Briefing ICO Services on Social Compliance & Improvement of Working Conditions

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I. Overview of ICO Consulting

ICO Consulting Co., Ltd. is a professional consulting company affiliated to the Institute of Contemporary Observation (ICO), it registered in Hong Kong and Shenzhen, China simultaneously. ICO founded on March 18, 2001, is a professional not-for-profit action group dedicated to promote decent work and social justice. ICO is a partner of Global e-Sustainable Initiative (a membership association based in Brussels, http://gesi.org/), and an associate of Xertifix (http://www.xertifix.de).

There are 10 full time staff and 10 part time trainers at ICO Consulting team. Its areas of activities include research and consulting services on global supply chains, social impact assessment, social development evaluation, etc. ICO services include five parts:

1) Audit for global supply chains’ working conditions, environmental performance in China (including Taiwan, Hong Kong, Macao), Japan, Vietnam, Cambodia, Philippines, Malaysia, Thailand. The audit team has carried out more than 6,000 audits in the last 15 years, cover electronics, garment & textile, shoes, toys, ceramics, cosmetics, jewelry, metal products, food, natural stone and agriculture, etc.

2) Professional consulting for social compliance, occupational health and safety, environmental protection, productivity, human resources, and multi-stakeholder engagement; more than 100 consulting projects have been implemented at factories and communities, focus on electronics and garments & textile, shoes, natural stone and agriculture.

3) Worker’s education in practices and E-learning for developing human capital and social capital, more than 200,000 workers, 60% of them are young migrant workers participate in these programs.

4) Worker’s confidential hotline covers 56 factories in China, Japan and Italy.

5) Research and advocacy on labor, factory improvement and CSR.

ICO provides social audit service to more than 20 international corporations, such as International Finance Corporation, DEG, Proparco, Burberry, Primark, Mulberry, Fat Face, NEC, Mizuno, Nike, Adidas, REWE/Toom; ICO's Education Team serves to Fuji Xerox, Omron, Burberry, TE Connectivity, DuPont; ICO Hotline Team serves to Burberry, Microsoft, WHsmith, Fat Face.
ICO's activities have been granted by the United Nations Democracy Fund, World Bank, US State Department, British Embassy in Beijing, Swedish International Development Agency, Canadian International Development Agency, Ford Foundation, Oxfam Hong Kong.

More details about ICO, please access: http://www.ico-china.org

II. Five reference projects ICO implemented

1. Communication Program for group’s Factories

Overview

This 12 months’ project was implemented at 5 suppliers of a British brand company and carried out between 2009 and 2010. These factories are located in Guangdong. The premise of the program is that factory employees can identify not only the problems in the factory, but also seek sustainable solutions to issues. Due to lack of communication at all levels of workers that hampers the harnessing of both problems and subsequent ideas for solutions, and this program facilitates and encourages this communication both in the factories amongst all levels of staff, and also uses the peer group method to bring further support, knowledge and momentum to the participating personnel.

Key Performance Indicators (KPI's) are used in each factory to help measure the problems which exist and track their improvement, enabling both a quantitative as well as a qualitative approach to measuring the success of the program.

Consequences from the project are: 1) effective communication channels run at the 5 participating factories; 2) worker’s satisfaction improved and employee’s turnover rate declined; 3) worker’s wage increased but their working hours reduced; 4) more transparence wins trust from their main clients and their workers; and 5) the total profit grown due to productivity and quality increased, as well as reduced unreasonable transportation cost.

Methodology
A peer group of 5 factories join the 12 months’ program. It is important they understand the time implications of this program and that the factory owner/CEO/senior factory manager is committed to attend all meetings. The seniority of the factory representative is crucial to the program, they must be able to make high level decisions, and demonstrate their factories commitment to this program to their workforce is from the top down.

ICO produces a report on all 5 factories’ progress on a monthly basis, based on information from both the workshops and on site visits which run in parallel to each other.

**Stage 1**

ICO consultants spend 2 days at each factory to assess the current situation. This includes interviews with management and workers at all levels, both individually and in groups to discuss the general issues in the factory.

The opening meeting is held with senior managers to introduce the program and identify the key problems in the factory as they see them. Then interviews are held with other managers such as HR and Finance for the same purpose. This process continues throughout the factory hierarchy concluding with workers sampled from all sections. Workers are mainly interviewed in their dormitories in order to prevent too much disruption.

Different communication techniques will be used as appropriate, e.g. one to one meetings, group brain storming, questionnaires left with workers etc. The aim is not only to identify what issues are raised, but also to gather the suggestions from workers to solve these issues, and making a Key Progress Indicators to measure the improvement of communication at the 5 factories

**Stage 2**

The appointed senior managers/CEO’s from the 5 factories attend a ‘kick off’ workshop held at a convenient location e.g. local hotel. The workshop takes two days and is held over a weekend to cause the least disruption to the standard working week. ICO present the key findings from their two day investigation at each factory, and the results are compared to identify which problems are common amongst the factories (eg. H+S issues, labour disputes, inability to comply with client’s codes of conduct re wages and working hours).
Group discussion will focus on seeking sustainable solutions at each factory, and to debrief the methods of how to measure KPI's and be set their own tasks for that month. Ten key topics are also chosen for discussion in future workshops.

**Stage 3**

Follow up workshops are held 1 day every month (on a Saturday) and all 5 factory representatives should attend each one.

ICO visit each factory before every workshop, and again spend time with various managers, workers and the factory focus group to provide them with support and encouragement as well as reviewing general progress.

At the start of each workshop, the reps are encouraged to discuss their previous months work, discussing issues/obstacles raised and sharing solutions found. It is an open forum for general discussion where by they are encouraged to develop their own solutions and learn from the peer group.

KPI's are reviewed, new tasks are set where needed, the next month's topic is set and related tasks/research is assigned.

**Stage 4**

Final visit carried out by ICO to the factory for review progress with the focus group. Discuss achievement of targets, what have been the major obstacles/challenges over the year, and what next steps are needed.

Final workshop will include a presentation by each factory representative to review progress and review of KPI's, such as which targets have been met? Which have not been met and why? What were the key challenges and the big wins? Next steps are discussed including challenges for the future.

**Outcomes**

The 5 participating factories not only set up effective communication channels but also learned how to identify and resolve problems from the peer education program. Although worker’s wage increased and working hours reduced, the biggest beneficiaries are the factory’s owners and senior managers due to the 3 consequences: a) worker’s satisfaction improved and employee’s turnover rate declined, these factories the cost of reduced recruitment and training; b) more
transparency wins trust from their main clients, they obtained more stable orders; and c) the total profit grown due to productivity and quality increased, as well as reduced unreasonable transportation cost.

2. Goals Setting for employees

Background

It has been lasted for thousands of years in Chinese tradition, culture and education system until today that independent thinking is not encouraged so that a few young people know how to set up their life goals, and how to reach these goals. This is particular true for migrant workers who come from countryside with so many uncertainties and social discrimination environments, who don’t know where are their future and how to integrate into, and achieve their dream in urban community or professional society. Developing the suitable skills and methods for their career plan could be beneficial for not only migrant workers to reduce the costs of their integration into local community but also for employers to increase retention rates of migrant workers, which has become increasingly serious in front of labor shortage situation. Above dilemmas have been tackled by the goal setting, a training program developed by ICO team in accordance with the needs of both migrant workers and their employers in sample factories. Two factories in Dongguan and Shenzhen join this 24 months’ project between 01 December 2010 and 01 December 2012.

Action Plan

It is a 24 months’ project which is divided to 6 interactive phases. The details for each phase are described below:

Phase 1: Investigation and communication

After the project is approved, ICO team will carry out an investigation at the target factory, interviews with workers and management. 20% of employees will be interviewed or participate in toe group discussion. All information gathered will be analysed as background information to design the “Goals Setting Workshop”.

The target factory appoints a project coordinator to facilitate this project. All employees of Goals Setting workshop will be organized to a team of 5 to 10 persons. The team shall be organized voluntarily.

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Phase 2: Goals Setting Workshop
The Workshop needs at least 6 hours
◇ Hour 1: Assembly: ICO expert presents the objectives, methodology and process of this project (45 minutes). Facilitators of each team bring the participants go to the venues (15 minutes).
◇ Hour 2: Briefing the rules of workshop, elect a team leader democratically. Brainstorm on personal life goals and career plan.
◇ Hour 3: Facilitators introduce the tools and methods of Goals Setting (Life, Career and Health), and team members start to make a 1-2 years’ short term life and career goals and mid-long term goals.
◇ Hour 4: Team members continue to make short term and mid-long term goals, and share their goals with the team members.
◇ Hour 5: Facilitators drive team members to analysis and commend the member’s goals and its indicators.
◇ Hour 6: Each team member sets their goals and share with their peers.
ICO project team gathers all participants’ “Goals” and analysis their SWOT, and send an analysis report to participating factory within 1 month.

Phase 3: Education and Training
ICO will develop a series of training courses to develop participant’s human capital and social skills. It includes face to face training and remote education.

Phase 4: Following up coach
After Phase 2, ICO will set up a QQ group for all participants to following up the questions of participants.

Phase 5: Evaluation and Promotion
ICO team will revisit the factory each 6 months and carry out three evaluations to ensure the objectives of this project will be reached. An evaluation report will be submitted after evaluation. The plan will be expended to other employees according to the new target.

Phase 6: Conclusion workshop
ICO and the participating factory will organize a conclusion workshop to review the results, motivate participants to reach their long term life and career goals. The workshop needs 4 hours.
Outcomes

Positive outcomes from this project can be illustrated from the story in one of participatory factories which invited ICO team to carry out this programme due to the challenges from the high turnover rate of employees. There were 300 employees in the Spring of 2010 at the factory but this number declined to 125 in August. To cope with the challenge, this project was effective December 2010. Before kicked off, an investigation carried out jointly by ICO and the company which showed 95% of interviewees prepared to leave the factory after Chinese New Year of 2011 due to un-satisfactory to the working conditions, including: low wage and long working hours compared to other factories in the region, poor catering management. The process of the project implementation was accompanied with the increase of employees’ satisfactory rate and decline of the turnover rate. At the end of February 2011 (after Chinese New Year), 92% of employees returned, and its employees have increased to 300 in April 2011. As a result, workers in this factory have not only been beneficial from an increase of their wage but also seen about their opportunities for their skill development as well as care their future development. The factory director expressed his thanks to this project as he does not worry about the delay to delivery products to his clients.

The outcomes from the goal setting project shows that the investment on migrant workers is also an important dimension or a right way for companies to pursue their long term business development. This is because while an employer in the labor-intense industry may find it difficulty to offer competitive salary to employees, goal-based development of the employees offers an effective solution to keep and incentive to employees. The latter would appreciate for any investment from the employer for their future since they would pay more attention to the opportunities of their skill and career development for their future than wage.

3. Smart Growth for Employees

The rapid economic growth in China has resulted in substantial change of enterprise capacity and competitiveness in the global market, many factories have grown to be big giants from small workshops. Above mentioned labour

unrest cases have sent a strong message, the strategy of cheap labour has not
been accepted by migrant workers. An approach of smart growth considering
the two parts of employer and employee should be developed for response the
challenge emerging in labour market.

ICO develops the Smart Growth Scheme for Employees in 2006 at Fuji Xerox, a
Japanese-owned company’s Shenzhen and Dongguan manufacturing bases. The
project aims to improve working conditions and increase employees satisfactory
through a comprehensive training programme for supporting employees’ growth in factory.

This scheme abstracts the marrow of the theory and methodology of Employee
Assistance Programme (EAP) which applying at education programmes of
human resources and organization development, and focus on improving the
relationship between management and workers, as well as to develop employees’
comprehensive ability of self-learning, self-development, and self-protection. So the curriculum designed and delivered includes three modules:

a) **Knowledge development** based on employees needs for supporting their
long term life goals. The courses include personal financial management,
empower through Internet, rights awareness development, milestone’s plan of
life (career and health), switch from rural to urban citizen, shift from student to
professional staff. The objective of these courses is to develop employees’
comprehensive ability on life and career development.

b) **Psychological and/or emotional anxiety** is a general issue in the rapidly
changing China, especially for immigrants in Guangdong, they have to face a
series of challenges from companies, communities, and government, but most
Chinese have never been educated to handle/or to control psychological and/or
emotional anxieties, this is one of reasons why those young workers chose
suicide to against Foxconn. All courses in this module focus on supporting
employee’s development based on mental health, including how to build a
happy life, how to handle disappointed in lover, friends, working partners, etc.

c) **Effective Communication** is a basic need for most employees at factory. ICO
designs the module in accordance with the need to supporting employee’s
confidence in inter-personal communication skills. The courses include to
developing human capital based on effective communication, parent-children
relationship, presentation, conflict solution, effective listening and responding, strong leaderships, etc.

**Outcomes**

The long term-cycle training scheme covers more than 10,000 employees from line operators to office clerks and middle-senior managers, it brought many new scenes in Fuji Xerox, such as the monthly turnover rate of employees is declined to 3% in 2010, and there is no labour disputes or strike since 2007, although most electronic factories are suffering to more than 5% (monthly) of employees’ turnover, and Japanese-owned factories in China occurred so many labour disputes and/or strikes in 2010.

This training programme has been expanding to another Japanese Omron in 2010, there are 4 factories of Omron join the project, these factories are located in Shenzhen, Dongguan, Hengyang and Suzhou. All these Omron’s factories appear better performance in retention of employees and increasing profitability. This output shows respect employees’ opportunities of development is the essential of smart growth both employers and employees.

**4. Worker’s Committees**

The rights of workers’ association and collective bargaining are generally prohibited in China although guaranteed by ILO Conventions 1987 and 1998. For most of Chinese manufactory owners and CSR managers, it is impossible in China to establish independent trade union or worker’s representative because they perceive it as heavy cost or threaten to their business model.

Different from the mainstream approach, the worker’s committee project provides a support for Chinese workers to exercise the rights of association and to collective bargaining through a joint training for workers and managers. This was a collective effort made by the ICO and many collaborators including Social Accountability International (SAI, a NGO based in New York, USA), International Textile Garment and Leather Federation of Trade Union (ITGLFTU, headquarters in Brussels, Belgium) and Chinese Women Workers Network (CWWN, a NGO based in Hong Kong) in 2003 to 2005. Jointed by 3 American companies and their 5 subsidiary factories in China, worker’s

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4 ILO Freedom of Association and Protection of the Right to Organize Convention (1948) and ILO Convention 98: Right to Organize and Collective Bargaining Convention (1949)
Ideas for Change and Opportunities

committee were selected and established in those factories respectively. The training team from the 4 project implementing organizations facilitated workers elected their representatives independently and offered training courses to these representatives how to exercise their rights and communication or negotiation with factory managers, as well as provide courses to managers how to respect and cooperate with worker’s representatives to build a win-win situation.

Since 2006, other 9 factories in Jiangsu, Zhejiang and Guangdong provinces joined this programme with similar outcomes: when workers aware their rights in the association and collective bargaining, they like to exercise the rights via the committee they elected, to communicate with the managers for improving working conditions. Once the balance between workers and managers is reached, both sides find themselves share many common goals and interests as both factory profits and workers’ satisfaction and stability are improved. As a result, all the 9 participating factories have not only win good reputation from workers and their clients, but also gained more orders and profits in the strong competitiveness of marketplaces.

To test the success or not of the project, a series of criteria had been set up by the project team at the initial stage on the issues, which includes wage, working hours, productivity, quality, workers satisfactory, turnover of employees, recruitment cost, training cost, delivery time and factory’s profit, etc. When the project was wrapped up in December 2005, it was found the working conditions and factory management, including quality control, productivity and profitability, all had great improvement at the participating factories.

Based upon hard evidence from many participatory factories in different locations of China, this project has shown the possibility of workers to share power with employers without a change of political environment in China. It indicates clearly that the respect to and practice of the worker’s rights in the association and collective bargaining could lead to a positive return to the business value on both the development of human resources and production management.

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5 A factory’s story of the project was reported at American Times Weekly (China Rising: Small World, Big Stakes, June 20, 2005, http://www.time.com/time/magazine/article/0,9171,1074151,00.html) and China’s Southern Weekend (侪达故事: 企业社会责任的中国之路, July 21, Southern Weekend http://www.southcn.com/weekend/economic/200507210039.htm)
5. Worker Confidential Hotline

Overview

The ICO Confidential Worker Hotline issues with its counterpart Burberry London in Nov 2007. Aimed at strengthening partnership between international brands and supply chains in China, the Hotline Service provides a channel for employees to communicate concerns safely, with benefits including:

- the identification of risks and better focus for audit resources
- welfare support to workers
- increased worker satisfaction and retention

The Hotline Service functions as a counseling support for workers in your supply chain by creating accesses to communication and problem solution, covering legal, mental, health problems and work-related requests. It is underpinned by ICO expertise and experience in labor issues, confidentiality is given in priority to gain workers’ continuous trust and to support factories’ risk controlling; immediate intervention and coordination among workers, factory management and international brands, are crucial instruments to addressing issues and requests raised by workers. Monthly reporting keeps clients aware of any risks.

Details implementation

Three Hotline services:

a) Via phone call: 400-889-9950 (10:00 a.m.—10:00 p.m.)
b) Via QQ messenger: 133-89-9950 (10:00 a.m.—10:00 p.m.)
c) Via E-mail box: hotline@ico-china.org

Objectives

a) To provide workers access to confiding in experts regarding any difficulties they face at work and daily life, with the aid of legal, mental counseling
b) To create opportunities for communication with workers which offer possibilities to explore potential misalignment with codes of practice;

Benefits brought by Hotline Service:

a) A free and qualified welfare benefit is provided to workers, filling gaps in local social services
b) Enhancement of the risk awareness process, providing an early warning
system of potential risks, and enabling retailers to better direct audit resources.

Specialties of the Hotline Service:
It is CONFIDENTIAL, INSTANT AND CONVENIENT, and PROBLEM SOLVING.

a) Confidential: All information from the calls is protected. No parties were able to obtain the hotline records and reports other than the brands and the factories; without the permission of the callers, no private identity information is disclosed.
b) Instant: Instant feedback is given and proposed solutions are delivered immediately, with brands being informed of urgent cases.
c) Problem solving: All answers and efforts given by the hotline team are aimed at solving the problems or preventing potential risks.

Procedures in dealing with hotline information:
a) The operators answer every call and try to distinguish the caller’s intention, and then tries best to offer a solution or feedback;
b) To record all information given by the caller, to be compliant with the confidentiality principle6;
c) To communicate with brands if there is any critical issues raised by the caller7;
d) To draft monthly Hotline Service report and monthly case summary, recording information of calling amount, case content, counseling, feedback and necessary follow-up, and then send to brands and factory management at the end of every month.

Results
During the first phase, the project was successfully rolled out in 56 factories from three brand names and retails join the hotline till November 2012, these factories are located in China, Japan and Italy, about 26,000 workers are covered by the Hotline service. Since the first visits to factories and hotline presentations to workers, both factory management and workers expressed interests in the hotline service. So far we have received more than 15,000 calls,
both via phone and QQ, from workers of these factories. The hotline phone number and QQ number also spread to workers from other factories. According to the monthly reports, about 81.5% of the total calls related to legal and mental health problems. There were also certain calls expressing work-related requests and factory improvement suggestions. All calls were fully answered and immediate counseling was provided to help in solving the callers’ difficulties and problems. Based on the callers’ feedbacks and cases follow-up, a majority of callers felt satisfied with the service. Certain workers have built up trusts with the ICO hotline team and maintain frequent contacts with us, even those who have left the factories.

When providing counseling, information about potential risks in factories’ social compliance and production is also collected. The reasons for these risks were identified and analyzed simultaneously, such as worker’s dissatisfaction with the factory management, reasons for leaving the factory, system, defects in factory communication channel, and any other grievances from workers. All these requests and suggestions were conveyed to brands and factories, which helped top management to hear the voices from line-workers and identify hidden risks for stable business. When there is an emergency, the brand and ICO team together discuss the issue and then recommended a workable scheme to the supply chain.

Along with the influences in workers and factories exerted by the Hotline Service, there are more and more constructive improvement suggestions and actual reflection from workers collected by the hotline team. These calls demonstrate that there is much room for factories to ameliorate working conditions and communication channels, and this hotline has become an effective access to understanding and communication. Furthermore, when requests are answered and actions are taken to meet workers’ reasonable requirements, a more transparent, efficient and interacted management system is set up step-by-step, which guarantees increase in workers’ satisfaction, efficient production and long-term stable business.

Sample case from a Hotline Operation factory

ICO team promoted hotline service in this factory in Jul 2011, conducted 1st hotline training at end of Dec 2011 and started to operate since then. We conducted the 2nd training in Jun 2012 and 3rd training in Nov 2012. There are approximately 1000 employees in the factory and all of them participated in 3
hotline trainings. Currently about 400 employees added into our hotline QQ list (40% of total employees).

Since Dec 2011 to Oct 2012, we handled 156 cases in total and averagely 14 cases per month, among which about 65% are work-related question or request, 19% are legal consulting, 10% are mental consulting, 6% are health consulting and other questions. 85% of those cases are successfully solved. Those unsolved cases are work-related request, of which 35% are due to excessive overtime that factory could not get immediate correction; 35% are personal request but workers did not want to disclose their identities, so they gave up their requests; 17% are canteen problems, the factory could not meet everyone’s taste.

Regarding work-related cases, the following five kinds of issues are mostly raised: conflicts with supervisors, excessive overtime, canteen problem, resignation not approved and monetary penalty.

Q2: Information on process flow – when a call comes into the hotline, how it is handled, resolved, escalated and how communication to workers and worker committees is handled:

a) The operator answers every call and identifies the caller’s intention and which factory he belongs to. The operator tries best to provide an instant
answer.
b) If professional advice is needed, the operator will contact the experts and feedback to the caller.
c) For work-related question or request that need factory’s investigation or solution, we contact the factory to verified the issue. Meanwhile, we encourage the worker to also use internal grievance channel to reflect this issue. We cooperate with factory to find a solution or give feedback to the caller.
d) We communicate with client if there is any critical issue raised by the caller. E.g. callers incline to suicide or encounter emergent situation, strike or other serious labor dispute, etc. We work together to discuss and recommend a workable scheme to address the issue.
e) All information is logged, including caller’s identity, description of the case, answer or solution, follow ups and feedback of the caller, etc.
f) We issue a monthly report and monthly case summary, recording information of number of calls, case content, counseling, feedback and necessary follow-up. This is sent to the client and factory at the beginning of each month.

Reference from managers and workers

Voices of Managers:
- ICO hotline is a “bridge” between workers and us. We exchange opinions with workers through this “bridge” and we both get better than before.
- I did not know we have so many problems as I never heard them from workers.
- Before we use hotline, I was a little nervous that you might stand on side with workers and be against with us. But I gradually found you judge things fairly, and you can pull workers over rumors or wrong public opinions and guide them treat things reasonably. That is really helpful for us.
- I did not like your hotline at first, because I thought it would bring much trouble for me. But now I really like it very much! I found it make worker-related problems much easier to be solved. Several times when I talked with other factories’ managers, I proudly told them we have ICO worker hotline!
- Workers are more likely to reported problems to us than before, because hotline introduced us to workers, workers believe in you, so they believe us.
- The employees’ inquiries are so complex, and your achievements have far exceeded my expectations. We do need your help. Your suggestions are helpful for us, every time when we solved a worker’ problem, I can saw satisfaction
and appreciation on their face, and I felt so happy.

- Last time when client visited our factory, they praised us for our open attitude toward hotline and efficiency of responding to the problems raised by workers.

**Feedbacks from workers:**

- The employees’ inquiries are so complex, and your achievements have far exceeded my expectations. We do need your help. Your suggestions are helpful for us, every time when we solved a worker’ problem, I can saw satisfaction and appreciation on their face, and I felt so happy.
- Last time when client visited our factory, they praised us for our open attitude toward hotline and efficiency of responding to the problems raised by workers.
- I never knew before that there is such a way to express our grievances, thanks very much for your listening.
- Thanks for your help. The factory has approved my resignation and I got full wage paid.
- I thought the factory was illegal to deduct social insurance fee from wage without my consent. I even quarreled with my supervisor. Now I understand it is a legal action. Thanks for your timely explanation so I did not complain to the labour bureau.
- Recently I feel much better. I bravely purchase my love as you told me and we are very happy now. Thanks for your encouraging.
- Your recommendation of studying method is helpful for me. I got obvious improvement. Do you have any other suggestion?
- The manager has criticized the safety guard, he is much gentle than before. Thanks for your help.