In November 2014, FLA-affiliated company Adidas requested that the Fair Labor Association (FLA) conduct an unannounced assessment at supplying factory Paragon Apparels Pvt. Ltd., located in Noida, India. In particular, Adidas requested that the assessment focus on:

- open remediation issues in prior audits/assessments conducted by Adidas or by the FLA;
- issues related to safety and health, including allegations of excessive heat in the workplace, improper labeling of chemicals (including an allegation of a worker drinking solvent kept in a soft drink bottle); and
- issues related to compensation, in particular pay systems, and allegations that some workers are improperly being paid on a piece-rate basis.

To conduct the assessment, the FLA selected the Association for Stimulating Know How (ASK), an India-based organization that provides labor compliance monitoring services and is accredited by the FLA to conduct Sustainable Compliance Assessments (SCIs).

**Methodology**

ASK’s assessment team conducted an on-site assessment at Paragon Apparels Pvt. Ltd. on December 1-2, 2014. The following methodology was used:

- Document review;
- Worker interviews on the shop floor and off-site (at the residences of the workers);
- Management interviews;
- Physical observation; and
- CSO consultation.

A total of 25 workers were interviewed, of which 10 workers were interviewed off-site either in their residences or near the factory. Random sampling of workers for interviews was done based on the issues that were to be assessed. The information gathering from workers was friendly for workers and non-threatening; confidentiality was maintained and the sentiments and privacy of the workers were respected. The factory management was cooperative and provided access to the investigation team to all the sections of the factory and it was supportive in providing all the required documents to the investigation team. The ASK team also conducted a Civil Society Organization (CSO) consultation.
with a trade union in Noida in order to understand the status of labor rights and workers’ welfare in the garment industry in Noida.

**Summary of ASK Report**

The ASK team prepared a detailed report of the assessment’s findings and other relevant points.¹ The findings are divided into three parts: (1) issues identified in previous audits/assessments; (2) safety and health issues; and (3) issues related to compensation. The report also included an assessment of Adidas’ in-house social compliance monitoring program and (4) a summary of the main issues raised by the CSO consulted in Noida.

**Findings:**

With respect to **compliance issues identified in previous audits/assessments** at Paragon Apparels, Pvt., the ASK team made the following findings: (1) workers’ hours exceeded 60 hours per week, with “many workers” working between 14 and 18 hours per day, without the mandatory weekly day off; (2) security guards were similarly not provided with weekly rest; and (3) labor contractors offering workers to the factory did not meet all licensing requirements.

Regarding **safety and health issues**, the ASK team did not find confirmation from worker interviews of the allegation that a worker had drunk a solvent because the container was mislabeled.

The ASK team also found that **remediation had been completed** with respect to many health and safety issues, among them: lack of protection on boilers; improper installation of diesel container in the washing section; high temperature in spotting room; obstruction of movement in the factory floor caused by accumulation of fabric rolls; washing operations located improperly and without an effluent treatment system; obstruction of certain exits; congestion of workers in the shop floor; lack of pulley guards and shaft guards in sewing machines; improper height for chimney stacks; insufficient number and improper location of exit sign boards; poor housekeeping in compressor room; expired fire permits; lack of certificates of inspection for power generators; improper location of the stain-removing area; and gaps in the use of Personal Protection Equipment (PPE) in the factory.

With respect to other health and safety issues, the ASK team found that **remediation had not been completed**, among them: insufficient labeling for all chemical containers (though chemical containers on the shop floor have been labeled); incomplete charging of all fire extinguishers; lack of MSDS for all stain-removing chemicals; improper stocking of first aid boxes; lack of an operational eye wash station; lack of a waste management system; and lack of qualified medical staff at the Ambulance Room (clinic).

With regard to **compensation issues**, the ASK team concluded -- based on document

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¹ The full ASK report is available at http://www.fairlabor.org/report/special-investigation-paragon-apparels-noida-india
review and worker interviews – that workers on the factory’s payroll, as well as contract workers, are being paid above the legal minimum wage, their contributions to the Provident Fund (PF) and Employee’s State Insurance (ESI) are being deducted from their wages, and they are being compensated for overtime at twice the ordinary rate of wages. Management stated to the ASK team that they no longer employ piece-rate workers, although during interviews with workers, the ASK team learned that two highly skilled master cutters are compensated on a piece-rate basis.

**Adidas’ Social Compliance Monitoring:**
Based on interviews with management personnel at different levels, the ASK team described the relationship between factory management and Adidas social compliance personnel as formal and mostly conducted through the mail; audit protocols are clear and uniform and the audit process is transparent.

Audits are usually held annually; the precise date of the audit is not communicated to the factory in advance (only the month of the audit is announced to the factory). When visiting the factory, Adidas’ auditors maintain a high degree of independence from factory staff and arrange for their own meals and travel; in Paragon’s experience Adidas auditors have never asked for favors or demanded gifts from management. The follow-up of the audits is done through a corrective action plan (CAP), with Adidas’ auditors visiting the factory as appropriate to check the status of CAP implementation.

Workers interviewed by ASK indicated that they are aware of monitoring conducted by Adidas and other entities, but indicated that they could not differentiate between Adidas’ auditors and auditors from other buyers.

**Views of CSOs:**
The ASK team held a consultation with the Secretary of the Garment Export Workers Trade Union in Noida to learn about the issues affecting garment workers in the region. According to the Secretary, common issues affecting workers are: (1) lack of payment of wages for overtime work; (2) failure of workers to receive ESI and PF; and (3) non-functional grievance procedures and workers committees at most factories. The role of unions in factories is minimal: overall, factory management is anti-union and workers fear losing their jobs if they join a union.

The Secretary also pointed out three other troublesome trends from a union perspective: (1) growth of the population of contract workers in the region, which increases the opportunity for worker exploitation in the form of lower wages and appropriation of funds intended to pay ESI and PF; (2) frequent changes in the official registration of companies to take advantage of tax exemption during the first five years of operation, which leads to workers being retrenched and not paid the severance they are due; and (3) very weak enforcement of labor law by the government.
Paragon Apparels’ Remediation Plan

The factory has developed a detailed remediation plan to address its outstanding noncompliance issues. Key elements of the remediation plan include:

- Factory to obtain all required licenses for labor contractors; factory to take further steps to gradually shift contract workers to the factory’s payroll;
- Factory to strictly apply working hours limit of no more than 60 hours per week, guarantee that overtime is voluntary and properly paid, and undertake a study of the root causes of excessive overtime;
- Factory to restrict access of unauthorized workers to chemical handling and storage rooms and to properly label all chemicals used in the facilities;
- Factory to institute program to test fire extinguishers regularly (at least monthly), place them in the proper locations, and to have them inspected annually by outside professional agency.
- Factory immediately to restock first aid kits and assign responsibility for regular inspection and restocking to trained first aiders.
- Factory to make available MSDS for all chemicals at chemical handling station; training on chemical handling emphasizing MSDS to be provided to all workers involved in spot removing.
- Factory to provide adequate eye washing facilities in the chemical handling area/storage room.
- Factory to improve arrangements for removing rubbish from the workplace and to place sufficient waste bins/containers throughout the factory.
- Factory to establish suitable waste management system for all operations.
- Factory to make available to workers information about Adidas hotline number in posters and through other means.

Conclusion

The independent investigation carried out by ASK confirmed that numerous non-compliances identified in earlier assessments of Paragon Apparels Pvt. by Adidas and the FLA had not been remediated, including non-compliances related to excessive hours of work, proper management of labor contractors, and health and safety. ASK investigators were able to confirm remediation for some health-and-safety-related non-compliances.

For those issues requiring continued remediation, the factory has developed a comprehensive corrective action plan. The FLA calls on Adidas to monitor closely the implementation of the action plan, and to conduct a full assessment of the company’s compliance program over the course of 2015.