



September 28, 2011

Ozak Tekstil, Turkey
Freedom of Association Investigation Report

Introduction

The Fair Labor Association (FLA) was asked by Ozak Tekstil Konfeksiyon Sanayi ve Ticaret A.S. (“Ozak Tekstil”) to conduct an investigation regarding Freedom of Association (FOA) at its Ozak and AKB factories shortly after Ozak Tekstil applied for affiliation with the FLA as a Participating Supplier. The FLA Board of Directors provisionally accepted such application on June 14, 2011, contingent on the fulfillment of certain administrative requirements.

To conduct the investigation, the FLA engaged an investigation team composed of an academic, two interviewers and two FLA staff members (who acted as observers and verifiers).¹ Ozak Tekstil requested this investigation to be conducted in response to the allegations by the TEKSIF Labor Union. The main purpose of the assessment was to investigate the allegations of TEKSIF regarding violations of FOA in these two factories and to offer remediation recommendations. As the investigation team was requested to focus on FOA issues, it therefore did not conduct a full-scope social compliance audit of the facilities.

In order to ensure that employees who currently work at Ozak and AKB are not jeopardized by the findings of this report, the names of individuals have been redacted.

Methodology

Since the objective of the assessment was to gain a better understanding of issues regarding FOA at the two factories, worker and management interviews, both on-site and off-site, as well as an interview with the union organization representative, were deemed key to understanding the unionization efforts and the problems associated with such efforts at both factories. Field observations and document review were also conducted to check the overall operation of the factories and their policies and procedures.

In view of the importance of worker interviews, the terms of reference (TOR) required that the investigation team interview a sufficiently large number of workers

¹ The members of the investigation team were Kuvvet Lordoglu, Department of Labor Economics and Industrial Relations, University of Marmara, Lead Investigator; Safak Nazlican, Worker Interviewer; Bora Sahin, Worker Interviewer; Benan Vey, FLA Participating Supplier Manager, Observer and Verifier; and Korhan Tinaztepe, FLA Assessment Manager, Observer and Verifier.

to make reliable findings. The investigation team was also instructed to select workers to be interviewed through a random process to avoid the potential issue of pre-selection and coaching of workers by management. Management was warned about the strict prohibition on retaliation against workers that participated in the interviews and on coaching of workers. The investigation team was given latitude to conduct interviews within the factories or outside of the premises if they believed the results would be compromised. Ozak Tekstil management agreed to cooperate fully with the investigation and to provide unfettered access to facilities and workers. This agreement was respected in full.

Previous Audits for Ozak and AKB Factories

According to documentary information provided by management, both factories had been audited recently by different social compliance auditing companies on behalf of buyers organizations or of individual buyers. Reports of these audits were provided by Ozak Tekstil management to the investigation team.

Audits for Buyers Groups

Audits for buyers groups were conducted most recently at Ozak on November 11, 2008, and at AKB on July 15, 2010, by a third party social auditing firm. In both instances, the factory received an overall score indicating that improvements were needed in a range of social compliance areas. Neither of the two audits identified non-compliance with regard to FOA.

Audits on Behalf of or By Individual Buyers

A different third party social compliance audit firm conducted social compliance audits at Ozak on February 15-16, 2011, and at AKB on February 17, 2011, on behalf of an international buyer.

- The third party audit firm made findings and issued a corrective action plan to Ozak management regarding FoA on the basis of interviews with 30 workers and review of their personnel files.

Audit finding: Documentation required by the company's personnel policies confirming that workers had been informed that they were free to join a union was not found in 15 of the 30 selected employee files. The employees interviewed also reported that they had not been provided with this policy statement. Moreover, the personnel policy found in some of the files is not up to date and shows the previous address of the facility.

Corrective action required: Personnel policy indicating that the employees are free to join a union should be communicated properly to employees and documented in personnel files. Personnel policy should also be updated.

Audit finding: Seven out of the 30 workers interviewed stated that they do not feel that they enjoy the right of FOA due to the high turnover rate and continuous terminations of unionized employees, despite the personnel policy indicating that employees are free to join any union of their choice.

Corrective action required: Freedom of association should be granted to all employees.

- Findings and corrective actions issued by the third party audit company to AKB regarding FOA include the following, based on interviews and review of personnel files of 15 workers.

Audit finding: Three personnel files were missing documentation expressing the right of employees to join any union of their choice. Moreover, 3 workers reported not being aware of any personnel policy guaranteeing FOA.

Corrective action required: Personnel policy indicating that employees are free to join union should be communicated properly to all employees.

Audit finding: Four employees interviewed stated that they do not enjoy the right of FOA as union members cannot work at the factory.

Corrective action required: Freedom of association should be granted to all employees.

Management indicated that the audit in the Ozak and AKB Tekstil facilities which was carried out by an audit company failed to be objective and therefore did not reflect the real and accurate situation at the facilities due to (1) the audit procedure itself; (2) an insufficient number of employees were interviewed based on the list provided by the union; and (3) the random selection method was not used to select interviewees. The investigation team comments that the remedial suggestion made by the audit company lacks specificity and practicality, as it merely directs the factory to respect a right that workers enjoy under domestic legislation. Management informed the investigation team that the buyer had ended orders and this had led to the closure of the sewing room at AKB effective on March 22, 2011, and to the dismissal of 64 workers, including supervisors.

Separately, another buyer audited AKB on March 7, 2011, and Ozak on April 21, 2011. Supplier approval letters were issued by the buyer to Ozak and AKB management. Neither of the two audits identified non-compliance with respect to FOA.

According to the documentation submitted by the management, there have been two audits conducted by a third party auditing company for a brand on May 16, 2011 at Ozak Tekstil and on May 17, 2011 at AKB Tekstil. Neither of the two audits identified non-compliance with respect to FOA.

On Site Investigations

1. Ozak Factory Observations

Ozak is a ready-made garment production enterprise established in 1985 in Ikitelli, Istanbul. It manufactures primarily high-quality jean trousers for export. At the time of the visit by the investigation team, according to management, 1024 persons were employed, of which 337 were females and 667 were males. The distribution of workers by gender and general occupation was as follows.

	Female	Male	Both
Office workers	67	40	107
Production workers	290	627	917
Total	337	667	1024

Also according to management, current brands in production at Ozak include Gap Inc., Inditex Group (Zara), Pull & Bear, Guess, Armani, Esprit, River Island, Top Shop, NVY, Belair, Massimo Dutti, Miss Selfridge, Les Petites, Enzo, Loco Axara and Ogo Corleone.

The investigation team visited the Ozak facility for 2 days on May 31 and June 1, 2011, and was readily accepted into the premises. Factory owner Mr. Ahmet Akbalik, General Manager Mr. Tamer Eyerci, HR Manager Mrs. Hadiye Taskin, Finance Manager Mr. Okay Ayran, staff member responsible for Code of Conduct implementation Mr. Koral Ersin and company legal advisor Ms. Asli Erdem participated in the opening meeting with the investigation team. The opening meeting covered the purpose of the visit, management's explanation of the history of both factories' relations with TEKSIF, as well as the terms of reference for the FLA investigation. The investigation team, accompanied by management, made a brief walkthrough of the factory.

All worker interviews were conducted onsite, most of them at the production floor or in the factory garden and dining room during tea and lunch breaks; some of the interviews were conducted in private rooms outside of the view of management. All worker interviews were conducted without the presence of any staff or management representatives, and after assuring the respondents total confidentiality of the views that they expressed. An oral explanation was given to all interviewed workers. The contact information of FLA observer Benan Vey was given to the interviewed workers in case they wished to have additional information about the investigation or wished to report any incident of retaliation after the investigation.

Managerial staff (managers-supervisors and assistant supervisors) were also interviewed to understand their point of view and their knowledge about FOA.

Worker Interviews

A total of 517 workers were interviewed in two groups or tranches. The first group, consisting of 317 workers, included 149 persons in the sewing room department, 16 persons in the washing department, 66 persons in the sample department, 11 persons in the cutting department, and 75 persons in other departments. The second group consisted of 200 persons representing all departments. Thus, nearly 60% of the workers in the facility were interviewed, a sample size deemed to be sufficient to be able to draw valid inferences.

- 100% of the workers interviewed stated that they had not received any training about Freedom of Association.
- 78% of the workers interviewed stated that they are not very familiar with the labor union concept and are not informed about unions.

- 1% of the workers interviewed mentioned that one of the employees had been under management pressure due to being a witness in a court case involving a dismissed colleague, while 22% of the workers interviewed stated that they had not received any pressure at the work place from management about unionization. However, they stated that even though they had not ever witnessed such an incident, they had heard from other workers that any employee who becomes a union member would lose his or her job. The remaining 77 % of the workers stated that they neither received any pressure, nor witnessed or heard such incidents from other workers.
- 15% of the workers interviewed mentioned that employees who were found by management to be union members were dismissed.
- 25% of the workers interviewed mentioned that there had been an audit about two weeks prior to the visit by the FLA investigation team. They were called to a private room without the presence of management. The two auditors asked them about their knowledge about FOA, whether or not they were union members, among other questions. These workers mentioned that they did not believe that it was a brand audit and instead it may have been a fake audit organized by management to find out if they were union members. Management stated that the mentioned audit had been conducted at Ozak Tekstil and AKB Tekstil respectively on May 16, 2011 and May 17, 2011 and submitted documents that verified that these two audits were conducted by a third party audit firm for a customer, as stated above.
- 4% of the workers interviewed mentioned that the posted information about the workplace code and FOA rights of workers, were taken away after some of the previous audits. They stated that the CoC of brands are only posted in bulletin boards at the time of audits.
- 3% of the workers interviewed mentioned that they had seen a notice against unionization at Ozak written by a worker in the production area and in the dressing rooms. They did not know who wrote the notice or the reason for it. 4% of the workers interviewed mentioned that they had heard about such a notice although they had not seen it.

Managers/Managerial Staff Interviews

A total of 12 managers/managerial staff members were interviewed. Five were upper management and seven were line supervisors.

- 100% of the managers interviewed stated that they were respectful of FOA and the right to collective bargaining of workers; 29% of the supervisors replied the same, with the remaining 71% of the supervisors indicating that they were not aware of the concept and did not declare an opinion.
- 100% of the managers interviewed stated that there was no need for a union at the factory because the working conditions were above industry standards in the region. 100% of the supervisors interviewed expressed the same view and mentioned that they did not expect any unionization in the factory; 29% of the supervisors interviewed stated that if a union were able to organize, management would expect salary increase demands as part of a Collective Bargaining Agreement.
- 80% of the managers interviewed reported that workers had not brought to their attention that they were being forced by the union to affiliate. 20% of the

managers interviewed mentioned that they had heard in the factory that the union gave money to those who recruited union members. 40% of the managers interviewed mentioned that at other factories in Turkey, unions gave money to those who recruited members; 100% of the supervisors interviewed were not aware of such an issue.

- 100% of both the managers and the supervisors interviewed mentioned that Ozak management decided to shut down the sewing department at AKB because a customer stopped orders.
- 100% of the managers interviewed mentioned that there was no intense negative atmosphere or any discomfort in the workplace. 43% of the supervisors interviewed mentioned that there was an intense negative atmosphere or discomfort in the workplace.
- 29% of the managers believed that there was an ongoing smear campaign against the company orchestrated by outsiders (including domestic and foreign competitors) who sought to drive business away from the company.
- 100% of the managers and supervisors interviewed mentioned that they had not received any threatening phone calls, SMSs, or e-mail messages recently. However, management informed that both the Corporate Identity and the Board of Directors of Ozak Tekstil have been subject to a smear campaign by the union nationally and internationally via Internet and mail for a long time.

Records Review

According to records provided to the investigation teams, worker turnover at the factory between May 1, 2010 and May 1, 2011 was 538 workers or about 52% of the workforce.

Management provided information to the effect that there are 8 ongoing court cases against Ozak, six of which are related to FOA and two to severance payment.

Judicial proceedings are executed in two stages in the Turkish legal system where a lower court ruled its initial decision and such decision further reviewed by the Supreme Court. It is noted that in one of these cases, the lower court had opined in favor of worker pursuant to Article 31 of the Trade Unions Act, Law Number 2821,² and this decision was appealed before the Supreme Court and the lawsuit was still ongoing.

2. AKB Factory Observations

At the time of the visit by the investigation team, the AKB factory in Catalca, Istanbul (Free Trade Zone) was operating with only 47 workers. As mentioned above, on March 22, AKB had closed the sewing room at the factory and dismissed 64 employees (workers and supervisors). Reportedly, 20 of the dismissed workers were alleged to be members of the union. Management stated that the reason for the closure of the sewing room was the sudden cancellation of orders by a foreign customer as

² Article 31: If the worker is not reinstated within the stipulated time period, the amount of one year's gross salary must be paid to the worker by management; if the worker is reinstated, then four months' salary plus litigation expenses must be paid by management.

stated above. At the time of the visit, the sewing room had been closed, but the sewing machines and other equipment were still in place. All production workers remaining in the factory were in the cutting department, with the exception of a cook (female).

	Female	Male	Both
Office workers	0	33	33
Production workers	1	13	14
Total	1	46	47

The investigation team reached AKB on June 2, 2011 and was readily accepted into the premises. HR Manager Mrs. Hadiye Taskin participated in the initial meeting at which the objective of the visit was explained and accompanied the team on a quick walkthrough. Immediately following, the team started worker and managerial staff interviews, seen as a key element of this assessment. Some document checks and visual observations were also done in order to better understand the workplace.

Worker Interviews

13 production workers were interviewed by the investigation team. With the exception of one worker (a cook), the remaining production workers were all in the cutting department. According to information provided to the investigation team, the cut pieces are being sewn at Ozak, although it is possible that they also may be sewn at one of the numerous sewing sub-contractors that Ozak regularly uses.

- 11 of the interviewed workers (87%) stated that the sewing department had been closed because of the unionized workers, even though there were workers who were not union members in that department.
- 5 of the interviewed workers (38%) mentioned that the dismissed sewing workers and their supervisor were taken to the offices by the security guards and were dismissed after taking their signatures.
- 7 of the interviewed workers (54%) mentioned that the number of dismissed workers in the sewing department was about 80, and that there were about 20 union members among them.
- 7 of the interviewed workers (54%) mentioned that the employer would not permit unionization at the factory.

Managers/Managerial Staff Interviews

As AKB is managed by the same personnel as Ozak, please refer to the management interviews of Ozak above.

Records Review

Records provided to the investigation teams indicated that worker turnover at the factory between May 1, 2010 and May 1, 2011 was 145 workers, or about 130% of the workforce of 111 workers prior to the closure of the sewing department. Management stated that the sewing room at AKB had been built to accommodate orders from a particular customer, and when that customer ceased placing orders, there was no longer need for such capacity.

Management provided information to the effect that there are 20 ongoing court cases against AKB alleging illegal dismissals; the cases were filed by the 20 union members who were part of the group of 64 workers dismissed when the sewing room was closed; presumably the rest of the dismissed workers were not union members.

Interviews with Dismissed Workers Brought by the Union

The investigation team interviewed 17 former workers (out of 64 workers dismissed in the sewing department of AKB Tekstil) on June 2, 2011. The workers were brought together by the TEKSIF Labor Union.

- 17 dismissed workers interviewed (100%) mentioned that they had experienced production pressure and they had not received salary increases except for one increase that had been taken back. They were told that the reason for taking back the increase was the recession. Management submitted documentation showing that salary increases had been made every six months.
- 7 dismissed workers interviewed (41%) mentioned that they had been subject to abusive behavior by supervisors. They also mentioned that management had offered promotion to some of their unionized colleagues to supervisor if they provided the names of other unionized workers.
- 7 dismissed workers interviewed (41%) mentioned that the employer had not given permission for the factory to unionize; management tried to find out who were the union members in order to pressure them to give the names of other members.
- 5 dismissed workers interviewed (29%) mentioned that after unionization started, factory management extended the end of the workday by about 10-15 minutes in the evenings to harass and punish workers.
- 10 dismissed workers interviewed (59%) mentioned that an audit had been conducted about 20 days prior their dismissal. They mentioned that the auditors told them they were brand auditors; however the workers thought that they were fake auditors used by management to learn about their union affiliation.
- 4 dismissed workers interviewed (24%) mentioned that they were threatened with dismissal by a manager for attending as witnesses a court case of a dismissed union member before the closure of the sewing department. They mentioned that they were even offered money not to appear before the court as witnesses.
- 1 dismissed worker interviewed (6%) mentioned that he/she had heard of a threat of dismissal because of union membership.
- 10 dismissed workers interviewed (59%) mentioned that management closed down the sewing department suddenly because the labor union was about to get the majority (50%+1 members) if they had gained 3 more members at AKB.
- 17 dismissed workers interviewed mentioned that the dismissed workers were taken out of the factory by the security guards and were forced to sign a release form.
- 7 dismissed workers interviewed (41%) mentioned that they were told to sign the release form and they would receive their payments later. They mentioned

that the human resources manager and four other managers were also present during the closure of the sewing department.

- 17 dismissed workers interviewed (100%) mentioned that they were told by the labor union that management would pay four extra salaries to each worker in return for their withdrawing their court cases.

Conclusions and Recommendations

OZAK TEKSTIL:

Interviews with workers at the Ozak Tekstil factory confirmed very low levels of awareness about FOA and collective bargaining rights in general, and about the policies and procedures of Ozak Tekstil with regard to the exercise of these rights by its workers. While all managers reported that they were very well informed about FOA, only 30% of first-line supervisors interviewed indicated that they had a high degree of awareness.

Interviews of workers and management representatives conducted by the investigation team yielded contradictory statements regarding the implementation of FOA at the factory of Ozak Tekstil:

- A share (15% to 22%) of workers interviewed at Ozak stated that the company would dismiss workers who joined unions.
- It is also noted that some union members were still working at Ozak Tekstil.

AKB TEKSTIL:

Interviews of workers and management representatives conducted by the investigation team yielded contradictory statements regarding the implementation of FOA and the reasons for the closure of the sewing department at AKB:

- Nearly 90% of the workers still employed at AKB stated that the closure of the sewing room may be related to unionization.
- Meanwhile, managers and supervisors unanimously stated that management respected FOA and collective bargaining rights. Managers and supervisors also unanimously stated that the closure of the sewing department at AKB was the result of a reduction in orders by a key customer.

Taking into consideration all of the information gathered during the investigation, the investigation team was unable to conclude definitively whether the closure of the sewing department at AKB was the result of anti-union activity by management or the sudden cancellation of orders by a key customer.

In view of the fact that workers at Ozak and at AKB are making use of the legal process to ventilate their allegations regarding FOA violations, it would be inappropriate for the investigation team or for the FLA to comment on these ongoing processes.

Nevertheless the investigation team came to a conclusion that the FOA situation at Ozak Tekstil warranted strong action on the part of management in implementing the following recommendations at the two facilities.

Recommendation 1: Ozak Tekstil should implement promptly and fully any decisions from the courts regarding the cases that have been filed by workers at the two factories. If the courts ruled that dismissals violated domestic law, Ozak Tekstil should promptly implement remedial actions pursuant to the Trade Unions Act or other applicable statute.

Recommendation 2: Training on FOA and collective bargaining rights of workers and on non-discrimination should be provided to all Ozak Tekstil managers and supervisors and repeated periodically to ensure that all managerial staff are well aware of such rights. Standards regarding compliance with the FLA Workplace Code of Conduct, including but not limited to FOA, collective bargaining and non-discrimination rights of workers, should be included in the job descriptions of managerial personnel and should be part of the annual performance evaluation of managerial staff.

Recommendation 3: First tier managerial staff (supervisors and assistant supervisors) should be trained on the following topics to improve their overall management capabilities: Code of Conduct principles, with particular attention to the Freedom of Association and Collective Bargaining rights of workers, Problem Solving Techniques, General Communication Skills, Empathy and Emotion Management and Leadership Skills.

Recommendation 4: Training should also be provided to all workers to improve their overall knowledge and understanding about the code of conduct, including FOA and collective bargaining rights. These sessions should be repeated periodically to maintain awareness of FOA and collective bargaining rights on the part of the workforce. The FLA Workplace Code of Conduct, which includes these rights, should be given to all workers as handouts and should be posted on the notice boards for the workers to read. This should also be part of the induction training of employees who should sign a document attesting to their receipt and understanding of the policy.

Recommendation 5: Ozak Tekstil management should improve its grievance system with the participation of elected worker representatives for handling worker complaints confidentially at both of the factories.

Recommendation 6: Ozak Tekstil management should develop policies and procedures to govern downsizing and retrenchment that emphasizes non-discrimination in the process. They should also determine a procedure for communication with stakeholders. The policies and procedures should follow best practices in downsizing and retrenchment, such as those recommended by the FLA to its affiliates.³ Ozak Tekstil management should also consider capacity building regarding downsizing and retrenchment available from the FLA.

³ Fair Labor Association, *Retrenchment: Guidelines for FLA-Affiliated Companies*, February 2006, http://www.fairlabor.org/sites/default/files/documents/reports/fla_retrenchment_guidelines.pdf

Recommendation 7: Ozak Tekstil management should develop disciplinary policies and procedures, train the workforce, implement and review to improve the worker-management relationship. Integration of labor compliance into management systems of all employment functions is highly recommended.