

Appendix 4

Understanding FLA's Assessment Methodology

FLA's Sustainable Compliance methodology (SCI) identifies root causes of noncompliance so that sustainable solutions can be developed and implemented. SCI assessments consist of a number of activities undertaken by the assessment team which are conducted prior to the visit to the workplace, during the visit, and after the visit. These activities are depicted in the diagram below. Rather than rigid steps that must be completed sequentially, they are more akin to components of a system that underlies assessments and may be conducted in parallel. In the description that follows, these activities are organized into those that are conducted prior to the visit to the workplace (pre-onsite assessment), those that are conducted during the visit to the workplace (onsite assessment), and those that are conducted after the visit to the workplace (post-onsite assessment).



Pre-Onsite Assessment

1. Desktop Research

The SCI approach to assessment begins with desktop research on the national and local labor market, the industrial sector and the company concerned. Here are examples of the types of issues that the assessor should look into:

- Have any new labour laws been adopted recently that may affect the employment relationship in the facility to be assessed? What about the laws/legislation on environment and health and safety?
- What are the known issues surrounding the employment relationship in this labor market? This includes structural and systemic issues. Structural issues might include over- or under-supply of labor, a high percentage of migrant workers, or a tradition of child labor. Systemic issues might include labor laws that do not meet ILO standards, weaknesses of labor inspection systems or high social charges that companies typically try to avoid.
- Are there any particularities in the local labour market that represent a risk that might need to be assessed? An example might be provident fund payments in the North of India, the Sumangali scheme in the South-east of India or an environment of employer-controlled labor unions and protection contracts.
- Are there any risks associated with the industrial sector/product category of which the company forms part? For example, is the production process

known to involve extensive use of chemicals? Does it involve labor-intensive detailed processes susceptible to homework?

- Does the particular company to be assessed have any known issues with its handling of the employment relationship?
- What is the industrial relations situation in this labour market? Are trade unions present? Are there any collective bargaining agreements in the area? Has there been labor unrest in the past year?
- Has there been fire, factory collapse or serious work accidents in the past months/years? What are the recent environmental incidents and problems in the region?

2. Policies and Procedures Review

At the time the assessment team is assigned to conduct an SCI assessment, it should send a request for documents to the workplace to be assessed. An illustrative standard list of documents to be requested in advance is provided below. In particular, the request should cover policies and procedures regarding each of the employment functions (EF) and other documentation including, but not limited to, company’s general information, employee handbook, internal rules and procedures, suggestion box or open door policies, collective bargaining agreements, and records of recent visits by labor inspectors or by brand auditors. The assessment team should review the documents prior to arriving at the site to determine if the workplace has the necessary policies and procedures required to regulate the employment relationship in a sustainable and compliant manner.

1. Policies and Procedures	
a	Recruitment, Hiring and Personnel Development (including training records (training plan and training documents))
i	Sample of Application form
ii	Sample of Employment contract
iii	List of documents in a standard worker file

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b	Wages & Benefits
i	Pay slip format
c	Hours of Work
d	Termination & Retrenchment
e	Workplace Conduct & Discipline
f	Grievance System
g	Health & Safety
i	Specific H&S forms and records
ii	Risk assessment report of the workplace
iii	Fire risk assessment report of the workplace
iv	Number of medical and first aid trained staff
v	Number of first aid kits and information on content
vi	Emergency response/Business continuity plans
vii	Structural safety certificate of the buildings (factory/dormitory)
h	Environmental Protection
i	Waste management plan
ii	Waste water analysis report
iii	Emissions report
2. Company Data	
a	Business Registration Records (permits & licenses)
b	Brief history of the factory
c	Map/layout of the factory and immediate surroundings
d	List of brands in production
e	FLA affiliated companies' Code of Conduct
f	List of operations within the factory/Monthly capacity for each operation
g	List of subcontractors where the main production functions take place (such as cutting, sewing, stitching, etc.)
h	Organizational Chart
i	Ongoing lawsuits against company (if there is any)
j	Accident records (for the last 3 years)
k	Recent audit reports (self assessments, government, third parties and brands reports for the last 12 months)
3. FOA and Worker Representation	
a	Policy and procedures on FOA (if applicable)
b	Actual CBA (if applicable)
c	Names of the unions (if present)
d	List of worker representatives
e	List of worker representative committees (EHS/Disciplinary/etc.)

3. Task and Risk Mapping

Once the desktop research and policies and procedures (and related documentation) review have been completed, a task-and-risk map of the facility should be drawn-up. The mapping should list all the functions involved in the production process and attach a risk to each. The risks may be generic (such as the intrinsic occupational health and safety risk associated with a process involving chemicals) or workplace-specific (such as the risk posed by the lack of policies and procedures on a certain Employment Function). The risks should then be prioritised.

The task and risk mapping is a particularly strategic moment in planning the assessment because it will determine the starting point and the order of the investigation. SCI assessments should not simply follow a standard sequence—such as the chronological order for example of the employment relationship, from hiring to termination. Instead, the lead assessor should study the task-and-risk map and determine the most pertinent point of entry based on the severity of the risks evident from the desktop research and the probable cause-effect relationship of those risks. Let us look at a few examples:

- In a labor market with high social charges, companies can be expected to attempt to minimize the use of regular employees with full benefits. One way to do so would be to hire more short-term or casual workers in order to reduce labor costs. This could manifest itself in the facility having a high number of apprentices or trainees, or the extended and even abusive use of these categories of workers. The company could also outsource certain functions, or use sub-contractors to perform those functions in-house. These kinds of measures can also be expected in highly volatile product markets since companies can never be sure what level of orders they will have in the future and hence how many workers they will need. Where these structural, systemic or cyclical factors are features of the labor market and the company to be assessed, then the lead assessor should prioritize a review of the contractual status of the workers and their corresponding benefits and wages. Workers on precarious contracts may be excluded from certain social security schemes, paid less than other workers and overlooked for

training or promotion. The assessment would therefore follow the trail of consequences that flow from precarious contracts.

- A labour market or company with a high percentage of foreign migrants may be subject to a number of risk factors; if risks associated with migrant workers outweigh others on the task-and-risk map, the assessment should start by looking at this category of workers. How were they recruited? Were recruitment fees paid? If so, by whom and to whom? Is the migrant worker in debt to anyone? Does the worker's migrant status affect his or her wages, benefits, training, promotion, freedom of movement and eligibility to join trade unions?
- Should it appear from the task-and-risk map that there may be production functions performed off-site, the lead assessor would need to develop a plan to establish which functions are at issue, where the work is performed, and by whom. Does the work potentially involve homework? Could children be involved? Are there health, safety or environmental risks to be assessed?

Based on the task and risk mapping, the lead assessor can prepare the assessment plan for the onsite visit. The plan should include:

- Formation of the assessment team with respect to the identified risks.
- Confirmed logistical arrangements related to travel to the facility and stay in the area, as well as the availability of critical documents/records and people.
- A timeline, including a preliminary meeting schedule, as well as the estimated time requirements for assessing each employment function and priority issues linked to it.
- Assignment of tasks for each member of the assessor team.
- A list of (additional) documents and records to be reviewed prior to and during the assessment.
- Facility management and other managerial staff to be interviewed.
- Number of workers to be interviewed, including details of work shifts, criteria for selection, locations (dormitories, etc.), and language skills required, etc.
- List of key questions and areas of discussion for management and workers.

Onsite Assessment

Since most of the company's policies and procedures should have been reviewed prior to arriving to the workplace, these should not need to be revisited onsite unless there was a very recent change in policy and procedures. The onsite work of the assessment team should focus on:

- Investigating the high-risk areas;
- Testing the implementation of policies and procedures; and
- Evaluating the regulation of all EFs.

4. Opening Meeting

The onsite assessment should start with opening interviews with management and worker/unions representatives (if possible) in order to explain the nature of the assessment and to agree on the schedule for the assessment. It is essential that the assessment team explain to management and workers representatives the differences between an assessment and an audit, and secure cooperation from all concerned. For example, one of the noticeable differences between the two approaches is the mobility of the assessment team. The assessment team will assess features/issues where they occur, not remotely. Whereas audit teams typically occupy a meeting room and have documents and interviewees brought to them, SCI assessors will move to the relevant locations within the workplace and evaluate the risks by observing how the functions are performed in practice. The assessment team should also review important aspects of the assessment such as the specific areas to be addressed, and how the report will be prepared and delivered. It is essential that the following objectives are achieved during the opening meeting:

- To obtain an understanding of management views/approach towards the importance of having a sustainable employment relationship with employees (through employment functions that operate in a sustainable manner).
- To build a courteous and professional relationship between the assessment team and management staff and workers/union representatives. It is however also important that the assessment team assert its control over the assessment process.
- To verify and/or refine priority issues identified during the preparatory phase of the assessment.

5. Assessment Workflow Mapping

After the opening meeting, and building on the document review, the assessor team will develop a workflow mapping by employment function. The SCI workflow mapping is a process an assessor uses to better understand how each EF actually is implemented in the workplace: What gets done? When? Where? And who is responsible for each step.

While developing the assessment workflow mapping, the assessors become very active and must move around the workplace since the sources of information are spread all over different locations, from the guards at the gate, to human resources staff, accounting department, production managers, department chiefs, supervisors and workers. The workflow mapping helps and guides the assessor about where he or she needs to go, with whom to speak and even when to do so. It also gives the assessor the raw data to start cross-checking information and sources.

6. Management and Worker Interviews

In most cases, the assessment of implementation of EFs is through interviews—asking managers and workers how they do their jobs and determining whether their testimony conforms to the relevant standards envisaged by the law, the policy and the procedure. This will obviously not be established through a series of direct questions with yes/no answers. Skilled interviewers and assessors will ask the subjects to describe how they perform their functions or experience particular aspects of life at work and in the case of worker interviews will also gauge awareness of each employment function. The assessor will then decide whether the information conveyed in the testimony is consistent with the situation envisaged by the law, policy and procedure.

For **management interviews**, assessors should focus on obtaining responses that enable accurate evaluation of past and current operating practices, in a manner that is sensitive to the anxiety and nervousness that management staff may experience. The assessment team should conduct interviews, as appropriate, with staff from the following categories of management:

- General manager.
- Site manager.
- Production manager.
- Environment manager/responsible staff.

- Health and safety managers/responsible staff.
- Quality manager.
- Internal social compliance manager/Auditor.
- Labor relations manager / Welfare manager.
- Human resources manager/Administrative manager.
- Finance manager/Payroll manager.
- Legal affairs manager.
- Procurement manager/Supply chain manager.
- Supervisors/Technicians.
- Onsite medical staff.

Management interviews can be conducted within a group, in conjunction with the opening meeting, or separately. The preparatory work that has been done, as well as the FLA tools available to assessors, including the *SCI Assessment Guide* (in-factory prompts); will guide assessors as to what issues to raise with management. It is crucial for assessors to discuss the issues they have observed with the management as it will greatly help understand the root causes and motive behind them.

Worker interviews are intended to get an in-depth view of how workers perceive the facility is managed and to gauge if they feel their expectations with regard to the terms and conditions of their employment have been met. The assessment team will select workers for interviews throughout the assessment. Interviews will be conducted in a private space. Interviewees will be selected from a range of workers including permanent, temporary, subcontract labor, security, cleaners, food preparation staff, etc. The pool of workers to be interviewed will also include new workers at less skilled positions, workers from various departments and shifts, and workers of both genders, and should include worker representatives as appropriate. Ideally, half of the interviews should be individual, the other half conducted as group interviews.

The number of worker interviews conducted and the number of worker records reviewed depends on the number of workers at the facility.

For both kinds of interviews (management and workers), as the object of an SCI assessment is to establish to what degree each EF is being properly regulated, it is important for the assessor to understand the strengths and weaknesses in the way EFs are applied and then to explain why. Without determining the

“why,” the assessment team will not be able to make recommendations for sustainable solutions.

It is also important to remember the need for mobility of the assessment team, as well as for adaptability and flexibility. Interviews have to be conducted in parallel to the observation and records review according to the specific findings. For example:

- If the contractual status of workers is a high risk, then one member of the assessment team should go to the Human Resources department and select and review files of a number of workers while another assessor conducts interviews with the managerial staff at different levels to understand the actual practices.
- At the same time, specialized worker interviewers should ask workers in the high-risk positions about how they were recruited and hired, how their terms and conditions were decided and how they are managed. The interviewers should also assess how aware the workers are of their legal entitlements.
- The results of the records review and the information gathered in the interviews should be cross-checked and further investigative steps if necessary should be determined. Cross-checking, vital to the assessment, should be conducted several times a day.

7. Observation and Records Review

In SCI assessments, sensorial observation is key, particularly when assessing the health and safety and environment EFs. Observation is important to gain an understanding of the workplace environment and synergies across different departments.

Also as part of this activity, the assessors will review documentation (see below) that typically would not be made available during the preparatory stage of the assessment due to confidentiality.

It is important for the assessment team to spend some time reviewing the site’s records before interviewing the staff and workers or undertaking an observation tour, because the information obtained will determine to some degree the questions to prioritise during interviews and the issues to prioritise when undertaking an observation tour.

The assessors should be thorough in the review of records. However, this does not mean that every single

record needs to be reviewed. The assessor is free to use statistical or other sampling in the review. Where the assessor does not review every record and there is a finding, the assessor must reflect the sampling method in the statement of finding.

The following documents and records, covering at least the previous 12 months where applicable for the type of record, must be available on-site for assessors to review:

- Factory licenses and registration (operational, environmental, chemical, etc.).
- Personnel records (employee contracts, appointment letters, work permits, etc.).
- Wage records (payroll, wage slips, payment of legally mandated deductions/contributions to social security institutions and relevant others, etc).
- Time records (punch cards, etc.).
- Leave records (sick leave, annual leave, bereavement leave, leave without pay, etc.).
- Apprenticeship/young workers records.
- Internal regulations, employee handbooks, factory circulars, etc.
- Safety and health records (fire drill and evacuation records and plans, work injury records, certificates of inspection for relevant equipment, records related to chemicals in use).
- Licenses for special staff, where legally required (technical staff, such as electricians, medical staff, cooks, etc.).
- Contracts with service providers (sub-contractors, drinking water, dormitory rental contract, etc.).

The desktop-based and onsite record and documentation reviews will provide assessors with crucial information as to how well the systems that implement employment functions are defined and whether expected outcomes are indeed realised. A record review therefore plays an important part in assessing whether employment functions operate in a sustainable manner.

8. Cross Checking and Triangulation

SCI assessments require the assessment team to move actively around the workplace premises. It is therefore essential that the assessment team meet at least twice a day—or even more often—to debrief on information gathered

from different sources. Cross checking information, gathered through interviews with workers, supervisors, department chiefs, and managers or from documentation reviewed before and during the assessment, is essential to test the implementation of policies and procedures, identify patterns and validate risks identified in the task and risk map. Meetings can also be used to measure progress of the assessment, discuss emerging findings, and detect areas where additional information, assessment or follow up is needed.

9. Closing Meeting

The onsite activities associated with an assessment end with a closing meeting with management and workers representatives (if possible) aimed at explaining preliminary findings (issues in the factory that require immediate attention and issues for sustainable improvement) and potential root-causes by employment function. During the closing meeting, the assessor team should also offer management and worker representatives the opportunity to ask any question related to the assessment. During the closing interview the assessor team should also reiterate the warning to management of non-retaliation against workers who might have participated in interviews. Should the assessor team identify findings that require immediate action, they should be presented in writing to management and provided by email to the affiliated company within 24 hours. Assessors should also share positive findings and areas for improvement.

Post-Onsite Assessment

10. Root Cause Analysis and Reporting

In an SCI assessment, findings are not considered isolated events, but rather the result of systemic failure within an EF. Findings are symptoms of underlying problems which can only be corrected or their recurrence prevented if root causes are addressed.

Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area.

- The most expedient conclusion might be that the worker did not use the hearing protection equipment because such equipment was not provided by management. If this were indeed the

case, it would in itself be a symptom of a problem—failure to provide personal protection equipment.

- However, upon a more thorough evaluation of available information, the assessor might find that the worker was indeed supplied with hearing protection equipment and with written information about the importance of wearing hearing protection. In other words, in this instance the systems governing the safety and health employment function appeared to be in place and operating properly.
- Seeking a root cause, the assessor examined the health and safety policy and procedures and found they were available, but the procedures did not include specific language on PPE use. Furthermore, by connecting the dots, the assessor noticed that there was no training and communication of the policy and procedures, so for this particular example, even if PPE use was listed in the procedures, workers never would hear about proper use or when to use them because management does not make them public and workers are not trained on its use.
- The assessor noticed that training and communication of the policies and procedures was found lacking not only with respect to health and safety, but also with regard to other employment functions, as management simply did not have

a worker training program at all and it only communicates basic policies and procedures during induction/orientation.

- In the above instance, therefore, the root cause for the observed finding of non-use of hearing protection equipment was not just confined to a single system in a single employment function but also affected all other employment functions.

Assessors will use the FLA platform to complete the online reporting tool, responding to each question arranged by employment function. Once the information has been entered, the assessors are expected to generate findings, including root causes, that were detected during the assessment. In creating the findings, the assessor would look for the sub-group of questions that would be most relevant and describe the gap, pulling together observations from different employment functions and management functions including the root causes of the finding. To each finding created, the assessor would assign one of the following indicators: immediate action required, sustainable improvement required and notable performance. Assessors should keep in mind that the number of findings in an assessment is NOT a performance indicator, and that findings must be related across management functions by combining those that are similar and identifying root causes within the employment function.