



2010

## FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

**COMPANY:** New Wave Group  
**COUNTRY:** China  
**FACTORY CODE:** 7700151070I  
**MONITOR:** Level Works Limited  
**AUDIT DATE:** December 9 – 10, 2010  
**PRODUCTS:** Footwear  
**PROCESSES:** Cutting, Stitching, Injection  
Molding, Lasting, Inspection, Packing  
**NUMBER OF WORKERS:** 134

**Company Comment:** *Between 2007 and 2012, Cutter & Buck was associated with the FLA through our parent company, New Wave Group AB, which was a Participating Company. FLA audits were conducted with several suppliers associated with New Wave Group AB during that period. But many of the suppliers that were audited were never used by Cutter & Buck, and never produced garments for the US collegiate market. Because we had no interactions with these suppliers, we have no input or comment on any pending audit reports. Since February 2012, Cutter & Buck has become the directly affiliated Participating Company. And because Cutter & Buck is not sourcing from this facility, no further updates on remediation will be made.*



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### **Wages, Benefits and Overtime Compensation: Deposit of Legally Mandated Deductions**

WBOT.13 All legally mandated deductions for taxes, social insurance, or other purposes shall be deposited each pay period in the legally defined account or transmitted to the legally defined agency. This includes any lawful garnishments for back taxes, etc. The employer shall not hold over any of these funds from one pay period to the other unless the law specifies that deposits are to be made less frequently than pay periods (e.g., monthly deposits, weekly pay). If the law does not specify, then deposits shall be made before the next pay period in all cases. (S)

#### **Noncompliance**

**Explanation:** 1. The factory did not pay piece-rate workers wages on public holidays when workers enjoyed the holidays.

2. Only 80 out of 134 employees had participated in retirement insurance and unemployment insurance; only 100 out of 134 employees had participated in work-related injury insurance and childbearing insurance. Furthermore, no employee had participated in medical insurance. (The factory had provided a written waiver obtained from the local social insurance bureau.)

Sources: 1) document review; worker and management interviews; 2) document review, management interview

Legal References: 1) PRC Labor Law, Article 51; 2) PRC Labor Law, Article 51

**Plan Of Action:** 1. a) Develop a policy to provide the same benefits to all workers, including piece-rate workers; train management on policy; b) communicate the policy, especially to the piece-rate workers; c) update the employee handbook of the piece-rate workers; and d) pay the wages of the public holiday, if workers enjoyed on the next payment day.

2. a) Prepare policy and procedures to include all the workers under the insurance coverage as per legal requirements; train management on policy; b) provide all the benefits in accordance with law to all workers for: i) retirement; ii) suffering diseases or injuries; iii) becoming disabled during work or suffering occupational diseases; iv) becoming jobless; and v) giving birth. Also, communicate the policy to workers, supervisors and all mid-level management by training/posting the policy on the notice board/PA system and update the employee handbook.

**Deadline Date:** 06/30/2011

**Action Taken:**

Plan No  
Complete:

Plan  
Complete  
Date:

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### Wages, Benefits and Overtime Compensation: Minimum Wage

WBOT.2 Employers shall pay workers at least the legal minimum wage or the prevailing industry wage, whichever is higher. (S)

#### Noncompliance

**Explanation:** 1 randomly selected worker was being paid as low as RMB 2.29 per hour in June 2010. Furthermore, around 15% of workers were paid below the local minimum wage standard from March – November 2010.

Sources: document review; worker and management interviews

Legal References: PRC Labor Law, Article 48; Opinion of the Ministry of Labor on Several Questions Concerning the Implementation of the Labor Law (1995), Article 57

**Plan Of Action:**

1. Train the personnel responsible for wage calculation on legal minimum wages.
2. List the number of workers being paid the lower minimum wages as per legal requirement.
3. Increase wages up to minimum wages according to the minimum wages violation list.
4. Provide the copy of the new increment to the concerned workers.
5. Communicate to the workers so that they understand the calculation of revised wages.

**Deadline Date:** 06/30/2011

**Action Taken:**

Plan No  
Complete:

**Plan  
Complete  
Date:**

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**Wages, Benefits and Overtime Compensation: Timely Payment of Wages**

WBOT.4 All wages, including overtime compensation shall be paid within legally defined time limits. When no time limits are defined by law, compensation shall be paid at least once a month. (S)

**Noncompliance**

**Explanation:** All workers received wages around 31-36 days after the working period. For example, the wages of October 2010 (the period from September 26 – October 25, 2010) were paid around November 30, 2010.

Sources: document review; worker and management interviews

Legal Reference: PRC Labor Law, Article 50

- Plan Of Action:**
1. Develop a policy to pay wages after completion of the month as per legal requirement.
  2. Fix the payment date.
  3. Communicate the payment date with the workers through the PA system and post it to the notice board.
  4. Instruct and train the concerned person on how to complete the wage register prior to payment date.

**Deadline Date:** 01/30/2011

**Action Taken:**

**Plan Complete:** No

**Plan Complete  
Date:**

**Wages, Benefits and Overtime Compensation: Premium/Overtime Compensation**

WBOT.10 The factory shall comply with all applicable laws, regulations and procedures governing the payment of premium rates for work on holidays, rest days, and overtime. (S)

**Noncompliance**

**Explanation:** Only 100% of normal rate was paid to workers for all kinds of overtime hours.

Sources: document review; worker and management interviews

Legal Reference: PRC Labor Law, Article 44

**Plan Of  
Action:**

1. Prepare a detailed overtime compensation policy.
2. Train the concerned person on the policy.
3. Record the overtime hours of normal workdays, rest days, and legal holidays of each worker separately.
4. Calculate the overtime rate as 150% for normal workdays, 200% for rest days, and 300% for legal holidays.
5. Communicate the overtime rate to all workers.
6. Update the handbook of the workers.

**Deadline  
Date:** 06/30/2011

**Action  
Taken:**

**Plan  
Complete:** No

**Plan  
Complete  
Date:**

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**Wages, Benefits and Overtime Compensation: Pay Statement**

WBOT.26 Employers shall provide workers a pay statement each pay period, which shall show earned wages, wage calculations, regular and overtime pay, bonuses, all deductions and final total wage. (P)

**Noncompliance**

**Explanation:** No pay stub was provided for workers when the factory paid wages.

Sources: worker and management interviews

Legal Reference: PRC Provisional Regulations for the Payment of Wages, Article 6

- Plan Of Action:**
1. Develop a detail pay stub including earned wages; regular and overtime hours and wages; bonuses; all deductions; and final total wages for each worker.
  2. Train workers on calculation of wages to make them understand the pay stubs.
  3. Provide pay stubs to workers every month prior to payment date/during payment day.
  4. Allow workers to discuss with management about the pay stubs.

**Deadline Date:** 03/30/2011

**Action Taken:**

**Plan Complete:** No

**Plan Complete Date:**

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### **Wages, Benefits and Overtime Compensation: Wage Receipt**

WBOT.27 All payments of wages and benefits in cash and in-kind made directly to the worker must be properly documented and their receipt and accuracy must be confirmed by the relevant worker in writing (signature, thumbprint, etc.). No one can receive wages on behalf of a worker, unless the worker concerned has, in full freedom, authorized in writing for another person to do so. (P)

#### **Noncompliance**

**Explanation:** The wages for temporary workers were not received by workers themselves, but by their leader. (Around 30 temporary workers were working in the factory.)

Sources: worker and management interviews

- Plan Of Action:**
1. Prepare policy for using temporary workers as per legal requirement.
  2. Train the management/responsible persons and temporary workers on the calculation of wages and benefits.
  3. Pay the temporary workers directly on the same payment day as other workers in the facility.
  4. Maintain the wage register with acknowledgement of temporary workers.
  5. Provide pay stubs to the temporary workers like other workers during payment.

**Deadline Date:** 03/30/2011

**Action Taken:**

**Plan Complete:** No

**Plan Complete Date:**

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## Forced Labor: General Compliance Forced Labor

F.1 Employers shall comply with all local laws, regulations and procedures concerning the prohibition of forced labor. (S)

### Noncompliance

**Explanation:** The factory had not signed labor contracts with 61 out of 134 employees. Furthermore, around 10% of signed labor contracts had expired.

Sources: document review; worker and management interviews

Legal Reference: PRC Labor Contract Law, Article 10

**Plan Of  
Action:**

1. Prepare a policy to have labor contracts with all the workers upon recruitment; train management on policy.
2. Prepare workers' labor contracts by reviewing the total worker list and personnel file.
3. Develop a system to verify the personnel files of existing workers to find out the contracts that need to be renewed.
4. Communicate the terms and conditions of the workers' contracts before obtaining the workers' signatures.
5. Provide 1 copy of the contract to workers after signing.

**Deadline  
Date:** 01/30/2011

**Action  
Taken:**

**Plan  
Complete:** No

**Plan  
Complete  
Date:**

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## Freedom of Association: Right to Freely Associate

FOA.2 Workers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization. The right to freedom of association begins at the time that a worker seeks employment, and continues through the course of employment, including eventual termination of employment, and is applicable as well to unemployed and retired workers. (S)

### Noncompliance

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

**Plan Of Action:** We acknowledge that labor relations in China do not meet ILO Core standards. However, we encourage and suggest our suppliers:

1. To have a union committee with members elected by workers and give the opportunity to discuss the various issues including, but, not limited to, demand of wage adjustment; incentive system; job classification; improper job assignment; benefits; disciplinary measures and procedures; health and safety issues, etc.
2. Train workers on the function/purpose of the committee in order to raise worker awareness and understanding of the committee, as well as their rights and benefits, to promote the friendly atmosphere and relationship between factory management and workers.

**Deadline Date:**

**Action  
Taken:**

**Plan Complete:** No

**Plan Complete  
Date:**

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### **Freedom of Association: Grievance Procedure**

FOA.26 Employer shall have in place written grievance procedures that allow first an attempt to settle grievances directly between the worker and the immediate supervisor but that, where this is inappropriate or has failed, it is possible for the worker to have the grievance considered at one or more steps, depending on the nature of the grievance and the structure and size of the enterprise. Employers shall ensure that the grievance procedures and applicable rules are known to workers. (P)

#### **Noncompliance**

**Explanation:** The factory did not have a written grievance procedure in place. (Only suggestion box was installed in each workshop.)

Sources: document review, management interview, factory tour

**Plan Of  
Action:**

1. Develop detailed grievance policy and procedure; train management on policy.
2. Undertake different ways, such as complain boxes, open door polices, periodic interviews, and exit surveys, to discover grievances.
3. Define the problem properly and accurately after it is identified/acknowledged.
4. Redress the grievance by implementing the solution.
5. Follow up on the implementation at every stage in order to ensure effective and speedy implementation.
6. Train workers, supervisors and mid-level management on the grievance policy by introducing different approaches in all aspects of grievance-handling procedures beforehand.
7. Encourage workers to raise concerns without fear of reprisal.

**Deadline** 03/30/2011

**Date:**

**Action  
Taken:**

**Plan** No  
**Complete:**

**Plan  
Complete  
Date:**

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### **Harassment or Abuse: Discipline/Progressive Discipline**

H&A.2 Employers shall have a written system of progressive discipline (e.g., a system of maintaining discipline through the application of escalating disciplinary action moving, for instance, from verbal warnings to written warnings to suspension and finally to termination). Any exceptions to this system (e.g., immediate termination for gross misconduct, such as theft or assault) shall also be in writing and clearly communicated to workers. (P)

#### **Noncompliance**

**Explanation:** The factory did not have a progressive disciplinary procedure; the disciplinary procedure in the factory only states that excessive absence from work would be terminated.

Sources: document review, management interview

**Plan Of  
Action:**

1. Review the current labor regulations, especially the chapter on disciplinary procedures.
2. Develop the disciplinary procedures in the facility in line with China labor law that enables the participation of the workers.
3. Get approval of the policy by top level management and then by local authority.
4. Post the policy on the notice board.
5. Update the workers' handbook.
6. Schedule training for workers as soon as the regulation is approved by the government.

7. Keep all training records.

**Deadline** 03/30/2011  
**Date:**

**Action**  
**Taken:**

**Plan** No  
**Complete:**

**Plan**  
**Complete**  
**Date:**

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### **Harassment or Abuse: Discipline/Review of Disciplinary Action**

H&A.3 The disciplinary system shall include possibilities for workers to have disciplinary action imposed on them reviewed by someone at a higher managerial position than the manager who imposed the disciplinary action. In addition, such a system shall include the ability of a worker to appeal and/or question any disciplinary action against him or her and/or have a third party of his or her choice present when the disciplinary action is being imposed. (P)

#### **Noncompliance**

**Explanation:** The disciplinary system in the factory did not contain a process for review of any disciplinary action.

Sources: document review, management interview

**Plan Of** Set up procedure for review of any disciplinary action including, but not limited, to:  
**Action:**

1. Give written notice to the worker about the allegations and possible disciplinary actions, which may be taken by the company.
2. Inform the right to submit a written response to the allegation in the notice, by mentioning the deadline for workers to meet as per company policy.
3. Give an opportunity to the worker before submitting a written response to discuss, explain, and attempt to refute the allegations made against them.



4. After reviewing all the documents, the Grievance Handling Committee/manager may request or receive, and review, additional information.
5. Forward the review record to the concerned worker before the meeting deadline.
6. After meeting with the worker, the committee/manager shall determine which, if any, disciplinary action is appropriate under the circumstances.
7. The decision of the Grievance Handling Committee shall be notified to the workers as per policy.
8. Develop a system to appeal against the decision of the Grievance Handling Committee/manager to higher management if the worker is not satisfied and have third party of their choice present to resolve the grievance.
9. Trade union shall have the right to ask for handling the case anew.
10. Workers can apply for arbitration or raise lawsuits, while the trade union shall render support and help as per law.
11. Provide training to management, supervisors, and workers on disciplinary procedure.

**Deadline Date:** 03/30/2011

**Action Taken:**

**Plan Complete:** No

**Plan Complete Date:**

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### Child Labor: Proof of Age Documentation

CL.3 Employers shall collect and maintain all documentation necessary to confirm and verify date of birth of all workers, such as birth certificates. In addition, the employers shall take reasonable measures to ensure such documentation is complete and accurate. (P)

#### Noncompliance

**Explanation:** No personnel record or identification card copy was maintained for 61 out of 134 employees.

Sources: document review, management interview

Legal Reference: PRC LMI [2003], No. 9 III(II) (extracted)

**Plan Of Action:** 1. Develop policy and procedures to maintain the personnel file for all workers, including temporary workers.

2. Provide identification cards for all workers and file a copy of the cards in personnel files.

3. Review the file on a regular basis for effective implementation of the policy.

**Deadline Date:** 03/30/2011

**Action Taken:**

**Plan Complete:** No

**Plan Complete Date:**

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### Child Labor: Young Worker Identification System

CL.8 Employers shall have a system for identifying work stations and operations that are inappropriate for young workers according to applicable laws. (P)

#### Noncompliance

**Explanation:** The factory did not have a identifying system for identifying workstations and operations that are inappropriate for young workers, according to applicable laws.

Sources: document review, management interview

**Plan Of  
Action:**

1. Designate a person to review the current labor regulations related to young workers.
2. Analyze the job operation of individual processes to identify hazardous operations for the young workers.
3. Identify the job for the young workers.
4. Indicate the workstations of the young workers.
5. Provide badges to young workers to identify whether they are working in safe working conditions.
6. Train the supervisor and workers on the adverse effects of the young workers workstation and inappropriate work.
7. Assign responsible person to follow up on the practice.

**Deadline  
Date:** 03/30/2011

**Action  
Taken:**

**Plan  
Complete:** No

**Plan  
Complete  
Date:**

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**Code Awareness:**

GEN.3 Develop a secure communications channel, in a manner appropriate to the culture and situation, to enable Company employees and employees of contractors and suppliers to report to the Company on noncompliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so.

**Noncompliance**

**Explanation:** The confidential noncompliance reporting mechanism, which allows factory workers to contact the company directly, was not available in the factory.

Sources: document review; worker and management interviews

**Plan Of  
Action:**

1. Set up complaint boxes at the secret place.
2. Post the telephone number of the responsible and trained person at the notice board to use as a reporting mechanism for any violations of benefits or bad attitudes of fellow colleagues, supervisors, and management.
3. Develop systems that ensure confidentiality and anonymity.
4. Train workers to establish an environment of ethical behavior whereby they feel a moral obligation to report unlawful activity.
5. Offer rewards to the workers for useful information.
6. Post the code of conduct (where client's responsible personnel telephone number and e-mail address is available) of New Wave Group in the prominent place.

**Deadline  
Date:** 03/30/2011

**Action  
Taken:**

**Plan  
Complete:** No

**Plan  
Complete  
Date:**

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## Health and Safety: Evacuation Requirements and Procedure

H&S.9 All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, the installation and maintenance of an employee alarm and emergency lighting systems, ensuring aisles/exits are not blocked and that workers are not blocked within their workstations, employee education, evacuation procedures, etc.) shall be complied with. Workers shall be trained in evacuation procedures. Alarm systems shall be regularly tested and evacuation drills shall be undertaken at least annually. (S)

### Noncompliance

**Explanation:** 1. All passages in injection molding section were blocked by material.

2. 1 out of 2 fire hydrants in injection molding and 2 out of 9 fire extinguishers in finished production section were blocked by goods.

3. No emergency light was installed at 1 out of 2 exits in material warehouse.

Source: factory tour

Legal References: 1) PRC Fire Prevention Law, Article 16(4); 2) PRC Fire Prevention Law, Article 28; 3) Fire Safety of Building Design Regulation (GB50016-2006), Article 11.3.3

### Plan Of Action:

1. Mark passageways and clear unnecessary items.
2. Avoid placing materials on the floor.
3. Store materials and goods/wastes separately in a designated area.
4. Develop monitoring system on housekeeping to keep the fire equipment obstacle free.
5. Train all the employees on housekeeping.
6. Install individual battery operated light at the exit in the material warehouse.
7. Schedule the inspection of the emergency light of the work floor and exit.

**Deadline Date:** 01/30/2011

**Action Taken:**

**Plan Complete:** No

**Plan  
Complete  
Date:**

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### **Health and Safety: Personal Protective Equipment**

H&S.11 Workers shall be provided with effective and all necessary personal protective equipment (such as gloves, eye protection, hearing protection, respiratory protection, etc.) to prevent unsafe exposure (such as inhalation or contact with solvent vapors, noise, dust, etc.) to health and safety hazards, including medical waste. (S)

#### **Noncompliance**

**Explanation:** 1. The factory did not provide gloves or masks for the workers working with glue in the lasting section.

2. The factory did not provide occupational disease healthchecks for workers in the lasting section in 2010.

Sources: 1) factory tour, management interview; 2) document review, management interview

Legal References: 1) The Safety Manufacturing Law, Article 37; 2) PRC Occupational Disease Prevention Law

**Plan Of  
Action:** 1. a) Provide gloves and masks to the workers working with glue in the lasting section, b) provide training about the importance and on how to use personal protective equipment (PPE) to concerned workers and supervisors; assign a responsible person to monitor the use of PPE, and c) post the instructions for using PPE in the workplace.

2. a) Schedule the occupational healthchecks for workers who are exposed to chemicals and b) state the risk of potential occupational disease in the labor contracts of workers who are handling and exposed to chemicals.

**Deadline  
Date:** 01/30/2011

**Action  
Taken:**

Plan No  
Complete:

Plan  
Complete  
Date:

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### Health and Safety: Chemical Management and Training

H&S.13 All chemicals and hazardous substances shall be properly labeled and stored in accordance with applicable laws. Labels shall be placed in the local language and the language(s) spoken by workers, if different from the local language. Workers shall receive training, appropriate to their job responsibilities, concerning the hazards, risks and the safe use of chemicals and other hazardous substances. (S)

#### Noncompliance

**Explanation:** The factory did not provide training related to chemicals for workers operating with chemicals.

Sources: document review, management interview

**Plan Of Action:**

1. Prepare the training document about the hazards, risks, and safe use of chemicals and other hazardous substances in the local language.
2. Train management and concerned workers on chemical safety.
3. Develop a system to monitor the workplace frequently to see if workers are properly using chemicals.

**Deadline Date:** 01/30/2011

**Action Taken:**

Plan No  
Complete:

Plan  
Complete  
Date:

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### Health and Safety: Material Safety Data Sheets/Worker Access and Awareness

H&S.14 Material Safety Data Sheets (MSDS) for all chemicals used in the factory must be available at the usage and storage sites of the chemicals, in the local language and the language(s) spoken by workers, if different from the local language. Workers shall have free access to MSDS. (P)

#### Noncompliance

**Explanation:** Glue was used in the lasting section without MSDS or proper label.

Sources: factory tour, management interview

Legal Reference: The Regulation For Chemical Usage Safety in Work Place, Clause 27

Plan Of  
Action:

1. Collect the MSDS and label from the chemical provider.
2. Translate the MSDS and label into the local language and post the same to the store and working area.
3. Train management and the concerned workers on chemical safety.
4. Develop system to monitor the workplace.

Deadline  
Date: 01/30/2011

Action  
Taken:

Plan  
Complete: No

Plan  
Complete  
Date:

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### Hours of Work: Rest Day

HOW.2 Workers shall be entitled to at least one day off in every seven-day period. If workers must work on a rest day, an alternative day off must be provided within that same seven-day period or immediately following the seven-day period. (P)

#### Noncompliance

**Explanation:** Around 90% of workers had worked more than 7 consecutive days from March – November 2010; the most consecutive working days without rest were 99 days from April 26 – August 2nd, 2010 (1 worker in stitching section).

Sources: document review; worker and management interviews

**Plan Of Action:**

1. Create system for regular review of the capacity of the facility based on current productivity.
2. Update the capacity in the supplier profile and communicate the same with other departments, including marketing department.
3. Distribute the workload among workers by having a multi-skilled operator.
4. Review the production schedule to reduce working on weekly holiday, gradually aiming to meet the legal requirement within the mentioned date.

**Deadline Date:** 06/30/2011

**Action Taken:**

**Plan Complete:** No

**Plan Complete Date:**

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## Hours of Work: Time Recording System

HOW.6 Time worked by all workers, regardless of compensation system, shall be fully documented by time cards or other accurate and reliable recording systems such as electronic swipe cards. Employers are prohibited from maintaining multiple time-keeping systems and/or false records for any fraudulent reason, such as to falsely demonstrate working hours. Time records maintained shall be authentic and accurate. (P)

### Noncompliance

**Explanation:** 1. The factory had only used the "tick" symbol in manual attendance records to record workers' attendance time; there was no specific detailed in-time and out-time shown in the provided time attendance records. Therefore, workers' actual worked hours could not be accurately verified during this audit. Furthermore, the factory did not keep any attendance records for temporary workers.

2. The factory had not kept manual attendance records before March 2010.

Sources: 1, 2) document review, management interview

Legal Reference: The Provisional Regulations for the Payment of Wages, Article 6

**Plan Of Action:** 1. a) Develop time recording system for all workers, including temporary workers, b) record all working hours by mentioning in-time and out-time in the manual time card, c) obtain the daily acknowledgement of workers on the time card, d) keep monitoring whether working hours are maintained properly by the timekeeper, e) encourage workers to inform management directly or to use the complaint or suggestion box if they have any confusion about the recording of working hours.

2. a) Develop a policy to store all kinds of records in the facility as per legal requirement and b) communicate the policy to the concerned person.

**Deadline Date:** 06/30/2011

**Action Taken:**

**Plan Complete:** No

**Plan Complete Date:**

**Hours of Work: Overtime/Calculation Over Period Longer Than One Week**

HOW.10. Employers are allowed to calculate normal hours of work as an average over a period of longer than one week where local laws, regulations and procedures provide for such a possibility but only when all formal and procedural requirements attached to such calculation (for instance, obtaining official permission from the relevant authorities or limits to the period during which such calculations can be made) are met. The basis for such calculation shall, however, remain at all times the lesser of 48 hours per week or legal limits on hours of work in the country of manufacture or, where such legal limits do not exist, the regular work week in such country. (S)

**Noncompliance**

**Explanation:** 1. It was estimated that the monthly overtime hours of around 70% of workers were more than 36 overtime hours per month from March – November 2010, the highest one was noted to be 132 hours in September 2010 (1 worker in stitching section).

2. It was noted that around 20% of workers worked more than 60 hours a week, and the estimated highest weekly working hours were 70 hours a week from March – November 2010 (for most workers in stitching section).

Sources: 1, 2) document review; worker and management interviews

Legal Reference: 2) PRC Labor Law, Article 41

- Plan Of Action:**
1. Coordinate with the production planning department to reduce the overtime hours.
  2. Find out the root causes of excessive overtime hours.
  3. Develop monthly planning to reduce the overtime hours gradually to meet the legal requirement.
  4. Distribute the workload among all workers.
  5. Train the operators on multiple processes of the operation.
  6. Set up work study department to increase the productivity of the workers.
  7. Train the supervisors and workers on productivity.

**Deadline Date:** 06/30/2011

**Action Taken:**





**Plan**      **No**  
**Complete:**

**Plan**  
**Complete**  
**Date:**

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