



[FWF affiliate member company]

Audit Report

[supplier of FWF affiliate member company]

[address], China

21st – 22nd January 2010

(Note: this is an anonymous version of a FWF audit report. Pictures and text references to the FWF affiliate and supplier have been deleted)



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1. The audited company

1.1. Name and address, contact person from the management

The factory being audited was:

[supplier of FWF affiliate member company]

The registered address of the factory is the same as where it is located:

[address]

Mr [President of the factory] is the contact person for the factory management.

Concerning [FWF affiliate member company]'s orders and compliance matters, the Hong Kong agent for the factory [agent] has also involved. The contact person from [agent] are Mr [name] and Ms [name]. The address of the Hong Kong company is: [address]

1.2. Short history

The factory, established in 1991, named [factory] was originally located at [address]. It was moved to the current industrial park in 2006 following the government's relocation plan for industries.

The factory started producing for [FWF affiliate] around 2005 or 2006. It was right after the relocation that the Hong Kong company, [agent], suggested Mr [name], to divide the third and fourth floor from other floors to become another separate factory for producing orders from [agent]. Mr [name] then registered one more factory with the same address and named it as [supplier of FWF affiliate member company].

[FWF affiliate member company] has become the biggest client (50% of the production) of the newly registered factory on the third and fourth floor on the same site. This is also the two floors that the audit team audited.

1.3. Ownership of the company

The factory, located on the third and fourth floor of a factory building, is registered as an individual company with limited liability of RMB2,5million.

Though solely owned by Mr [name], president of the factory, [agent] (the Hong Kong agent) has a lot of say over the management of the factory. It is understandable since most orders come through [agent] in Hong Kong (within which 50% are from [FWF affiliate member company]). The close relationship between [agent] (in Hong Kong) and the factory is also reflected during the audit that the staffs from [agent] (based in Hong Kong) were highly involved in the coordination and communications with FWF auditors, and had represented the factory in our interview with management.

However, both [agent] and Mr [name] emphasized that [agent] is the agent between the factory and [FWF affiliate member company]. [agent] in Hong Kong is separated from the factory. The other factory, occupying the ground to second floor in the same building, registered as [address], is also owned by Mr [name]. Mr [name] emphasized that the factory on the third and fourth floor is also separated from the one on the ground to second floor.

1.4. Workforce

	Total	Female	Male
Total number of employees	86	47	39
Management and staff	15	10	5
Number of production workers	71	37	34
Pregnant/ maternity leave	0	0	0
Apprentices	0	0	0
Juvenile workers	0	0	0
Number of workers employed by sub-contractors	0	0	0
Home workers	0	0	0
Employees paid by time rate	44	17	27
Employees paid by piece rate	42	30	12
Number of permanent employees	0	0	0
Number of fix-term employees	86	47	39
Number of interim agency workers	0	0	0

Among the 71 production workers, 7 are on sampling, 6 on cutting, 16 are on rear processes, quality check, packaging and stocking. The remaining 42 workers are divided into three production lines on sewing.

Most production workers are between young or middle-age. 50% of the production workers are from Jiangxi Province, others are from local or from other cities of this province. The factory recruits workers by sending pamphlets and posting notices in [factory city]. Some workers come to work for the factory through introduction by other workers.

Designed, built and sold by the local government, the factory building, like other factory building in this industrial park, does not have dormitory or canteen inside the factory building. Workers can rent and live in the common dormitory built for various factories in the industrial park, and eat in the common canteen.

Management stated that the annual turnover rate is very low.

1.5. Production process

The factory has a total shop floor area of 3,300 square meters. The office, cutting department and stocks are located on the fourth floor of the building while the sampling, sewing, rear processes and packaging are on the third floor.

The major productions in the factory are sewing and cutting. Observing the exceptional large cutting department and the stock area for materials with respect to the relatively small scale sewing department, it is believed that the fourth floor is actually serving the

production needs of the two factories in this building. It was then admitted by the management. It was also noticed that the two factories are even sharing some office staff. However, the management emphasized that productions for [FWF affiliate member company] have been kept on the third and fourth floor.

1.6. Position in the market, clients

Producing outdoor wears, jackets and other sport outwears, the factory has a capacity of 7,000 – 8,000 pieces per month, around 100,000 pieces per year. [FWF affiliate member company] takes up 50% of the factory capacity. The second large client is [client]. Other clients are insignificant.

[FWF affiliate member company]'s orders are perceived to be stable, priced similar to others in the market. However, the factory feels that [FWF affiliate member company] is exceptionally easy and willing to communicate and is willing to observe the situations of the factory. The factory describes the relationship with [FWF affiliate member company] as good and humane.

The factory highly appreciate that [FWF affiliate member company] actually involves the factory at the very beginning of designing and developing a product. The factory will be consulted on matters like which kind of materials to be used, or from where certain items are to be sourced. So, even well before a production order is confirmed, the factory can already foresee the production plan. This openness and transparency of [FWF affiliate member company] helps factory a lot to plan its schedule and the factory feels less pressure to compete with other factories because [FWF affiliate member company] is walking with the factory all along the way.

This partnership between [FWF affiliate member company] and the factory is also reflected in the way [FWF affiliate member company] helps the factory to develop its compliance policies and practices. The factory management can recall several times in the last five years that [FWF affiliate member company] has brought the factory management to CSR training and have reached an agreement of 224 hours per month ceiling on working hours. [FWF affiliate member company] has also initiated discussions on environmental protection and offered resources for factory to conduct workers' training on anti-terror, aids, computer skills, etc.

1.7. Previous audits by FWF and other

The factory can remember the first audit by [FWF affiliate member company] was in 2008. At that time [FWF affiliate member company] sent some compliance officers from Switzerland and India to visit the factory. The factory was first audited by [FWF affiliate member company] with a FWF Code in May 2009. It was conducted by an external audit company on behalf of [FWF affiliate member company].

Besides FWF, the factory has been audited by SGS in 2008 and IDS in 2009, on behalf of [customer].

1.8. Subcontracting

The factory stated that they have not subcontracted productions. They may put some productions to the lower floors (the other factory) occasionally if the factory is too busy but those are not orders from [FWF affiliate member company].

2. The audit process

2.1. Members of the audit team

The audit team included:

Billy HUNG – management interview, documents

DING Fu-yun – documents, visual observation of the work place

Jennifer CHUK – worker interviews, documents

2.2. The process of auditing

The audit team met with good co-operation from the management, workers and all other consulted persons and organisations. Whatever information requested was provided.

Upon request, the management has also agreed to bring the audit team to observe the production sites of the other factory located on the ground, first and second floor.

The audit team finds that the audit process has yielded sufficient reliable information to be able to draw conclusions and establish requirements on most issues. However, the audit team cannot rule out the possibility of there being issues of non-compliance that have not been reported in this audit report.

2.3. Time schedule

The audit was conducted on 21st & 22nd January, 2010.

Initial workers interviews were held on 18th – 20th January, 2010. Thereafter the audit team visited the factory premises on 21st & 22nd January, 2010 when the inspection of the factory, the management interviews, the document inspection and some worker interviews were conducted.

2.4. List of consulted local stakeholders

Earlier this year, FWF consulted the following organizations on the current state of affairs in China as quoted in the annex:

- Labor Action China (LAC), Hong Kong
- Labour Education and Service Centre (LESN), Hong Kong
- China Women Working Network (CWWN), Hong Kong
- Joint Peking University-Polytechnic University China Social Work Research Centre (Beijing / Hong Kong)
- Hong Kong Liaison Office of the international trade union movement (IHLO), Hong Kong
- China National Textile and Apparel Council (CNTAC), Beijing

2.5. Workers interviews

7 female workers were interviewed prior to the date of the audit, outside the factory premises. The workers were guaranteed that their employer would not know the identity of the interviewees. (More details of the profile of these workers cannot be divulged for purposes of confidentiality).



On the days of the visit to the factory, 5 male and 21 female workers, selected by the auditor from the shop floor, were asked to fill a questionnaire in a room. Short interviews were also conducted with them. The information gathered were used to compare technical details that came up during the audit.

All interviews were conducted in the absence of any staff or management representatives, assuring the respondents total confidentiality of the views that they expressed.

Copies of the translated version of the information sheet for workers were distributed and also pasted on two notice boards located at the main production site and the main entrance of the factory building, and an oral explanation was given particularly to interviewed workers.

The information sheet suggested to workers that they could contact FWF workers hotline in China in case they needed further information about the audit, or wished to report any complaints or grievances related to working conditions in the audited factory. This was also discussed with the management. The hotline is run by the worker interviewer of the audit team and the worker interviewer accepted to pass such communications to FWF.

2.6. Members of management and staff interviewed

The audit team met and had detailed discussions with:

Mr [name] of [agent]

Mr [name] president of [supplier of FWF affiliate member company]

Ms [name] personnel officer of the factory

2.7. List of documents consulted

General/ financial	Available / Not Kept / Not Complete / Falsified or not Applicable
Proof of registration or factory licenses for operation, employment, etc.	Available
Policy manuals	Available
Information material about Code of Labour Practices and the FWF, used to inform workers and subcontractors.	Available
Flow chart of the production process.	Available
Map of the factory, specifying type of operations in every room, including if applicable, the distinctions with other companies/legal entities on the premises.	Available
Production records and order records.	Available
Labour issues	
List of all workers, including date of appointment, gender, birth date, function	Available
Working hours records over the last 3 months, and possibly longer, as to	Not completed



be discussed during the inspection, and an "attendance register".	
Overtime register.	Not completed
Records of all employees / personal files specifying names, birth dates (including proof of age), identity document number, sex, function, wage scale, date of employment.	Available
Permits for young workers	Not Applicable
Leave register, including leave payments. Applications for all kinds of leave.	Available
Grievance files	Available
Disciplinary notices	Not Applicable
Employee manuals, (certified) standing orders or factory rules	Available
Contracts between management and recruiting agencies	Not Applicable
Time cards for all employees.	Not Applicable
Payroll journals, or wage lists showing base wages, incentive or bonus earnings, gratuity, hours, deductions, net pay and gross pay.	Available
All piecework rates and piecework calculations (or other incentive system rates and calculations – base plus, attendance bonuses, quality incentives, etc.).	Available
Payroll deposit slips, payroll checking account ledgers and deposit receipts for tax and benefit deductions.	Available
Payroll tax calculations, records and reports.	Not Applicable
Proof of payment of social security fees.	Available
Official authorization for overtime hours.	Not Applicable
Copies of payslips as handed out to workers.	Available
Collective bargaining agreement or any other document specifying the working conditions.	Not Applicable
Employment contracts of all workers.	Available
Documentation of elections of workers representatives, either provided by management or the factory union.	Available
Occupational Health and Safety	
Accidents register.	Available

Sicknesses register.	Available
Fire certificate.	Available
Proof of payment for inspection of fire extinguishers, electric appliances, elevators.	Available
Maternity leave register.	Not Applicable
List of pregnant workers	Not Applicable
Any other legally required registers concerning the labour laws and labour situation.	Not Applicable

The records maintained for law purposes were kept in good order and provided the information the team needed.

3. Detailed findings: Management system requirements

3.1. Sourcing policy supports effective implementation of the Code of Labour Practices

Interviews with management

- Placing orders to the factory since 2005, [FWF affiliate member company] takes up 50% of the factory capacity, amount to around 50,000 pieces a year.
- [FWF affiliate member company]'s orders are perceived to be stable, priced similar to others in the market. However, the factory feels that [FWF affiliate member company] is exceptionally easy and willing to communicate and is willing to observe the situations of the factory. The factory describes the relationship with [FWF affiliate member company] as good and humane.
- The factory highly appreciates that [FWF affiliate member company] actually involves the factory at the very beginning of designing and developing a product. The factory will be consulted on matters like which kind of materials to be used, or from where certain items are to be sourced. So, even well before a production order is confirmed, the factory can already foresee the coming production plan. This openness and transparency of [FWF affiliate member company] helps factory a lot to plan its schedule and helps the factory feeling less pressure to compete with other factories because [FWF affiliate member company] is walking with the factory all along the way.

Interviews with workers

- No findings

Interviews with local stakeholders

- No findings

Document inspection

- No findings

Inspection of the work place



- No findings

3.2. Coherent system for monitoring and remediation

Interviews with management

- The management reviewed that [FWF affiliate member company] has been very supportive on compliance matters. They were invited to three supplier trainings on corporate social responsibilities since 2005. Training topics included code implementation and monitoring, HIV/aids and anti-terrorism. It was in those trainings that they learned about FWF and the works of some other NGOs.
- The management reflected that [FWF affiliate member company] is willing to communicate and understand the situations of the factory. They have reached an agreement to set “not more than 224 hours per month” as the standard for working hours.
- The management finds the on-line database of [FWF affiliate member company] on compliance matters useful and easy to use to monitor and reflect on progress of factory’s remediation.
- The management reflected that their agent, the Hong Kong company, is also well on-board to handle compliance matters.
- The management reported that workers are told about the FWF code when they join the factory and sign the labour contracts. And, workers are given a staff handbook which also carries the FWF Code. Workers can also see the FWF code on the boards placed in two different locations in the factory.

Interviews with workers

- Most workers are aware of the FWF code and the audits happened.
- Most workers are not aware of any improvements after audits since they think the factory has already been quite good even without the audits.

Interviews with local stakeholders

- Firms in China frequently receive multiple audits. It is the norm for Chinese suppliers to look for ways to circumvent accurate fact findings. Instructions to workers on what to say to auditors is one of the methods suppliers frequently apply to this end.
- At times, even if a code of conduct is posted in the workplace in Chinese or even the local dialect, workers still do not understand how the code functions. Not understanding how the code functions, workers often do not feel at ease talking with auditors about the truth of the work environment.

Document inspection

- The factory has reviewed and documented the findings from previous FWF audit which is uploaded on [FWF affiliate member company]’s on-line database for compliance.
- The staff handbook carries two pages on FWF Code.

Inspection of the work place

- Two enlarged FWF Code (named as [FWF affiliate] Code of Conduct) are found on a wall on the ground floor near the main entrance of the factory building and also on a partition on the third floor near the sewing department.

- The posted FWF Code carries neither the contacts of FWF nor the telephone and name of contact person for workers from China to consult or complain.

3.3. Management system of factory to monitor and improve labour standards

Interviews with management

- The factory has made policies, rules and regulations, guidelines and procedures on matters related to audits and labour standards. They have systematically kept related documents and records.
- The factory has high emphasis on the benefits of worker trainings. It has built a training centre and has been running trainings on anti-terrorism, HIV/aids, computer skills and leadership skills.
- Individual persons in the management have clear role differentiation to implement related policies and rules.

Interviews with workers

- Workers are aware of factory policies, rules and regulations. They are also aware of the complain policy and procedures and they feel free to file complains to supervisors or managers.
- Workers have received a staff handbook on factory policies, rules and regulations and other matters related to labour conditions.
- Workers feel that the labour conditions in the factory are quite good and the relationship between workers and management is also good.
- Workers are aware of the FWF Code (named as “[FWF affiliate] Code of Conduct” in the factory) and the audits happened.

Interviews with local stakeholders

- No findings.

Document inspection

- The factory has systematically kept policies, rules and regulations related to labour conditions an human resources management, and the factory has set up guidelines and procedures to address related issues.

Inspection of the work place

- Factory policies, rules, regulations and other announcements are publicized on notice boards in the factory.

3.4. Communication, consultation and grievance procedure

Interviews with management

- The factory has developed policies, rules, regulations, guidelines and procedures to handle and document issues related with labour conditions, and the factory has publicized these for workers to know.
- The factory has set up a union in December 2009 to further strengthen the communications and mutual understanding between the management and workers. Workers are free to decide whether they would like to join the union. Representatives are elected among the 42 existing members.



- Management stated that workers can file their complaints through the union or through their supervisors or managers, or write to the opinion box.

Interviews with workers

- Workers reflected that the management treats workers well and are easy to communicate with. They are aware of the complain policy and procedures and they feel free to file complaints to supervisors or managers.
- Workers are aware of the newly established union and will wait to see how the union can function.

Interviews with local stakeholders

- No findings.

Document inspection

- Workers' complaints and follow up actions are documented.
- Documents related with the union election are found. There are names of worker representatives but no minutes of the union meetings are found.

Inspection of the work place

- An opinion box was placed in the factory.
- A notice board is found in the factory on which carries a lot of information and notices related with labour conditions and other personnel issues.
- Names of worker representatives in the union are not publicized in the factory, and no minutes or notices from the union are found posted in the factory.

4. Detailed findings: Labour Standards

4.1. Employment is freely chosen

Interviews with management

- Management stated that they have not kept workers ID cards and have not charged workers for deposits.
- The factory has procedures for workers to follow if they want to resign. Workers are allowed to resign with one month notice.
- Wages for a month (1st month) will be paid on the last day of the next month (2nd month).
- No workers borrow money from the factory.
- The factory does not fine workers for faults.
- Workers can access drinking water and go to toilet freely during working hours.

Interviews with workers

- No deposits or other charges are asked for when recruited.
- Workers feel free and easy to resign.
- Workers can receive their pay timely and will receive a payslip. The amount in the pay slip is consistence with what they actually get.

- Workers reflected that they are free to access drinking water and go to toilet during working hours.

Interviews with local stakeholders

- Forced labour is not common in the private sector in China.
- Ordinarily, firms rely on economic measures to limit the mobility of workers in garment factories. Measures common to Chinese garment factories are delayed wage payments, security deposits at the time of employment, fines for absenteeism, refusing overtime, etc.
- The Spring Festival is a time of job hopping for Chinese migrants. Migrants frequently switch employers after they return from a vacation in the countryside. Employers frequently refuse to pay workers' wages around this time in the hopes of maximizing the number of workers who return to the firm after the festival.
- Wherever workers are in debt to management, auditors should pay attention to the possibility that the debts become a method of extorting or restricting the freedom of workers. This issue requires some pragmatism, however. Chinese employers sometimes lend money to workers in times of emergencies. Though this does present some risks where freedom of employment is concerned, the willingness of employers to lend emergency financing to workers does save lives when workers need hospital attention after accidents or serious illness.
- In rural regions of eastern and northern China, there are factories that adopt a pay system that mimics the seasonality of work in agriculture. They will only pay workers once or twice a year, resembling the reward system of the harvest. As there are few factories in those regions, workers have no choice but to accept the system. However, factories in more industrialized districts no longer use this system of wage payments.

Document inspection

- Workers' personnel files were reviewed, which include copies of identification cards, application forms and personnel resume.
- Workers' payment is released timely with a payslip. The amount in the pay slip is consistent with what workers actually get.
- Documents state that wages are paid on the last day of the next month.

Inspection of the work place

- All workers live and eat outside the factory and workers can leave the factory during non-working hours without any restrictions.
- Workers can access drinking water and go to toilet freely during working hours.

4.2. No discrimination in employment

Interviews with management

- Most production workers are between young or middle-age. 50% of the production workers are from Jiangxi Province, others are from local or from other cities of this province. Nearly half of the production workers are male. A clear gender division exists between the sewing department (with mostly female workers) and other departments.

- Most management are local people or from other cities of this province, 33% of the management are from other provinces.
- Most workers come to work for the factory through pamphlets and public notices, and some are through introduction by other workers. The factory offers RMB100 for workers who can successfully recruited another worker whom has had stayed for one year after recruitment.
- The factory does not discriminate on the basis of gender, age, marital and health status, religion, ethnicity and geographical region of origin.
- The management explained that they have no records of maternity leave because all female workers resigned on their own and go back home in other provinces to give born the child.

Interviews with workers

- Workers have not mentioned any issues on discrimination.
- Female workers are aware of the maternity leave policy but choose to resign to go home to give born the child.

Interviews with local stakeholders

- 'Equal pay for equal work,' is a common practice for factories in this region.
- Many factories avoid employing too many male workers since they find that women are more obedient and less likely to express grievances. When the region was first developing the garment sector, firms actively discriminated against men, hiring only women. With the relative shortage of labour in the area, firms are now hiring more men. Though firms oftentimes discriminate against men for lower paid positions, they likewise tend to hire only men for
- positions that oftentimes involve more machinery, require more skill and are paid more than the positions that women work more frequently.
- Promoting equality for women has been a prominent part of communist propaganda. The issue of gender equality raises political sensitivities. Discrimination against women is often in the form of discrimination against pregnant and married workers. Discrimination against older workers is a widespread practice in China, and affects women in particular.
- The Chinese give a lot of attention to the region of origin of people. At times, this is just a manner of thinking without any negative attachments. However, this thinking is often tied to prejudices against people of different regions.
- Maternity leave is rare in garment factories in the area, and discrimination against pregnant and married workers is widespread. Auditors need to adjust requirements tied to maternity with sensitivity to the possibility that they will aggravate discrimination against pregnant and married workers.
- The Chinese system of family planning requires citizens to register pregnancies and births. The current system contributes to discrimination against migrant workers. Migrants are not permanent residents of the cities where they work, and therefore, they are formally not permitted to raise a child within the city. This sometimes affects the ability of migrants to obtain documents they need. Some try to use this system to exclude migrants from maternity leave by requiring documents that migrants have difficulty obtaining. Some employers look to the system of family planning for excuses to fire migrant workers being pregnant.

- The household registration system causes workers who migrated to other provinces for work to lose their social security benefits when they move back to their home province. Many factories use this situation to circumvent social security payments for migrant workers without offering them appropriate compensation.

Document inspection

- Wage records indicate that workers are paid equally.
- No discrimination was found in the factory's rule or any other documents.
- No records on maternity leaves can be reviewed since no workers have ever asked for.

Inspection of the work place

- Workers are mostly young to middle aged, around 20 – 40 years old. Nearly half of the workforce is male workers, contrary to the gender ratio in most other garment factories. But a significant big proportion of female workers are found in the sewing department.

4.3. No exploitation of child labour

Interviews with management

- The factory does not recruited child workers or juvenile workers.
- The factory will check workers ID to screen out child or juvenile workers during recruitment.

Interviews with workers

- Workers reflected that they are not aware of any child labour or juvenile workers in the factory.

Interviews with local stakeholders

- There are firms in the area that exploit juvenile workers aged 16 to 18, though this is not the most prominent workers' rights violation. Juvenile workers are more likely present in the summer time, when more juveniles are likely seeking employment.
- The number of juvenile workers in the southern region is likely to rise with the relative shortage of labor in the area.
- The practice of employing workers under 16 has not been a widespread practice in the garment sector of this region. However, during 2008 child labour has increasingly been found due to increasing labour market shortages.
- Sending young workers away from the factories to mislead auditors is a widespread practice.

Document inspection

- Photocopies of ID cards of all workers are kept together with their personal files.
- No child labour or juvenile workers are identified.

Inspection of the work place

- No findings.

4.4. Freedom of Association and the Right to Collective Bargaining

Interviews with management

- A union has just been formed in the factory in December 2009 to help strengthen the communications and mutual understanding between the management and workers.
- Workers are free to decide whether they would like to join the union. Representatives are elected among the 42 existing members.
- Management stated that workers can file their complaints through the union or through their supervisors or managers, or write to the opinion box.

Interviews with workers

- Workers are aware of the opinion box and they feel free to file complaints to supervisors or managers.
- Workers feel that the management is nice and feel satisfied with the working conditions in the factory.
- Workers are aware of the existence of the union but are not sure whether the union will further improve their working conditions.

Interviews with local stakeholders

- The establishment of a workers' union is relatively rare in private enterprises in China.
- NGO's in the area emphasize the need for democratic unions to take more determined steps to protect workers' rights.
- Employees in the garment sector have little awareness and knowledge of their rights. NGO's attribute this to the poverty of the Chinese inner provinces, from where most workers are from, and government policies that prioritize economic development over social protection. In this context, workers are forced to accept their conditions to maintain their income and provide for the subsistence of their families.
- Freedom of association is restricted in China. All unions must affiliate with the government controlled All China Federation of Trade Unions (ACFTU). Since branches of the ACFTU in the local area oftentimes have strong economic ties to the regional government and private entrepreneurs, workers find that unionizing through the ACFTU does not protect their collective interests. Most garment factories in the area do not form formal trade unions. Factories are not obliged to facilitate unionization or alternative forms to represent workers. However, they are obliged not to suppress workers' collective actions.

Document inspection

- Documents of the union registration, election and the organization structure and names of representatives are found.
- No minutes of the union meetings are found.
- The staff handbook has not carried information about the union.

Inspection of the work place

- Names of worker representatives are not publicized in the factory, and no minutes or notices from the union are found posted in the factory.

4.5. Payment of a living wage

Interviews with management

- All workers in the sewing departments are paid according to a piece-rate.

Piece-rate wage + 10% bonus x (piece-rate wage – RMB1,000) + OT premium + RMB50 (full attendance bonus) + RMB140 (food allowance) + RMB50 (housing allowance) – charges on social insurance – tax

- All other workers are paid according to a time-rate.
- Management stated that they observe the local legal minimum wage (RMB700/month; RMB4.02/hour) and will ensure gross wages reach the legal minimum standard, including the 150% premium for OT on weekdays, 200% premium for OT on Saturdays and 300% premium for OT on Sundays and public holidays.
- The bandwidth of gross wages of the lowest paid 75% of the production workers is from RMB 1100 to RMB 2200.
- Management reflected that wage level between peak and low seasons is around 20%.
- Only staffs in the office have probation of three months after recruitment. There is no difference in wage calculation for staff on probation.
- Wages are directly paid to workers in cash and workers receive a pay slip after signing the payroll.
- Management assured that all workers are paid for statutory holidays.
- Wages for a month (1st month) will be paid on the last day of the next month (2nd month).
- All workers are deducted the charges on social insurance and tax.

Interviews with workers

- Workers are clear who are on piece-rate or time-rate and are clear about how their wages are calculated.
- Workers stated that wages are pay timely.
- Workers confirmed that they receive the exact amount of what is recorded in the payroll.
- Workers receive a payslip and sign on the payroll.

Interviews with local stakeholders

- Most garment workers are paid by piece rates. The wages they receive in the peak season are ordinarily enough to provide for the needs of their families. However, in low seasons, wages are often lower.
- In low seasons, if firms do not have enough orders, they seldom guarantee a minimum wage for workers.
- Only the largest apparel factories pay adequate wages for overtime premiums.



- Though some employers report workers work excessive overtime in secret without management permitting it, managers elsewhere commonly report concerns with worker theft and electricity expenses. It is unlikely workers could arrange overtime on the production line without the knowledge and consent of shop floor managers.
- The regional legal minimum wage is RMB700 a month; or RMB4.02 an hour.

Document inspection

- Records showed that some workers’ wages are calculated according to a piece-rate while others are on a time-rate.
- All workers reached the legal minimum and OT are calculated and paid according to the laws.
- Bonus and allowances, and deductions on social insurance and tax are specified on records.
- The bandwidth of gross wages (including OT premiums) of the lowest paid 75% of the production workers is from RMB1100 to RMB 2200.
- Workers are paid the minimum wage for the statutory holidays.

Wage Ladder of monthly income including bonuses and benefits, excluding overtime hours OT	
Bandwidth of gross wages for the lowest paid ¾ of the production workers / month (excluding OT and irregular payments).	RMB900 – RMB1600
Regional legal minimum wage / month	RMB 700
Conclusion: Workers receive at least the legal local minimum wage for a standard working week.	

- Auditors have identified that workers are not paid the public holiday OT premium for a public holiday on 6th April 2009.
- The numbers of hours of leave on some workers’ time records do not match with the work time records on the payroll. This constitute a miscalculation of “piece-rate worker’s average hourly wages” and the a miscalculation of OT premium.
- The signatures of some workers do not match each other across months.

Inspection of the work place

- No findings.

4.6. Reasonable hours of work

Interviews with management

- The normal work time of the factory is 8:00am-12:00am and 1:30pm-5:30pm, Monday to Saturday.
- There is no fixed peak season or low season in a year.
- OT is common during peak season. If the factory has OT, it usually runs from 6:30pm-8:30pm on every Monday, Wednesday and Friday.



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- Management reviewed that the factory has an agreement with [FWF affiliate member company] to keep total working hours below 224 hours per month.
- Holidays and sick leave are offered, and the annual leaves are put to Chinese New Year (around January or February). No-pay leave are allowed for workers to handle personal matters.

Interviews with workers

- Workers are clear about normal work time and the OT practices.
- Workers reflected that they can refuse OT if they don't want to.
- All workers reviewed that they have rest every Sunday and also rest on most public holidays.

Interviews with local stakeholders

- According to Chinese law, standard working hours are a maximum of 8 hours a day and 40 hours a week.
- Excessive overtime is one of the most prominent workers' rights violations in garment factories in the region.
- Many garment workers work seven days a week and have to work till midnight every day. At times, workers themselves want a lot of overtime since their wages are otherwise too low, and they need money to support their families. More commonly, however, firms will penalize workers' wages if they refuse to work overtime.
- Long working hours are not only and entirely the responsibility of the garment factories. If foreign clients give their suppliers little time to finish a manufacturing order, factories have no choice other than to intensify the production process. This strongly contributes to long working hours of the garment sector in the Chinese garment industry.

Document inspection

- Time records showed that there are regular OT on every evening of Monday, Wednesday, Friday, and the whole day of Saturday, and no work on Sunday and public holidays.
- In the time record of March 2009, there happened a consecutive work of 13 days without any rest days. Management admitted that it had happened but it was rare and the factory had tightened monitoring after that.
- After comparing the piece-rate wages of May 2009, September 2009, October 2009 and November 2009, the wages of October 2009 is strangely high (around 100% higher), given that the total working hours of October 2009 is actually lower than September 2009 because of several public holidays in October 2009. Auditors conclude that not all work time in October are recorded and work time have exceeded 60 hours per week occasionally.

Inspection of the work place

- Auditors observed the factory on 18th and 19th January 2010 and had found that the factory had OT at least until 9:00pm.
-
- The work time specified besides the time card machine allow a half-hour time period for workers to punch their computer cards (12:00-12:30pm to leave for

lunch; 1:00-1:30pm for coming back after lunch). There can happen that some workers will punch their cards late and then come back to work earlier, so it may happen that workers have less than an hour rest for lunch.

4.7. Health and safety

Interviews with management

- Mr [name] together with other seven elected supervisors and workers formed a OHS committee to responsible for all OSH issues of the factory.
- The factory has two fire drills every year and the latest one was on 11th December 2009.
- Besides fire drills, the factory also trains workers on other OSH knowledge. The factory has conducted training on sexual harassment twice so far.
- All workers of the factory have joined the national social insurance with all five insurance items (occupational safety, pension, medical, maternity and unemployment).

Interviews with workers

- Workers have no impressions of big accidents or important OSH issues to address.
- Workers have no specific OSH concerns to mention or risks to complain.
- Workers are clear that they have joined the social insurance system.
- Workers have no experiences or have not heard about any physical abuse, sexual harassment or forced medical check up.
- Workers acknowledged that the factory has 2 fire drills every year and are also aware of worker training on various issues.

Interviews with local stakeholders

- Since garment factories use relatively few chemicals and the government pays a lot of attention to fire safety, the most prominent health and safety issues in garment factories are tied to the long working hours and manufacturing quotas. The industrial accident rate is still quite high in China, and therefore safety is essential to issues of the workplace.
- Ergonomic hazards are prevalent. However, people are not aware of them and often accept the situation as the way things are. Since the long term health hazards of poor ergonomics are significant, auditors should always pay attention to them.
- Chinese labour law requires firms to establish a health and safety committee to administer safe practices at work. Staff and workers are both allowed to form this committee.

Document inspection

- Documents related with OSH policies and guidelines are kept.
- Documents reflected all workers are included into the national social insurance.
- Certificates of electricity technicians are found.
- The factory has kept records of cases of accidents and sick.

- The factory keeps records of fire drills, checking of fire extinguishers, fire inspections.

Inspection of the work place

- First aid boxes and fire extinguishers are enough and easily accessible.
- Medical hand cloths and scissors are missing in the first aid boxes.
- Drinking water is provided and workers are free to drink water during working hours.
- The lights over the stocking area (on the ground floor and also the fourth floor) are not the type that is protected to prevent explosion or fire sparks in case the lights broken.
- Some fire extinguishers on the ground to second floor are blocked.
- The cleaning spray bottle are not used with ventilation or used on a specific cleaning table.

4.8. Legally binding employment relationship

Interviews with management

- All workers signed labour contracts with the factory once they started working in the factory.
- Contracts have fixed terms of two years, three years or five years.
- Workers keep one copy of the contract and the factory keeps one copy.

Interviews with workers

- Workers acknowledged that they have signed a contract with the factory and have kept a copy of the contract.

Interviews with local stakeholders

- Though many garment factories sign contracts with workers, these are often only a matter of words on paper which may contain terms prohibited by Chinese labour law. Workers are not often offered a copy of the contract and the conditions of the contract are not often met.
- Employment agreements are valid even if they are not registered with the government if employer and employee have both signed the agreement.
- Since January 1st 2008, the Labour Contract Law came into force; all workers should have a contract. Via the widespread publicity concerning the implementation of this law, workers are aware of the right of a valid contract.

Document inspection

- The factory keeps signed labour contracts of all workers.
- The term of employment specified in the contracts is two years, three years or five years.

Inspection of the work place

- No findings.



4.9. Special positive points of interest

- The factory has strongly appreciated the purchasing practices of [FWF affiliate member company] and how [FWF affiliate member company] has been supporting implementation and improvements on compliance.
- The factory is open and supportive in allowing the audit team to observe the production site of the other factory at the lower floors of the building. It is recommended that [FWF affiliate member company] to communicate with the factory to clarify the relationship and status of the two factories since the two factories are sharing some production facilities and some office personnel.

5. Annex: Corrective Action Plan

In the table below the issues that need improvement are summarised, split between requirements and recommendations. Recommendations are written in *italics*. Also indicated is whether management agreed with the findings of the audit team and what timeframe could be agreed on the corrective action.

Requirements and recommendations -if applicable- include concrete articles in laws, decrees or any other legal texts and contain useful details (for example legal limits to overtime hours, the legally required content of a first aid box, etc.)

	Conclusions	Management's response to findings	Requirements/ Recommendations	Timeframe
Documentation	Not completed records of all work time.	Not sure.	[Requirement] Correctly record all work time.	Six months.
Sourcing practices	None.	N/A	N/A	N/A
Monitoring system of FWF member company	None.	N/A	N/A	N/A
Management system of factory to improve labour standards	No FWF contacts, and FWF hotline telephone number and name of contact person on the FWF Codes posted.	Agree.	[Requirement] Put FWF contactst and FWF hotline telephone number and name fo contact person onto the posted FWF Code.	After received information from FWF.
Communication, consultation and grievance procedure	Names of union representatives and minutes of union meetings are not publicized.	Agree.	<i>[Recommendation] 1. Publicly post names of union respresentatives, minutes and notices of the union. 2. Set up a notice board for the union use. 3. Update union information onto the staff handbook.</i>	March
No forced Labour	None.	N/A	N/A	N/A
No discrimination	None.	N/A	N/A	N/A
No child labour	None.	N/A	N/A	N/A
Freedom of association	Names of union representatives and minutes of union meetings are not publicized.	Agree.	<i>[Recommendation] 1. Publicly post names of union respresentatives, minutes and notices of the union. 2. Set up a notice board for the union use. 3. Update union information onto the staff handbook.</i>	March
Living wage 1	Workers are not paid the OT premium for working on 6th April 2009 which is a public holiday.	Agree.	[Requirement] Backpay workers the OT premium as calculated according to the law. (China Labour Law Article 44.)	One month.

Living wage 2	The exact number of hours of leave of workers on the wage table are incorrect leading to a miscalculation of the average hourly wage of workers, and hence a wrong calculation of OT premium.	Agree.	[Requirement] Correctly record and calculate the exact average hourly wage of workers and pay workers the OT premium according to the law. (China Labour Law Article 44.)	One month.
Living wage 3	Workers signatures on the wage tables do not match across months.	Workers sometimes ask their sisters to help signing the table and get the pay.	<i>[Recommendation] Clarify with workers that signing on wage table is very important and will have legal implications, so they should sign personally to acknowledge reception of wage. In case they ask someone else to sign, they should also offer written authorization for the person to sign on behalf of them.</i>	One month.
Excessive overtime 1	There happened a consecutive work of 13 days without any rest days in March 2009.	Agree and the issues have already been addressed.	[Requirement] Ensure at least one rest day every week. (China Labour Law Article 38)	Immediately.
Excessive overtime 2	Base on comparison of the information from wage tables of several months, and also base on observations on site in January 2010, there happens worktime exceeds 60 hours per week occasionally.	Excessive OT should have already been controlled after June 2009. No comments on OT after 9pm in January 2010.	[Requirement] Limit the total number of OT in a month within 36 hours, and, in a day within 3 hours (China Labour Law Article 36 & 41; State Council Regulation No.146) and limit the number of total work time to less than 60 hours/week as a first step.	Six months.
Excessive overtime 3	Cannot ensure workers will have at least one hour rest for lunch.	Agree.	[Recommendation] 1. Shorten the time allowed to punch card. 2. Move the time machine to third floor.	Immediately.
Occupational health & safety 1	No medical hand cloths and scissors are missing in the first aid boxes.	Agree.	<i>[Recommendation] Put medical hand cloths and scissors into the first aid boxes.</i>	Immediately.
Occupational health & safety 2	The lights over the stocking area (on the ground floor and also the fourth floor) are not the type that is protected to prevent explosion or fire sparks in case the lights broken.	Agree.	<i>[Recommendation] Change the lights or restrict workers not to put stuff under those unprotected lights.</i>	Immediately.
Occupational health & safety 3	Some fire extinguishers on the ground to second floor are blocked by other stuffs.	Agree.	<i>[Recommendation] Remove the stuff blocking the fire extinguishers.</i>	Immediately.
Occupational health & safety 4	The cleaning spray bottle are not used with ventilation or used on a specific cleaning table.	Agree.	<i>[Recommendation] Put warnings on the bottle. Locate the works to another place with proper ventilation facilities installed.</i>	Immediately.
Employment relationship	None.	Agree.	N/A	N/A