



FAIR LABOR
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INDEPENDENT EXTERNAL ASSESSMENT REPORT



Verification Assessment

COMPANIES: New Balance Athletics Inc.

COUNTRY: Indonesia

ASSESSMENT DATE: 08/10/17

ASSESSOR: Donny Triwandhani

PRODUCTS: Apparel

NUMBER OF WORKERS:

FLA Comments

This SCI is a verification assessment of assessment AA0000001970. All corrective action plan updates for AA0000001970 will be published on this 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.

Previous Report Findings and Verification Results

PREVIOUS FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. There is no procedure to enable workers to raise concerns regarding Health, Safety, and Environmental Protection. In addition, there are no procedures to protect workers who allege environmental or Health & Safety violations. ER.31
2. There is no procedure for reporting environmental emergencies. ER.313. The factory does not arrange specific training to supervisors regarding Environmental Protection. ER.17 4. The factory has not arranged for an inspection by the Environmental Department in order to obtain the legally required permit for the storage of hazardous waste. HSE.2, HSE.4

Local Law or Code Requirement

Government Regulation No. 18 on Management on Hazardous and Toxic Waste (1999), Art. 40 (1); FLA Workplace Code (Employment Relationship Benchmarks ER.17.1 and ER.31; Health, Safety and Environment Benchmark HSE.4)

Recommendations for Immediate Action

1. Arrange for the legally required inspection by the Environmental Department in order to obtain the permit for the storage of hazardous wastes from the local Environmental authority.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Partially Remediated

Explanation:

The factory has a procedure that enables workers to raise concerns regarding Health, Safety, and Environmental Protection (RSK-P-HRD-012, issued on January 29, 2016 and revised on February 15, 2016), however, the procedure overlaps with raising concerns regarding Industrial Relations; the procedures are not specific to Health, Safety, and Environment. Hence, there is no clear step on the timeline for the responsible HSE person to take action after receiving concern raised by worker, what step needs to be taken after the concern has been investigated and whether the worker is able to refuse to work before the conditions are remediated. ER.31; HSE.1
Even though, the procedure to protect workers who allege environmental or Health & Safety violations is stated in RSK-P-HSE-019 issued on January 29, 2016 point 3.1.3, factory management must provide protection guarantee to workers who report situation on their workplace from intimidation. ER.31.2.6

Root Causes:

No annual review conducted periodically. The last review was on February 15, 2016 and no further review conducted. Furthermore, the person who create and revised the procedure has already resigned on June 2016 and no one has replaced the position.

2. Finding Status: Not Remediated

Explanation:

Current procedure for reporting environmental emergencies (RSK-P-HSE-019 issued on January 29, 2016) has not clearly stated steps to report any environmental emergencies (flow chart) and to whom workers shall report any environmental emergencies occurrence, and how long (time frame) the person in charge will handle the concern. HSE.1; ER.31.2.5.

Root Causes:

No annual review conducted periodically. The last review was on February 15, 2016. Furthermore, the person who create and revise the procedure resigned on June 2016 and no one has replaced that position). Furthermore, current HSE officers handle many aspects at the factory (HSE, C-TPAT, Technical) which creates time constraints in allowing for procedure review.

3. Finding Status: Partially Remediated

Explanation:

The factory has arranged specific training to supervisors regarding Environmental Protection, however this training has not been conducted for each supervisor at the factory since the following: November 18, 2016 for 24 out of 59 supervisors, July 11 and 13, 2017 for 42 out of 59 supervisors. ER.17.1, ER.17.2.
Furthermore, based on attendance lists of trainings in 2016 and 2017, none of the attendees have had refresher trainings on these specific trainings. ER.17.3.

Root Causes:

The tight production schedule made this training only available to supervisors who were able to attend.

4. Finding Status: Partially Remediated

Explanation:

The factory has the legally required permit for the storage of hazardous waste from DKI Jakarta One Gate Service and Investment Bureau on March 27, 2017 up to March 23, 2020. However, there is no inventory record or disposal record that has been reported to DKI Jakarta Governor c.q. North Jakarta Province BLH Bureau Head and DKI Jakarta Mayor u.p. North Jakarta BLH Head, which is legally required every 3 months. HSE.2, HSE.4

Root Causes:

There is no awareness that hazardous waste disposal and inventory records should be reported every 3 months to local governments. Additionally, no one has read the permit for the storage of hazardous waste which requires the factory report hazardous waste.

Local Law or Code Requirement

Manpower Minister Regulation No 8 Year 2010 Article 5.2, Act 32 Year 2009 Article 65.2-5; One Door Integrated and Investment Head Decree of DKI Jakarta Province No 043/7.5/31/1.774.15/2017 Point 4.1-2; FLA Workplace Code (Employment Relationship Benchmarks ER.17.1 and ER.31; Health, Safety & Environment Benchmarks HSE.1, HSE.2, and HSE.4)

Recommendations for Immediate Action

Submit hazardous waste realization in every 3 months to related local governments (DKI Jakarta Governor u.p. North Jakarta Province BLH Bureau Head and DKI Jakarta Mayor u.p. North Jakarta BLH Head).

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory will create specific procedures with annual reviews for any persons to raise HSE concerns. Procedures will include clear and easy to follow flow chart diagram describing entire procedure for any persons to raise HSE concerns and committed timeline over actionable items for HSE responsible person. Factory will not force anyone to perform any work in dangerous or hazardous conditions.
2. Factory will create specific procedures with annual reviews for any persons to report environmental emergencies. Procedures will include clear and easy to follow flow chart diagram describing entire procedure for any persons to environmental emergencies and committed timeline over actionable items for factory designated responsible person. Training will be provided to all supervisors
3. Environmental protection training will be provided for all supervisor
4. Factory will make record waste disposal and inventory then will report to local government every 3 month

PREVIOUS FINDING NO.2

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory has not established a system to protect the reproductive health of employees through minimizing exposure to workplace hazards. In addition, no lactation room is provided in the factory. HSE.12.
2. The factory does not establish proactive steps to reduce repetitive-motion stress/injuries. In addition, the factory does not provide any ergonomic breaks. HSE.17
3. There are no Standard Operating Procedures (SOPs) for each job with a focus on performing the job safely. ER.31
4. The factory has not established safety procedures and guidance documents for external contractors/service providers concerning Health & Safety. ER.31

Local Law or Code Requirement

Law No. 13 on Manpower (2003), Art. 76(2); Regulation of Ministry of Health No. 15 on Specific Procedures for Providing Nursing and/or Milking Facilities (2013), Art. 6; The safety act UU No.1/1970; Act No. 1 on Safety (1970), Art. 9(1) - (2); Ministry of Public Works Regulation No. 29/PRT/M/2006 on Guidelines of Technical Requirements for Buildings, Annex I Sec. III.3.4; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.7 and HSE.12.1; Nondiscrimination Benchmark ND.8.1)

VERIFICATION RESULT

Finding Status
Not Remediated

Remediation Details

1. Finding Status: Partially Remediated

Explanation:

The factory has established procedures and systems to protect the reproductive health of breast-feeding workers and pregnant workers. However, there is no procedure to protect the reproductive health of all workers such as disabled workers, non-pregnant workers and male workers based on job hazards exposure. Furthermore, there has been no lactation training conducted yet, as per law, to pregnant and lactating workers even though a lactation room has been provided near the new temporary fabric warehouse. HSE.12

Root Causes:

There is no awareness that reproductive protection is not only about pregnant and breast-feeding workers, but also protection to disabled workers, non-pregnant workers and male workers.

2. Finding Status: Partially Remediated

Explanation:

Factory has procedures on ergonomics, however, there is no consistent implementation of this program since the procedures were created: HSE.17

There is no job rotation, stretching and exercise implemented. The last ergonomic training on August 15, 2016 was only conducted for 73 out of 1,705 workers. No ergonomic break time during working hours established yet.

Root Causes:

There is a tight schedule of production which made HSE officers unable to schedule ergonomic training for all workers. Furthermore, there is no approval for ergonomic break time, job rotation, stretching and exercise by upper level management. Hence, these programs cannot be implemented yet by HSE officers.

3. Finding Status: Not Remediated

Explanation:

There are no Standard Operating Procedures (SOPs) for each job with a focus on performing the job safely established yet. ER.31

Root Causes:

There is a misunderstanding regarding this matter since factory management thought that posting this information as a general poster in the production areas, instead of making it into Standard Operating Procedures (SOPs) for each job with a focus on performing the job safely.

4. Finding Status: Partially Remediated

Explanation:

The factory has already established safety procedures and guidance documents for external contractors/service providers concerning Health & Safety (RSK-P-HSE-011 issued on June 16, 2016), however there is no actual implementation for contractor and service provider. ER.31

Root Causes:

There is no written evidence maintained for every induction performed to contractors and service providers.

Local Law or Code Requirement

Health Act No 36 Year 2009 Article 47 and Article 48.1.e., PP No 50 Year 2012 Section C.2.1.b 2nd paragraph, Manpower Minister Regulation No 7 Year 64 Article 9.4.; Attachment PP No 50 Year 2012 Section C.2.3., Safety act No 1 Year 1970 Article 14.3.; FLA Workplace Code (Employment Relationship Benchmark ER.31; Health, Safety & Environment Benchmarks HSE.1 and HSE.17)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory will create procedure to protect the disabled workers, non-pregnant workers and male workers based on job hazards exposure. Factory will create of training schedule on reproductive health, pregnant and lactating workers. Factory will posting health information related to worker health

2. There is no job rotation, stretching and exercise implemented. The last ergonomic training on August 15, 2016 was only

conducted for 73 out of 1,705 workers. No ergonomic break time during working hours established yet. Factory will conduct refresh training for all workers and will have meeting with management regarding stretching and exercise implemented

3. Factory is currently reviewing all SOP's through HQ initiated SMART Project Team and will include updated ergonomics and job safety requirements.

4. Factory will communicate established safety procedures and guidance documents for external contractors/service providers regarding H & S. Signature acknowledgement log will be established for contractors/service providers.

PREVIOUS FINDING NO.3

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. There has been no fire risk assessment conducted by the factory. HSE.5
2. The factory has not posted any evacuation plans in the fabric warehouse, packing section, and finished goods warehouse of production building #1 and production building #2. In addition, the evacuation plan posted in the sample and sewing section of production building #2 does not reflect the actual physical layout of the evacuation routes, since the arrow signs on the evacuation plan do not match the actual route to the nearest assembly point. HSE.5
3. The factory only installed one emergency exit in the finished goods warehouse while the total area of finished goods warehouse is around 1,000 sqm. In addition, one exit door in the sample section, one exit door in the press room, and one exit door in production building #1 do not open in the direction of evacuation. HSE.5
4. All emergency alarms in production building #1 and production building #2 are not equipped with a battery. In addition, the factory does not have a centralized battery sufficient to covering all emergency alarms. HSE.5
5. The factory has not installed any emergency lighting in the corridors leading to the emergency exits and assembly points in production building #1, production building #2, and boiler room production building #2. HSE.17
6. The factory has not established any procedures with steps on how to ensure that all special categories of workers safely evacuated, as legally required. HSE.17
7. The mesh metal cutting gloves used by three cutting operators in the cutting department have holes on the fingertips. HSE.7

Local Law or Code Requirement

Decision of Minister of Manpower No. KEP-186/MEN/1999 on Fire Prevention Units at Workplaces (1999), Art. 2; Act No.1 of 1970, Chapter III, and Article 3.d; Decision of Labor Minister KEP-186/MEN/1999 article 2;; Regulation No. PER- 01/MEN (1980), Art. 5(1); Regulation of the Minister of Labor No. 7 (1964), Art. 13(1) - (4); Regulation No. PER- 08/MEN/VII on Personal Protective Equipment (2010), Art. 8 (1); Ministry Decree of Public Works, No.10/KPTS on Technical Security Provisions of Fire Hazard in Buildings and Environment (2000), Annex Chapter V, Article 7(4); Ministry of Public Works Regulation, No. 29/PRT/M/2006 on Guidelines of Technical Requirements for Buildings, Annex I, Section III.3.4; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.5.1 and HSE.17)

Recommendations for Immediate Action

1. Arrange for a third-party to conduct a fire risk assessment.
2. Post evacuation maps with the correct layout of the evacuation routes in all areas of the building.
3. Provide a secondary exit in the finished goods warehouse. Ensure that all exit doors open in the direction of evacuation.
4. Install a back-up system for the emergency alarm system and regularly check the alarm.
5. Install emergency lights throughout the corridors leading to the emergency exits and assembling point in production building #1, production building #2, and the boiler room in production building #2.
6. Provide new mesh metal cutting gloves as for cutting operators when the gloves are torn or damaged. Establish a system to track the use of Personal Protective Equipment (PPE), including measures to replace used or damaged PPE.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Not Remediated Explanation:

Factory has not conducted internal fire risk assessment nor commissioned it to third party expert.HSE.5

Root Causes:

Factory thought that Critical Life Safety audit through visual way by Vanity Fair – Asia Inspection was a fire risk assessment, while in actuality, it is not.

2. Finding Status: Not Remediated

Explanation:

There is no arrow sign marked on the floor in the pressing area while arrow signs on floor in the alley of the south gate is blurred. Furthermore, there is no evacuation map posted in the pressing area. HSE.5

Root Causes:

The evacuation map has not been updated due to the lay out change and the authority to implement HSE has to be approved by the General Manager before being implemented. The OHS team has not scheduled to repaint the blurred arrow signs.

3. Finding Status: Partially Remediated

Explanation:

The factory has provided another emergency exit in the finished goods warehouse. The door on the second floor in building #1 from sample room to production already swings outward. The press room has been renovated into an open space, thus no door is needed. Furthermore, one main exit door in production building #2 also swings outward without any obstruction.

However, there are several matters which expose workers to fall hazards since:

There is floor height difference between boiler/compressor room floor with finished goods areas floor that directly lies in front of boiler/compressor room, and there is a door sill at boiler/compressor room that might trip workers when they're in a rush to exit. HSE.5 Even though, the door on the second floor at building #1 from sample room to production swings outwards, it directly opens to stairs without a platform which runs the risks of people who walk upstairs accidentally hit by person who opens the door from the inside and exposes people who seek egress route from second floor to ground floor during emergency with fall hazard. HSE.5

Root Causes:

The height difference and door sill is not an apparent concern for the factory as this was never pointed out by external auditors. Currently, the HSE officer is still under the process of finding the best solution for relocating the door in the sample room without affecting room temperature (if the door is simply removed), or affecting the stairway degree (if widening the platform).

4. Finding Status: Partially Remediated

Explanation:

Emergency alarms in production building #1 and production building #2 are equipped with UPS (Uninterrupted Power Supply), there is an UPS for each building. However, there is no functionality test upon fire alarm as per manufacture standard to ensure fire alarm is still functioning during electrical black-out. HSE.5.3

Root Causes:

There is no awareness that functionality test shall be made for its functionality and it should be as per manufacture standards.

5. Finding Status: Remediated

Explanation:

The factory has installed emergency lighting in the corridors leading to the emergency exits and assembly points in production building #1, production building #2, and boiler room production building #2. HSE.5.1

6. Finding Status: Remediated

Explanation:

The factory has established procedures with steps on how to ensure that all special categories of workers safely evacuated (RSK-P-HSE-010). HSE.1; HSE.5.

7. Finding Status: Remediated

Explanation:None of cutters at production building #1 are wearing mesh gloves with holes. All mesh gloves worn by cutters are in acceptable condition. HSE.7; HSE.8.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory will conduct fire risk assessment by accredited third party expert.

2. Factory will be places arrow sign marked on the floor in pressing and check all arrow signs, then repaint. Factory will create evacuation map and posting in press area.

3.a. There is floor height difference between boiler/compressor room floor with finished goods areas floor that directly lies in front of boiler/compressor room, and there is a door sill at boiler/compressor room that might trip workers when they're in a rush to exit.

b. Even though the door on the second floor at building #1 from sample room to production swings outwards, it directly opens to stairs without a platform, which runs the risks of people who walk upstairs accidentally getting hit by a person who opens the door from the inside and exposes people who seek egress route from second floor to ground floor during emergency with fall hazard.

c. Factory will repair floor and door at boiler /compressor room

d. Factory will check and re layout the door and will choose sliding door or move the door to right place.

4. Emergency alarms in production building #1 and production building #2 are equipped with UPS (Uninterrupted Power Supply), there is an UPS for each building. However, there is no functionality test upon fire alarm as per manufacture standard to ensure fire alarm is still functioning during electrical black-out. There is no awareness that functionality test shall be made for its functionality and it should be as per manufacture standards. Factory will test emergency alarms every 6 month alongside fire drill training. Factory will connect emergency alarm to UPS and test functionality per manufacturer's suggested time frame.

PREVIOUS FINDING NO.4

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. 1319 out of 1838 (71.76%) production workers are employed under the specified period of time contracts (PKWT), although they are working permanent jobs in the cutting, sewing, finishing, and packing departments. This violates legal requirements that state that workers can only be hired under unlimited permanent contracts if they perform permanent jobs. ER.9, ER.11

2. New workers are required to undergo a three-day probation period before the factory provides them with a work agreement under the specified period of time contract (PKWT). In addition, workers only receive the work agreement and the PKWT contract when they finish the probationary period, violating local law stating that a work agreement for a specified period of time cannot stipulate a probation period. ER.7

3. According to management, the factory does not employ any workers with disabilities violating local law that requires the factory to hire one person with disabilities per 100 employees. Thus, for a factory with 1838 workers in total, the factory has to hire at least 19 workers with disabilities, as per legal requirements. However, the factory has not established a program to hire workers with disabilities. ND.1, ND.2

4. The factory does not have policies and procedures for performance reviews that includes steps and processes, demonstrates linkages to job grading, prohibits discrimination, provides written feedback, and complies with legal requirements. ER.29.1

5. There are no procedures on raising or broadening skills in order to advance workers in their careers. The factory only conducts performance reviews for managerial staff but not for production workers. In addition, the factory does not have procedures with steps and requirements regarding promotion, demotion and reassignment scheme. ER.28, ER.30

Local Law or Code Requirement

Law No. 13 on Manpower (2003), Art. 59 (1); Law No. 13 on Manpower (2003), Art 58(1) - (2); Law No. 4 of 1997 concerning persons with disabilities Article 14; FLA Workplace Code (Employment Relationship Benchmarks ER.7.1, ER.9, ER.11, ER.28, ER.29.1, and ER.30; Non-discrimination Benchmarks ND.1, and ND.2)

Recommendations for Immediate Action

1. Ensure that all new workers that will perform permanent jobs receive permanent contracts.

2. Convert all workers that are currently hired under the PKWT contract but perform permanent jobs to permanent employee status, as per legal requirements. Provide them with all seniority and other fringe benefits dating back to the hiring date of their first PKWT contract, as per FLA benchmarks and local law requirements.

3. Provide all workers with a work agreement and contract regardless of them passing the probation period. Provide the work agreement and contract on the first day of hire, as per legal requirements.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Partially Remediated

Explanation:

Based on employment record, the factory has gradually changed the status of production workers to permanent. However, it is noted that 506 out of 1,705 (29.67%) production workers are still employed under the specified period of time contracts (PKWT), although they are working permanent jobs in the cutting, sewing, finishing, and packing departments. This still violates legal requirements that state that workers can only be hired under unlimited permanent contracts if they perform permanent jobs. ER.9, ER.11

Root Causes:

This is an ongoing process that might take two years to complete the whole elevation of employment status from specified period time to permanent term. The factory management worries if there is not enough order, they have to dismiss workers. If all the workers are in permanent employment, the factory has to pay for a huge amount of severance payment.

2. Finding Status: Not Remediated

Explanation:

Based on document review, management and worker interviews, it is noted that new workers are still required to undergo probation or training period for up to 5 days before the factory provides them with a work agreement under the specified period of time contract (PKWT). In addition, workers only receive the work agreement and the PKWT contract when they finish the probationary period while workers who do not pass probation period are terminated without any work agreement. Four out of 19 new workers in May 2017 and 15 out of 73 workers in 2017 did not pass the probation period, violating local law stating that a work agreement for a specified period of time cannot stipulate a probation period. ER.7

Root Causes:

There is misconception by HR department that probation can be applied to contracts for specific periods of time. HR who is responsible for issuing work agreement, needs to have fix confirmation from end user (supervisor as direct superior) first before they issue the work agreement to the said worker, while it usually takes 3 months for the end user to send any confirmation to HR department.

3. Finding Status: Partially Remediated

Explanation:

According to management, the factory employs only one worker with disability violating local law that requires the factory to hire one person with disabilities per 100 employees. Thus, for a factory with 1,946 employees in total, the factory has to hire at least 19 workers with disabilities, as per legal requirements. The factory has not established a program to train and hire more workers with disabilities. ND.1, ND.2

Root Causes:

Factory management is having difficulties finding disabled applicants, since these types of applicants are rare. Furthermore, the factory does not consider it urgent to meet the quota. As a result, the factory does not initiatively contact any local institutions or NGO who

connect with disabled persons to encourage them to apply to vacancies at the factory.

4. Finding Status: Partially Remediated

Explanation:

The factory has established procedures for performance reviews that includes steps and processes, prohibits discrimination, provides written feedback, and complies with legal requirements. However, there is no policy on performance review. The available procedure (RSK-P-HRD-010 issued on August 1, 2016) stating performance review is conducted once every three months, but in practice, this occurs only once after the first three months and then another one after one year. The procedure does not include job grading. The implementation is not consistent as interview with workers showed that the performance reviews have not been consistent. ER.29.1

Root Causes:

There is inadequate document organization since: Disorganized filing which has caused HR Department to misplace the related policy. There is no job grading established yet as a goal for conducted performance review. Also, there is no responsible person appointed or designated to ensure procedures of Human Resource is implemented and properly reviewed or to revise as per regulation and actual implementation. Therefore, there is no implementation of the established procedures.

5. Finding Status: Not Remediated

Explanation:

The factory has not established procedures on raising or broadening skills in order to advance workers in their careers. The factory has not established procedures with steps and requirements regarding promotion, demotion and reassignment scheme. According to management, there is procedure but it was made in Chinese language hence cannot be verified for the content. The factory has not conducted performance review for all workers. The performance review was conducted on for staff level, cutting and sample workers in periods of December 2016 to May 2017. ER.28, ER.30

Local Law or Code Requirement

Law No. 13 on Manpower (2003), Art. 59 (1); Law No. 13 on Manpower (2003), Art 58(1) - (2); Law No. 4 of 1997 concerning persons with disabilities Article 14; FLA Workplace Code (Employment Relationship Benchmarks ER.7.1, ER.9, ER.11, ER.28, ER.29.1, and ER.30; Non-discrimination Benchmarks ND.1, and ND.2)

Recommendations for Immediate Action

1. Ensure that all new workers that will perform permanent jobs receive permanent contracts.
2. Convert all workers that are currently hired under the PKWT contract but perform permanent jobs to permanent employee status, as per legal requirements. Provide them with all seniority and other fringe benefits dating back to the hiring date of their first PKWT contract, as per FLA benchmarks and local law requirements.
3. Provide all workers with a work agreement and contract regardless of them passing the probation period. Provide the work agreement and contract on the first day of hire, as per legal requirements.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1.a. Per November 21, 2017 Factory still have 584 workers that are still employed under the specified period of time. Factory already make a schedule for permanent procedure base on the 2 times of contract period. The 1st contract period is for 3 months, and the second contract is for 1 year and permanent process on the ending. We have divided the permanent process into 5 quarters and will be fully achieve on the 1st quarter of 2019 (February 2019). (see the attachment for detail planning)

2. a. According to our current condition, our garment products have a high quality standard compare to other factories. Factory need to assure the new recruits for production have the standard sewing skills that we needed.

b. We implement 3 days skill test period in the separate place from production. We put them in the specific line in the technical department and monitor by technical and HR department. After 3 days skill test period, HR will allocate the candidate who pass the test to user. Candidates who are fail are paid according to regulation: basic salary / 21 days.

c. No skill test needed for nonproduction. After the interview by HR and user, candidate will be recruited and sign the 1st contract of 3 months.

3. a. Factory will expand our recruitment radius.
 - b. Factory will make all reasonable effort create vacancy for person with disabilities.
 - c. Factory will also cooperate with Local Manpower Office to help and provide us the disable persons.
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4. a. Management will review and approve current procedure base on our actual condition and we will train workers on the new standard.
 - b. Every six months, HR will review all of the procedures to make sure that those documents are current and updated.

PREVIOUS FINDING NO.5

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Training (Macro)

Finding Explanation

1. Supervisors do not receive specific training on the following Employment Functions: Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations & Freedom of Association, workplace conduct, grievance system. ER.17.1
2. The orientation training for new workers only lasts 90 minutes. This orientation training is insufficient since it barely gives adequate information to workers and does not cover all Employment Functions, such as Grievance System, and Industrial Relations & Freedom of Association. In addition, workers do not receive written documentation that substantiates all the issues covered in orientation ER.15.3
3. There is no ongoing training to employees on the following Employment Functions: Recruitment, Hiring & Personnel Development and Termination & Retrenchment. ER.28.
4. The factory does not communicate the recruitment, hiring and personnel development policies and procedures and their updates to the general workforce. ER.28
5. The disciplinary procedures do not include the presence of a third-party witness during application of disciplinary actions. ER.27.4

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.15.3, ER.17.1, ER.27.4, and ER.28.1)

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Partially Remediated

Explanation:

Based on the training records, it is noted that only 22 out of 48 supervisors have been trained on August 10, 2016 on Recruitment, Hiring, Compensation, Hours of Work, Termination & Retrenchment. While the material has not included Freedom of Association, Workplace Conduct and Grievance system. ER.17.1

Root Causes:

26 supervisors were unable to attend the training due to the tight production schedule. Supervisors are mainly responsible for ensuring that daily outputs meet the set target, therefore, they do not see the training as a priority.

Written procedure for grievance and workplace conduct has been posted on the notice board. Therefore, HR does not see the necessity to include it again during the training.

Since there is no union at the factory, Freedom of Association is not included in the training material. Also, the factory does not want to encourage their supervisors to form any union since there is already a Bipartite institution as a communication forum between factory management and worker representatives.

2. Finding Status: Partially Remediated

Explanation:

Based on training records, it is noted the orientation training has been conducted for 2 to 3 hours. However, training material did not include Grievance System & Freedom of Association, and no evidence that training material has been provided in copy for each attendee. 4 out of 12 new workers stated that they did not receive a copy of their training materials. ER.15.3

Root Causes:

The HR department who responsible in creating and communicate training materials consider since there has been grievance procedure posted on announcement board then it is suffice.

While no Freedom of Association included during induction since factory does not want to encourage new worker to form union in factory.

The HR department missed this out and forgot to document or ask attendees to sign when they receive training material.

3. Finding Status: Not Remediated

Explanation:

Based on management interview, it is noted that the factory has not provided ongoing training to employees on Recruitment, Hiring & Personnel Development and Termination & Retrenchment. ER.28.1

Root Causes:

There is misconception by factory management that Recruitment, Hiring & Personnel Development and Termination & Retrenchment is domain of HR department and not workers, therefore there is no need to train workers regarding these matters.

4. Finding Status: Not Remediated

Explanation:

The factory has not communicated the Recruitment, Hiring and Personnel Development policies and procedures and their updates to the general workforce. ER.28

Root Causes:

There is misconception by factory management that Recruitment, Hiring & Personnel Development and Termination & Retrenchment is in the domain of HR department and not workers, therefore there is no need to train workers regarding these matters.

The factory has a top-down management style, in other words, all decisions come from management level to workers without any opportunity for workers to give suggestion or raise concerns.

5. Finding Status: Not Remediated

Explanation:

Based on document review, it is noted the current disciplinary procedures RSK-P-HRD-011 issued on November 1, 2016 has not included the presence of a third-party witness during application of disciplinary actions. ER.27.4

Root Causes:

The factory management does not recognize workers' right to summon or have present any witness. Furthermore, HR does the investigation before issuing disciplinary actions, therefore, it is not necessary for workers to have witnesses on their side.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.15.3, ER.17.1, ER.27.4, and ER.28.1)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Create schedule of refresh training for all workers, training will include Recruitment, Hiring, Compensation, Hours of Work, Termination, Retrenchment, freedom of association , workplace conduct , and grievance system.
2. a. Training schedule will include Grievance & Freedom of Association.

b. The material training regarding Recruitment, Hiring, Compensation ,Hours of work, Termination, Retrenchment ,Grievance & Freedom of association) and already provide in copy for each attendee starting on November 6. Signature acknowledgement log book to be created for workers confirming receipt of training material.
- 3.a. Factory will conduct refresh training and include Recruitment, Hiring, Compensation, Hours of Work, Termination, Retrenchment, freedom of association , workplace conduct , and grievance system to Supervisors, Team and Section leaders , admin, and operators.
4. a. Review and update policies & procedure

b. Create procedure control document

c. Create schedule for socialization policies & procedure

d. Create internal audit schedule for labor and HSE
5. a. The factory management has been revised the procedure of undisciplined In practical , factory already include the witness during process of undisciplined actions. Witness will interview by HR, all information from workers and witness will mentioned in BAP (Berkas Acara Perkara) and base on witness and other result investigation HR will give verbal warning or warning letter. Warning letter will be signed by workers, HR and superiors HR will create summary monthly report for undisciplined case and forward to all department head .

PREVIOUS FINDING NO.6

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Review Process (Macro)

Finding Explanation

The factory has not developed policies and procedures on review process to ensure updates are made according to local law and FLA Workplace Code requirements. As a result, the factory management does not periodically review its policies and procedures for all Employment Functions, such as Recruitment, Hiring & Personnel Development, Compensation, Workplace Conduct & Discipline, Grievance System, Environmental Protection, Termination & Retrenchment, Industrial Relations & Freedom of Association, and Health & Safety. ER.1.3, ER.25.2; ER 31.2, and ER.32.5

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3, ER.25.2; ER 31.2, and ER.32.5)

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Not Remediated

Explanation:

Based on document review and management interview, it is noted that the factory has not developed policies and procedures on review process to ensure updates are made according to local law and FLA Workplace Code requirements. As a result, factory management does not periodically review its policies and procedures for all Employment Functions. ER.1.3, ER.25.2; ER 31.2, and ER.32.5

Root Causes:

The policy and procedure has just recently been established and approved by management. Hence, they do not think it is necessary to establish procedures for review yet.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3, ER.25.2; ER 31.2, and ER.32.5)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1a. Factory will create procedure document control

1b. Factory will review and update procedure & policies annually

1c. Factory will post annually updated policies & procedure at announcement board

PREVIOUS FINDING NO.7

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. The factory's payroll does not reflect the actual working hours records and there is no working mechanism for accurately linking payroll with the working hours records. The factory practices double bookkeeping, with an official printed computerized time record and an additional separate paper time card to record overtime, indicating that the factory management tries to hide excessive working hours

beyond the legal limit and rest days. A review of 40 samples of payroll and time records (with 10 paper time cards found) revealed several discrepancies and excessive overtime as a systematic issue. C.5, C.6 2.

2. The payroll records of a sewing operator from line 11 showed an overtime wage of IDR 2,163,962 (USD 164.34) in March 2015 for working 74.5 hours of overtime per month. However, based on a separated paper time card combined with the printed computerized time record, the worker worked a total of 101 overtime hours in March 2015. Therefore, the worker should have received a total wage at IDR 3,140,625 (USD 238.51), as per legal overtime rate. Thus, there was a wage discrepancy of a total of IDR 976,663 (USD 74.17) for the March 2015 payroll. C.7, C.15, ER.23.4, ER.23.5

3. The payroll records of a sewing operator from line B 9 showed an overtime wage of IDR 2,302,023 (USD 174.83) in March 2015 for working 79 hours of overtime per month. However, based on a separated paper time card combined with the printed computerized time record, the worker worked a total of 84.5 hours of overtime in March. As a result, the worker should have received IDR 2,762,429.5 (USD 209.87), as per legal overtime rate. Thus, there was a wage discrepancy of IDR 460,406.5 (USD 34.97) for this worker in March 2015. C.7, ER.23.4, ER.23.5

4. There are 22 security guards (Female: 8, Male: 14) directly hired from the contracting security agency. The outsourced security guards are paid through their agency and do therefore not have a direct employment relationship with the factory. The outsourced security guards receive a wage of IDR 1,500,000 /month (USD 113.92) for newly hired security guards during their first 3 month and IDR 2,300,000/month after 3 months (USD 174.67), which is below the legal minimum wage IDR 2,700,000/month (USD 205.05). Moreover, outsourced security guards are paid the normal daily wage for working on their rest day, which is considered overtime. They are paid overtime at a rate of IDR 10,000/hour flat (USD 0.76) instead of the legal overtime rate of 150% for the 1st hour, 200% for consecutive hours for overtime on regular days, and 200% for working on rest days. C.2

5. All workers were required to go home earlier at 12:00 noon on October 26, 2015 due to an electrical shut down. However, they were paid only the 4.5 hours of work and not the rest of 3.5 hours. Although factory management stated that there was an electrical shut down, there was no record to confirm the incident, such as a letter from local authority. As per local law, the employer is obliged to pay the full wage for workers in the case of a work stoppage due to an employer's own fault or because of impediments that the entrepreneur should have been able to avoid. HOW.19

6. Workers are approved by the supervisor, chief or Human Resources to go home earlier due to sick at the factory are not paid full day. The factory paid only the hours of worked violating legal requirements that state that the worker shall be compensated the full day. For example: a worker received the recommendation from the onsite clinic to go home at 10:00 AM on October 16, 2015 due to sickness. However, he only received the wage for 2.5 hours of worked (7:30 AM to 10:00 AM) instead of full day wage for his sick leave. HOW.16

7. Based on contribution of the employer's healthcare program BPJS for November 2015, 651 out of 1,939 employees (around 33.57% of employees) are not registered with the legally required healthcare program BPJS. In addition, outsourced security guards are not registered to receive social security guards and healthcare program Badan Penyelenggara Jaminan Sosial BPJS. ER.22

Local Law or Code Requirement

Law No. 13 on Manpower (2003), Art. 90(1); Decision of the Minister of Manpower and Transmigration No. KEP 102/MEN/VI on Overtime work and Overtime pay (2004), Art. 4(1) and Art. 11; Law No. 13 on Manpower (2003), Art. 93(2) - (3); Government Regulation No. 8 on the Protection of Wages (1981), Art. 8; Law No. 24 year 2011; FLA Workplace Code (Employment Relationship Benchmarks ER.18, ER.22, ER.23.4, and ER.23.5; Compensation Benchmarks C.1, C.2, C.5, C.6, C.7, and C.15; Hours of Work Benchmarks HOW.16 and HOW.19)

Recommendations for Immediate Action

1. Ensure all overtime hours are correctly paid at the legal overtime rate. Cease the practice of double bookkeeping and keep one single electronic time record system. Regularly train and communicate workers on their rights of legal overtime rate and correct compensation.
2. Ensure that all outsourced security guards are paid the legal minimum wage.
3. Pay all outsourced security guards directly. If this is not feasible, ensure that there is a verifiable payment system for contracting workers and monitor the payment system to ensure that contracting workers are paid accurately, including minimum wage requirements, proper wage deductions and timely payments. Ensure that contracting security guards receive at least the legal minimum wage and are paid the legally required overtime rate for work done on rest days and regular overtime. Establish guidance documents for contracting agencies that include the FLA benchmarks.

4. Retroactively reimburse all workers for all discrepancies due to inaccurate time and pay records over the last 12 months. Ensure that all eligible workers receive the discrepancies between the actual legal overtime rate amount and the wage they received. Revise the wage and time record system to ensure that all working hours are paid accurately, as per legal requirements. Regularly train and communicate the workers on their rights, the legal overtime rate and revisions regarding the wage and time record system.
5. Retroactively compensate all contracting security guards the discrepancies between their legally entitled overtime rate amount and the wage they received for the last 12 months.
6. Retroactively compensate the full amount of day's work to workers that had to leave work on the day of the electrical shut down, as per legal requirements. Ensure that all workers are accurately and fully compensated for work stoppages that workers cannot be held accountable for but are at the employer's fault.
7. Provide sick leave with full wage, as legally required.
8. Register all employees to receive the healthcare program BPJS.

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status: Remediated

Explanation:

Based on document review, management and worker interviews, it is noted that the factory's payroll records reflect all actual working hours records. The working hours records link with payroll records. All overtime hours including rest day hours are recorded in payroll record and matched with the number of overtime hours on time records.

2. Finding Status: Remediated

Explanation:

Based on document review, it is noted that the factory had paid the deficiencies overtime wages that happened in March 2015. 405 employees had been paid for their extra overtime hours on March 21, 2015 ranging from IDR 40,000 (USD 2.96) to IDR 202,900 (USD 15.02), and 342 employees had had been paid for their extra overtime hours on March 22, 2015 ranging from IDR 120,000 (USD 8.88) to IDR 346,500 (USD 25.64). Total overtime compensation paid by factory for deficient wages in March 2015 was IDR 132,414,000 (USD 9,941).

3. Finding Status: Remediated

Explanation:

As explained above, it is noted that the factory had paid all the deficiencies overtime wages that happened in March 2015 to the relevant workers.

4. Finding Status: Remediated

Explanation:

Based on record of payment settlement for wage deficiencies of outsourced security guards dated on December 7, 2016, it is noted that all 22 outsourced security guards had received back pay for wage deficiencies that happened for periods of January 2015 to December 2015. The amount of back pay ranging from IDR 2,222,319 (USD 164.46) to IDR 28,515,086 (USD 2110.2) /person in a total of IDR 353.476,152 (USD 26,538) paid by factory. The outsourced security guards received the payment on November 25, 2016 at the factory, witnessed by the security labor agency (PT Bintang Eca Pratama) and a Lawyer appointed by factory. It is noted that the wages were correctly calculated and paid. The factory had discontinued using security guards from labor agency, and started from March 2017, all security guards are directly hired by factory.

5. Finding Status: Remediated

Explanation:

Based on back pay record for the case of workers who were required to go home early at 12:00 noon on October 26, 2015 due to an electrical shut down, it is noted that the factory had paid the rest of the 3.5 hours wage deficiency a sum of IDR 39,400 (USD 2.92) for

each worker on July 27, 2016. Total wages paid by factory for this case is IDR 73,992,300 (USD 5,554) for 1,875 total employees. There has not been any other incident of electrical shut down since.

6. Finding Status: Remediated

Explanation:

Based on document review, management and worker interviews, it is noted that workers who are ill at the factory and go home are paid for a full day.

7. Finding Status: Partially Remediated

Explanation:

It is noted that the factory has registered majority of employees including security guards into Healthcare insurance program BPJS.

However, there are still around 19 employees that have not been registered with the legally required healthcare program BPJS. ER.22

Root Causes:

HR department has difficulties to register worker who are still under other subsidiary of healthcare insurances by the Government, such as: Jamkesmas, Jamkesda, etc.

Local Law or Code Requirement

Law No. 24 Year 2011 Chapter V Article 15 (1); FLA Workplace Code (Employment Relationship Benchmark ER.22)

Recommendations for Immediate Action

1. Ensure all overtime hours are correctly paid at the legal overtime rate. Cease the practice of double bookkeeping and keep one single electronic time record system. Regularly train and communicate workers on their rights of legal overtime rate and correct compensation.
2. Ensure that all outsourced security guards are paid the legal minimum wage.
3. Pay all outsourced security guards directly. If this is not feasible, ensure that there is a verifiable payment system for contracting workers and monitor the payment system to ensure that contracting workers are paid accurately, including minimum wage requirements, proper wage deductions and timely payments. Ensure that contracting security guards receive at least the legal minimum wage and are paid the legally required overtime rate for work done on rest days and regular overtime. Establish guidance documents for contracting agencies that include the FLA benchmarks.
4. Retroactively reimburse all workers for all discrepancies due to inaccurate time and pay records over the last 12 months. Ensure that all eligible workers receive the discrepancies between the actual legal overtime rate amount and the wage they received. Revise the wage and time record system to ensure that all working hours are paid accurately, as per legal requirements. Regularly train and communicate the workers on their rights, the legal overtime rate and revisions regarding the wage and time record system.
5. Retroactively compensate all contracting security guards the discrepancies between their legally entitled overtime rate amount and the wage they received for the last 12 months.
6. Retroactively compensate the full amount of day's work to workers that had to leave work on the day of the electrical shut down, as per legal requirements. Ensure that all workers are accurately and fully compensated for work stoppages that workers cannot be held accountable for but are at the employer's fault.
7. Provide sick leave with full wage, as legally required.
8. Register all employees to receive the healthcare program BPJS.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. It is noted that the factory has registered majority of employees including security guards into Healthcare insurance program BPJS. However, there are still around 19 employees that have not been registered with the legally required healthcare program BPJS.

2. Since September 1, 2017 Factory outsourced gatehouse security guards to independent third party and will ensure they follow the regulations for shift working hours, overtime payment, and National Health Care. The 19 security guards have been registered into Healthcare by Security Guard Company on Oct. 2017, their BPJS have active on December 2017.

PREVIOUS FINDING NO.8

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. The workers are using finger scan time record system as a computerized electronic time record. However, paper time cards of March 2015 for 10 sewing operators were found in the production area of building 1. According to management, paper time cards were used temporary to record night shift. There were inconsistencies between the printed finger scan time records and paper time cards regarding the overtime hours in March 2015. In addition, night shift hours from 8:00 PM to 7:30 AM and Sunday work were reflected in paper time cards of March 2015 for 5 to 9 days but there was no Sunday work and night shift reflected in the printed finger scan time records. ER.23
2. Printed time record of a sewing operator from line 11 showed overtime hours 18 hours /week and 65 hours /month without night shift work in period and Sunday work. However, the punch card showed overtime hours up to 37 hours/week and 101 hours /month and night shift in periods of March 9th to March 13th 2015 with Sunday work on March 22nd 2015. ER.2, ER.23
3. Printed time record of a sewing operator from line B 9 (S15030023) showed overtime hours 19.5 hours /week and 78 hours /month but the punch card showed overtime hours 37 hours/week (March 16 to 22) and 84 hours /month and night shift in periods of March 16th to March 23rd 2015 with Sunday work on March 22nd 2015. ER.2, ER.23
4. New workers use time cards instead of finger scan time record system for the first 3 days of their probation period. Additionally, new workers in building 2 do not clock in and out their timecards by themselves since the time card machine broke down in building 2. The admin staff writes down a manual uniform time in and time out such as 07:30 to 16:30 in workers' time card. There were 23 new workers, and 10 of them in building 2. ER.23
5. The working hours records do not contain identification of pregnant/lactating women. ER.23, HOW.5

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.2, ER.23.2, ER.23.3, ER.23.4, and ER.23.5; Hours of Work Benchmark HOW.5)

Recommendations for Immediate Action

1. Ensure all working hours including 2nd shift hours, excessive overtime and work done on Sunday are accurately recorded in one time record system.
2. Ensure new workers are provided with reliable time records from the 1st day they are hired.

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status: Remediated

Explanation:

Based on document review, management and worker interviews, it is noted that all workers after passing probation period are using finger scan time record system as a computerized electronic time record. The probationary /trainees are using punch cards to record their

working hours. There is no more practice of using two sets of time record systems for same worker. All overtime hours are recorded on time records accurately.

2. Finding Status: Remediated

Explanation:

Based on document review, it is noted that all working hours, including Sunday work, are reflected on the computerized time records.

3. Finding Status: Remediated

Explanation:

Based on document review, it is noted that all working hours, including Sunday work, is reflected on the computerized time records.

4. Finding Status: Remediated

Explanation:

Based on document review and worker interviews, it is noted that new workers are provided with time cards during their five days of the probation period, and all of them clock in and clock out their time cards by themselves.

5. Finding Status: Remediated

Explanation:

Based on document review, it is noted that the working hours records includes identification of pregnant/lactating women.

Recommendations for Immediate Action

1. Ensure all working hours including 2nd shift hours, excessive overtime and work done on Sunday are accurately recorded in one time record system.
2. Ensure new workers are provided with reliable time records from the 1st day they are hired.

PREVIOUS FINDING NO.9

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. The factory provided computerized time records that do not actually reflect all overtime hours. The printed finger scan time records do not reflect all overtime hours and the factory includes overtime as a general practice into production planning. There were three cases of excessive overtime with more than 60 hours per week and workers not receiving a rest day for every 7-days period. HOW.2

2. Printed time records of a sewing operator from line 11 showed overtime hours 18 hours /week and 65 hours /month without night shift work in period and Sunday work. However, the paper time card showed overtime hours up to 37 hours/week (total weekly hours: 77 hours consist of 40 regular plus 37 overtime hours) in the period from March 9 to March 13, 2015 and Sunday work on March 22nd2015. HOW.1.3

3. Printed time record of a sewing operator from line B 9 showed overtime hours 19.5 hours /week and 78 hours /month. However, the paper time card showed overtime hours 37 hours/week (total weekly hours: 77 hours consist of 40 regular plus 37 overtime hours) in period of March 16 to 22, 2015, Sunday work on March 22nd2015. HOW.1.3

4. Based on separate paper time cards, at least 10 workers from sewing section worked 13 consecutive days from March 16th to March 28th 2015 without a rest day. HOW.2

Local Law or Code Requirement

Decision of the Minister of Manpower and Transmigration No. KEP 102/MEN/VI on Overtime work and Overtime pay (2004), Art. 3; Law No. 13 on Manpower (2003,) Art. 79(1) - (2b); FLA Workplace Code (Hours of Work Benchmarks HOW.1.3 and HOW.2)

Recommendations for Immediate Action

1. Ensure that workers do not work more than 60 hours per week, including overtime.
2. Ensure that all workers receive at least one rest day in every 7-day period.
3. Ensure that overtime is not included in the regular production planning.
4. FLA affiliate Company's Sourcing and Social Compliance teams should: a) implement FLA Principles of Fair Labor and Responsible

Sourcing and b) accordingly coordinate on the topics mentioned below to help the factory address its excessive hours issue:

- a. How to provide better order forecasts to the factories;
- b. Possible workshops/consultancy for the factory on how to improve;
- c. Clear guidelines on how to extend shipment deadlines in case of contingencies;
- d. Steps that factory management must follow if overtime is inevitable (steps for how to communicate with the brand's Sourcing and Social Compliance teams);
- e. Clear guidelines on the calculation and setting of reasonable production targets that will not demand work beyond regular working hours or during breaks;
- f. Clear guidelines on how and when the factory can use subcontractors and/or temporary workers to avoid excessive overtime.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Remediated

Explanation:

Based on document review, it is noted that all working hours are recorded on the time records accurately.

2. Finding Status: Not Remediated

Explanation:

Out of 45 selected sample workers, it is noted that five workers from sewing section worked as much as 23 hours of overtime in one week (working a total of 63 hours, including 40 regular hours) in July 2017, and fourteen workers from sewing, ironing and maintenance sections worked as much as 5 hours of overtime in one day and up to 31 hours of overtime in one week (working a total of 71 hours, including 40 regular hours and 2 rest day works-Saturday and Sunday) in June 2017. HOW.1.3

Root causes:

There is a high rejection percentage of the finished goods therefore the sewing lines work overtime to do the repairs on the rejects. This affects processes after sewing, like ironing, hence several workers at ironing also work overtime. Maintenance also has to work overtime since they have to be alert when there is a damaged sewing machine during this overtime. If one sewing machine failed to function properly, then it will affect the output and in the end, will prolong lead time to finished goods shipment.

3. Finding Status: Not Remediated

Explanation:

Based on document review, it is noted that workers worked daily and weekly excessive overtime hours in June and July 2017, more than three hours per day and 14 hours of overtime per week, with weekly work hours up to 71, as above details. HOW.1.3

Root Causes:

There is a high rejection percentage of the finished goods therefore the sewing lines work overtime to do the repairs on the rejects. This affects processes after sewing, like ironing, hence several workers at ironing also work overtime. Maintenance also has to work overtime since they have to be alert when there is a damaged sewing machine during this overtime. If one sewing machine failed to function properly, then it will affect the output and in the end, will prolong lead time to finished goods shipment.

4. Finding Status: 4. Not Remediated

Explanation:

Out of 45 selected sample workers, it is noted that fourteen workers from sewing, ironing and maintenance sections worked 11 to 13 consecutive days during the period of June 12 to June 22, 2017 for ironing workers, and period of June 5, 2017 to June 16, 2017 for sewing and maintenance workers. HOW.2

Root Causes:

There is a high rejection percentage of the finished goods therefore the sewing lines work overtime to do the repairs on the rejects. This affects processes after sewing, like ironing, hence several workers at ironing also work overtime. Maintenance also has to work overtime since they have to be alert when there is a damaged sewing machine during this overtime. If one sewing machine failed to function properly, then it will affect the output and in the end, will prolong lead time to finished goods shipment.

Local Law or Code Requirement

Law No. 13 on Manpower (2003), Art 78(1); Law No. 13 on Manpower (2003,) Art. 79(1) - (2b); FLA Workplace Code (Hours of Work Benchmarks HOW.1.3 and HOW.2)FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.29, and ER.30)

Recommendations for Immediate Action

1. Ensure that workers do not work more than 60 hours per week, including overtime.
2. Ensure that all workers receive at least one rest day in every 7-day period.
3. Ensure that overtime is not included in the regular production planning.
4. FLA affiliate Company's Sourcing and Social Compliance teams should: a) implement FLA Principles of Fair Labor and Responsible Sourcing and b) accordingly coordinate on the topics mentioned below to help the factory address its excessive hours issue:
 - a. How to provide better order forecasts to the factories;
 - b. Possible workshops/consultancy for the factory on how to improve;
 - c. Clear guidelines on how to extend shipment deadlines in case of contingencies;
 - d. Steps that factory management must follow if overtime is inevitable (steps for how to communicate with the brand's Sourcing and Social Compliance teams);
 - e. Clear guidelines on the calculation and setting of reasonable production targets that will not demand work beyond regular working hours or during breaks;
 - f. Clear guidelines on how and when the factory can use subcontractors and/or temporary workers to avoid excessive overtime.

COMPANY ACTION PLANS

Action Plan no 1.

Description

2. Factory will implement internal controls over excessive overtime.
3. Factory will implement internal controls over excessive overtime
4. Factory will implement internal controls over excessive overtime

PREVIOUS FINDING NO.10

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. The factory does not communicate its policies and procedures on all Employment Functions to the general workforce.

2. The worker integration component is missing for all Employment Functions. The factory has not established procedures for receiving worker input/feedback on the creation, implementation, and revision of its policies and procedures. Workers are neither systematically integrated nor consulted in the decision-making processes.

Local Law or Code Requirement

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

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Remediated

Explanation: Based on document review, observation, and worker interview, it is noted that the policies and procedures regarding all Employment Functions have been communicated to the general workforce by being posted on announcement board.

2. Finding Status: Not Remediated

Explanation: Based on document review and management interview, it is noted that the worker integration component is still missing for all Employment Functions. Workers are neither systematically integrated nor consulted in the decision-making processes. ER.1.3, ER.29, ER.30

Root Causes: The factory has not established procedures for receiving worker input/feedback on the creation, implementation, and revision of its policies and procedures.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3, ER.29, and ER.30)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1.a. Factory Management will revise and approve the current procedure base on our actual condition and we will socialize the new standard to all employees.

1b. Factory will create procedure control document to make sure that those document are current and updated with our current condition.

New Findings and Action Plans

NEW FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. There is no lifting belt provided for workers who involve lifting during performing their job, such as, warehouses workers. ER.1 HSE.7

2. There is no lighting level intensity inspection upon emergency light installed at the facility.HSE.13

3. The exit from the fabric warehouse at building #1 has been partially blocked and the exit sign is also not visible as it has been blocked by goods. HSE.5

4. All eight water tanks do not have the following labels: "Confined Space" and "Do not enter". There is also no identification for each

space. ER.1

5. Currently, there are only 44 fire action officers and five fire coordinators while total employees at the factory is 1,946 people. There should be at least 156 fire action officers and 20 fire coordinators for a factory of this size. HSE.1

Local Law or Code Requirement

Manpower Minister Regulation No 7 Year 64 Article 9.4., Manpower Minister Regulation No 8 Year 2010. Article 7.2.c.a- b.; SNI 03-6574-2001 Article 4.3.4.c.; Manpower Minister Instruction No. 11 Year 1997 Chapter IV point 5, Act No 28 Year 2002 Article 30.2, SNI 03 – 1746 - 2000 Article 13.1.2; Attachment I of Manpower Supervisory and Management General Director Decree No Kep.113 /DJPPK/IX/2006 Article 2.1.2.; Manpower Minister Decree No 186 Year 1999. Article 2.2.d., Article 6.1-3.; FLA Workplace Code (Employment Relationship Benchmarks ER.1, Health, Safety & Environment Benchmark HSE.1, HSE.5, HSE.7, and HSE.13)

Recommendations for Immediate Action

1. Provide workers who are involved in lifting with lifting belts and provide training.
2. Emergency light shall be inspected at least once a month for 30 seconds and ensure that the emergency lights is set to provide an initial lighting of at least 10 lux and the lights along the emergency route is at least 1 lux, when first turned on.
3. Ensure every door is opened without any blockage and that exit signs are fully visible.
4. Put labels and markings on the eight water tanks as "Confined Space", "Do not enter" and the identification. Ensure there are 156 fire action officers and 20 fire coordinators.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory has provided lifting belt and HSE training to workers on, November 2017
2. Factory will conduct monthly inspection at least 30 seconds for emergency light and provide monitoring checklist
3. Factory has been include in 6S daily inspection and 6S report sent to each department
4. Provide clear signage indicating "Confined Space" and secure area with appropriate measures to prevent unauthorized entry.
5. a. Searching provider and prepare of proposal
b. Create training schedule

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. Based on document review, it is noted that new workers who do not pass the five day probation period are paid a daily rate of IDR 111,858 (USD 8.25) which is the monthly minimum wage IDR 3,355,750 (USD 248.34) divided by 30, instead of daily rate IDR 159,797 (USD 11.83), which is the monthly minimum wage divided by 21. C.1, C.2, C.3
2. Based on document review, it is noted the formula in the payroll system wrongly calculated overtime wage when the workers have unpaid leave in a month. For example: A worker had four days absent (unpaid leave) and she worked overtime for 81 hours in July 2017. She is supposed to get overtime wage IDR 1,573,593 (USD 116.45) instead of IDR 1,572,914 (USD 116.4) as indicated in payroll record. Thus, overtime deficiency of IDR 679 (USD 0.05) occurred on this worker. Moreover, total pay is rounded down when net wage amounts to below IDR 50 such as IDR 4,975,149 (USD 368.18) became IDR 4,975,100 (USD 368.17). C.5, C.7
3. The contribution of social insurance (Old Age Security and Retirement Guarantee) is calculated from basic wage instead of basic wage plus fixed allowance. ER.22

Local Law or Code Requirement

Law No. 13 on Manpower (2003), Art. 90(1); Ministry of Manpower Decision No. KEP-150/MEN on Social Security Program Implementation for Daily Workers, Piece Rate Workers, and Contract Workers (1999), Art. 10; Government Regulation (PP) the Republic of Indonesia number 78 year 2015 Article 20; Government Regulation No. 53 on 8th Amendment on Government Regulation No. 14 (1993) on Social Security (2012), Art. 9; FLA Workplace Code (Employment Relationship Benchmarks ER.22; Compensation Benchmarks C.1, C.2, C.3, C.5, and C.7)

Recommendations for Immediate Action

Compensate correct daily rate to new workers who do not pass probation period using the formula: minimum wage divided by 21. Ensure all overtime wages are correctly calculated; adjust the net wage to be rounded up instead of rounding down. Calculate contribution of social insurance from actual monthly wage (basic wage plus fixed allowance).

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. a. Factory has changed the calculation formula by dividing the minimum wage by 21 days for probation workers, starting from November 2017.

2. a. Factory has contacted our 3rd Party payroll provider to re-program all calculation formulas to ensure exact correct payment amount is reflected. In the event that actual amount requires rounding, programmer has been instructed to Round Up in favor of employees. Factory will no longer round down. Starting from November 2017, every decimal will be round up to Rp. 100.

3. a. Factory will apply the new calculation formula : basic wage plus fixed allowance to calculate the Old Age Security and Retirement Guarantee starting from January 1, 2018 .