room.

9. Lifting belts have not been provided to workers who lift heavy objects.
10. The factory is not taking proactive steps to reduce repetitive motion stress/injuries. Workers with standing jobs are not provided with anti-fatigue mats. The chairs used by seated workers do not have back rests; these workers sit on hard stools while working, which could cause bodily injury. The work stations are not adjustable to fit individual workers.

Local Law or Code Requirement

The Sindh Factories Rules 1975, Rules 18, 20, 38, and 54; Sindh Factories Act 2015, Sections 2, 21, 29.3, and 33-G; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.6, HSE.7, HSE.8, HSE.9, HSE.13, HSE.14, and HSE.17)

Recommendations for Immediate Action

1. Post warning signs to indicate the presence of asbestos sheeting. Monitor the asbestos sheeting for damage (e.g. cracks) and train workers on what to do if they notice any damage. If the asbestos sheets are replaced in the future (as management indicated they intend to do) ensure that the following precautions are taken: commission a qualified third party to remove the asbestos, evacuate and seal off the area during removal, and use appropriate equipment and PPE for asbestos removal.
2. Provide eye wash stations near the stain removing areas located on each floor.
3. Train workers on the proper use and maintenance of PPE and monitor compliance to ensure that the sewing machine operators are using the dust masks provided.
4. Provide helmets to maintenance workers who work at heights.
5. Install finger guards on all eyelet machines.
6. Install indicators, convex mirrors, and reflectors to ensure safe driving practices on factory premises.
7. Implement a lockout/tag out program by locking out equipment when needed.
8. Train workers on electrical safety and monitor compliance to ensure that electrical panel doors are not left open. Post "Danger" signs on all electrical panels in the generator room.
9. Provide lifting belts to workers who lift heavy objects.

FINDING NO.14

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Shoes are kept near the cooking areas in the kitchen, which poses a hygiene risk.
2. There is no soap or way to dry hands at the canteen sink.
3. Most of the first aid kits in the work areas were missing bandages and burn kits. The first aid kit in the kitchen (where the risk of burns is high) was also missing burn dressings and bandages.
4. No finger protection is provided to canteen workers involved in cutting vegetables using sharp fixed knives.
5. Only one glass has been provided at each drinking water station for workers to share.
6. There is no child care room, although it is a legal requirement.
7. The factory only tracks illnesses specifically reported by workers. They do not include records of sick leaves.

Local Law or Code Requirement

Factories Canteen Rules 1959, Rule 5; The Sindh Factories Act 2015, Section 2; The Sindh Factories Rule 1975, Rule 91; FLA Workplace Code (Employment Relationship Benchmark ER.22; Health, Safety & Environment Benchmarks HSE.1, HSE.3, HSE.6, HSE.7, HSE.18, HSE.19, HSE.22, and HSE.23; Non-Discrimination Benchmark ND.8)

Recommendations for Immediate Action

1. Train canteen workers on food safety. Provide an alternate area to store shoes and monitor compliance to ensure that shoes are not kept near the cooking areas.
2. Provide soap and a way to dry hands at the canteen sink.
3. Regularly inspect first aid kits and replace any missing items.
4. Provide finger protection to canteen workers.
5. Provide enough glasses so that workers do not have to share.
6. Provide a child care room for new mothers, as legally required.

FINDING NO.15

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The Health & Safety procedures do not include a framework for a comprehensive Health & Safety management system, including:
a) Standard Operating Procedures (SOPs) for each job with a focus on performing the job safely; b) a list of equipment that requires lockout/tagout; c) steps on how to ensure that all special categories of workers and children in childcare facilities are safely evacuated; d) a list of confined spaces that require work permits and the precautions people must take prior to, or during entry and stay in each confined space; e) measures to protect the reproductive health of employees by minimizing exposure to workplace hazards; f) steps that should be taken to protect workers if there is an accidental chemical spill (including identifying those who are responsible for cleaning up the spill); g) a requirement to conduct a fire risk assessment; h) the roles and responsibilities of emergency personnel; i) how workers can raise Health & Safety concerns; j) protection against retaliation for workers who raise Health & Safety concerns; and k) the steps for reporting death, injury, and other Health & Safety issues.
2. The Health & Safety risk assessment conducted by the compliance manager did not analyze the frequency, probability, and severity of potential risks (e.g. the risk associated with the two cargo lifts). The risk assessment did not cover procedures for controlling and minimizing risk, such as administrative procedures (training and awareness) and engineering procedures (taking appropriate actions based on the risks identified and providing the appropriate PPE).
3. The chemical safety risk assessment conducted by the compliance manager did not cover the availability of eye wash stations, MSDS, spill response kits, fire extinguishers, "no smoking" signs, or the condition of the storage areas. The risk assessment did not cover procedures for controlling and minimizing risk, such as administrative procedures (training and awareness) and engineering procedures (taking appropriate actions based on the risks identified and providing the appropriate PPE).
4. The factory has a building stability certificate as legally required; however, it is not dated to verify when the inspection was done.
5. The factory does not provide comprehensive guidance for external contractors/service providers concerning Health & Safety, they only provide some basic safety instructions on the reverse side of the entry passes.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.2, and ER.31; Health, Safety & Environment Benchmark HSE.9)