



2009

## FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

**COMPANY:** Nike, Inc.  
**COUNTRY:** India  
**FACTORY CODE:** 070032436H  
**MONITOR:** Fair Wear Foundation  
**AUDIT DATE:** November 18-19, 2009  
**PRODUCTS:** Shorts  
**PROCESSES:** Receipt of Cloth, Cutting  
**NUMBER OF WORKERS:** 718



**CONTENTS:**

Wages, Benefits and Overtime Compensation: Minimum Wage ..... 3  
Wages, Benefits and Overtime Compensation: Payroll Record Maintenance/Worker Acknowledgement 4  
Forced Labor: Employment Records ..... 5  
Freedom of Association: Other - Freedom of Association and Collective Bargaining..... 6  
Health and Safety: Evacuation Requirements and Procedure..... 8  
Health and Safety: Safety Equipment and First Aid Training..... 9  
Health and Safety: Ventilation/Electrical/Facility Installation and Maintenance..... 9  
Health and Safety: Machinery Maintenance and Worker Training..... 10  
Health and Safety: Bodily Strain..... 11  
Health and Safety: Sanitation in Factory Facilities ..... 12  
Health and Safety: Drinking Water..... 13  
Health and Safety: Other - Health and Safety..... 14

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

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

#### **Noncompliance**

**Explanation:** The revised basic wage indicated by the State Government on March 2, 2009 (Gazette Notice KE46 LMW 2006) is not being paid to the workers. (Management has indicated that the calculations by the Labor Department were erroneous and representations have been made by the industry to the government for its review. This is under review and the company will abide by the decision of the government.) Sources: Document review, worker interviews, and management interviews.

**Plan Of Action:** The factory management must:

1. Immediately comply with the minimum wage rate (basic + dearness allowance) of INR127 as instructed by the Labor Department in April 2009.
2. Retroactively pay all employees the difference from actual rate paid and required rate of INR127, including auxiliary benefits in cash, from April 2009 (effective date) to the present date (when factory begins paying at legal rate). Retroactive payments to underpaid employees must begin immediately.
3. The factory must develop a method to communicate Minimum Wage Requirements to the factory with all due diligence to ensure all affected employees are informed of this requirement to pay retroactively, and of the new minimum wage rate of INR127. Including but not limited to: Factory Message Center, discussed in regular meetings with work force, and in payroll communications/documents.
4. The brand offers Senior Social Compliance Staff from the India Liaison office to assist the factory with any guidance related to the above requirements.
5. The brand will send India Liaison Office Representatives to the factory to validate adherence to the above requirements.



**BACKGROUND:**

In 2006, the Government announced the first increase on Dearness Allowance (DA) at INR113 effective from April 2009. Later, sometime in April 2009, the government again decided to revise the rate of unskilled wage to INR127 without broadly announcing it. Due to low visibility, most people, including Nike, (Hurley's parent company) did not learn about the increase. Upon inquiry from Nike, the Labor Dept insisted that the wage rate should be paid at INR127 and arrears should be made retrospectively from April 2009.

Simultaneously, the Clothing Manufacturers' Association filed a petition to the government requesting reconsideration not to implement the INR127 wage rate. The subsequent meeting was held in December 2009 with no success. Last week, the local government announced a new minimum wage effective from March 2010 onwards. This indicates no change in direction from the government on the previously announced wage rate of INR127. Therefore, it is the position of Hurley that all contract factories producing Hurley-branded products must immediately adhere to the Labor Dept minimum wage, and retroactively compensate all employees affected by factory underpayment since April 2009.

**Deadline**      04/09/2010  
**Date:**

**Action Taken:**

**Plan**  
**Complete:**

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

---

**Wages, Benefits and Overtime Compensation: Payroll Record Maintenance/Worker Acknowledgement**

WBOT.20 All compensation records shall be maintained accurately and shall be acknowledged by the worker as accurate. (P)

**Noncompliance**

**Explanation:** Copies of monthly pay slips should be signed by the workers. Sources: Pay slip review, worker and management interviews.



**Plan Of Action:** The management will establish policies and procedures to ensure all monthly pay slips (time cards) are signed by workers as accurate. The management will provide evidence in the form of: scanned copies of monthly pay slips, signed attendance of the training of all staff and factory workforce, and a written policy amendment required to be reported back to the company.

**Deadline Date:** 03/09/2010

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

---

### **Forced Labor: Employment Records**

F.9 Employers shall maintain sufficient hiring and employment records to demonstrate and verify compliance with this Code provision. (P)

#### **Noncompliance**

**Explanation:** The grade of the worker is not indicated in the appointment letter. Sources: Document review, worker and management interviews.

**Plan Of Action:** The factory management will begin documenting workers' positions/grade descriptions on appointment letters at time of hire. This must be facilitated by creating a mandatory field titled 'Position/Grade' in the appointment letter to ensure this important step is not overlooked in the future. The factory will provide company evidence of the amended document and a sample from a new hire.

**Deadline Date:** 03/09/2010

**Action Taken:**

**Plan Complete:**

**Plan  
Complete  
Date:**

---

**Freedom of Association: Other - Freedom of Association and Collective Bargaining**

Other

**Noncompliance**

**Explanation:** It was observed that although the committees were formed, the workers were not aware of them. The workers mentioned that they were told about the committees and rights of Freedom of Association (FOA) during their induction, but that they have not had the experience of seeing these committees function. Sources: Worker interviews, document review.

**Plan Of Action:** In order to facilitate Worker Committees, the factory needs to develop a recurring worker-lead meeting that models and encourages worker participation in representing their needs and concerns to factory management. The factory management must maintain an on-going training discussion with new hires/existing employees that explains the basic values and roles of Collective Bargaining Committees and Freedom of Association. And that taking part in Collective Bargaining Committees and Freedom of Association is an option without prejudice, and available to any and all workers if they choose. Additionally, the training should be documented and signed by both employer and employee. The goal is to emphasize/reinforce the worker committee with a worker led team and ongoing trainings with both new hires and existing employees. Since this cannot happen with just a few trainings, the factory should have the plan in place to ensure ongoing and effective workplace committees.



Here are some suggestions that will help the factory implement lasting and effective Worker Committees:

1. The factory is to review the current status of the committees and to identify the gaps (training for committee members/worker awareness and also on the different channels available to reinforce worker-management communication).
2. The factory is to have a training calendar for the existing committee members, workers and factory management on labor laws and committee functions. Some of the topics that can be included in training the committee members could be labor laws, communication skills, problem solving skills, etc. Establish awareness for new hires during induction, and refresher training for existing workforce on different communication channels. The training schedule should also indicate the desired measurable final outcome.
3. There should be a follow up by a Compliance/HR/Welfare Officer to ensure the committee members identify the issues in their work stations and discuss the same issues in committee meetings. Committee members should be empowered to make decisions and communicate the same to the workers. Management should also reiterate very clearly the roles and responsibilities of committee members, as this should not be misunderstood by workers.
4. Documentation and worker feedback to be posted soon after committee meeting, highlighting the resolution, as this gives confidence in the workers to air their grievances. Also, it should be mentioned that the workers and committee members should be made aware that they will not be punished for raising any grievances.
5. Lastly, a Compliance/HR/Welfare Team should also be trained in guiding the committees and in the nuances of a functional committee.

**Deadline Date:** 04/09/2010

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

---



## Health and Safety: Evacuation Requirements and Procedure

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

### Noncompliance

**Explanation:** The aisles were not clearly marked in some locations, and materials were kept on the aisles that could prevent the workers' easy egress in the case of an emergency.  
Sources: Factory tour.

**Plan Of Action:**

1. The management will review the facility for aisles that are not clearly marked and mark such locations to ensure all aisles are marked.
2. The management will add the topic of "Housekeeping and Clear Exit Access" to the recurring Safety Meeting Agenda, so that all employees know the importance of keeping the aisles clear.
3. The management will show evidence of aisle marking additions and of adding the topic to the recurring Safety Meeting Agenda.

**Deadline Date:** 04/09/2010

**Action Taken:**

**Plan Complete:**

**Plan Complete  
Date:**

---

### **Health and Safety: Safety Equipment and First Aid Training**

H&S.10 All safety and medical equipment (such as firefighting equipment, first aid kits, etc.) shall be available in sufficient numbers throughout the factory, maintained and stocked as prescribed and easily accessible to workers. A sufficient number of workers shall be trained in first aid and fire fighting techniques. (S)

#### **Noncompliance**

**Explanation:** Some of the equipment in the first aid boxes needs to be replaced. A system of replenishing medications and supplies in the first aid boxes does not exist. Sources: Factory tour.

**Plan Of Action:** 1. The factory's management will assign a specific existing person to ensure recurring maintenance of first aid box replenishment. Replenishment will be a specific role and responsibility to their position.

2. A log of content review/replenishment must be kept on the inside door of all the first aid boxes, stating the date of each review and the person's name that performed the content review/replenishment.

3. Interval shall be monthly unless a closer frequency is required/determined to maintain sufficient supply. In this case, frequency is to be adjusted accordingly.

**Deadline Date:** 03/09/2010

**Action Taken:**

**Plan Complete:**

**Plan Complete  
Date:**

---

### **Health and Safety: Ventilation/Electrical/Facility Installation and Maintenance**

H&S.17 All necessary ventilation, plumbing, electrical, noise and lighting services shall be installed and maintained to conform to applicable laws and in such a manner as to prevent or minimize hazardous conditions to workers in the facility. (S)

#### **Noncompliance**



**Explanation:** The ventilation on the 1st floor of the factory was inadequate. There was inadequate circulation of air on the 1st floor, leading to a significantly higher temperature when compared to the other floors. Sources: Factory tour.

**Plan Of Action:**

1. The management will first review the existing industrial ventilation to ensure it is all in proper working order. If it is found to be working properly and higher temperatures on the 1st floor still exist, management is to consult the proper internal or external industrial ventilation resources. They are then to develop and implement an adequate remedy to the inadequate circulation (and temperature) of air on the factory's 1st floor.
2. Remedy timeliness needs to be sensitive to promptly improve working conditions (temperatures and circulation).
3. The factory will provide both a progress report and final outcome of evidence to the company.

**Deadline Date:** 04/09/2010

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

---

### **Health and Safety: Machinery Maintenance and Worker Training**

H&S.18 All production machinery, equipment and tools shall be regularly maintained and properly guarded. Workers shall receive training in the proper use and safe operation of machinery, equipment and tools they use. Employers shall ensure safety instructions are either displayed/posted near all machinery or are readily accessible to the workers. (S)

#### **Noncompliance**

**Explanation:** The snap button machine does not have guards and there were 2 or 3 workers operating it simultaneously. This could lead to potential injuries. Sources; Factory tour.



- Plan Of Action:**
1. The management should install proper safety guards on the snap button machine(s).
  2. The management should install safety boundary lines around the snap button machine in such a way as to only allow access from a single operator position.
  3. The management should post a clearly visible sign that indicates only 1 operator is allowed within the safety boundary area and that the machine can only be operated by a single operator.
  4. Evidence of both requirements above is to be shared with the company.

**Deadline Date:** 03/09/2010

**Action Taken:**

**Plan Complete:**

**Plan Complete  
Date:**

---

### **Health and Safety: Bodily Strain**

H&S.20 Workstations, including seating and standing arrangements and reach required to obtain tools, shall be designed and set-up in such a manner as to minimize bodily strains. Employers shall train workers in proper lifting techniques and items such as belts shall be provided. (S)

#### **Noncompliance**

**Explanation:** Most workstations have seats with backrests. These backrests are not adjustable and thereby have the potential to cause discomfort to the workers. Also, those workers in the standing position do not have rubber foot mats that can provide a cushioning effect. Sources: Factory tour, worker interviews.

**Plan Of Action:**

1. The factory management should perform a survey for all employees to understand the comfort of the existing seating arrangement. With this information as a baseline, the factory should then take the necessary steps (if any) to remedy the consensus of the employee's concerns with seating comfort to minimize bodily strain.
2. Results of the survey and corrective actions are to be shared with the company.
3. The management is to procure and install adequately cushioned rubber floor mats (of a type that is based on industry best practices) for all standing position work stations.

**Deadline Date:** 04/15/2010

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

---

### **Health and Safety: Sanitation in Factory Facilities**

H&S.22 All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with all applicable laws, including relevant sanitation, medical and safety and health regulations. (S)

#### **Noncompliance**

**Explanation:** The toilets were not clean on the 1st day of the audit. Sources: Factory tour observation.



- Plan Of Action:**
1. The factory management will create a specific position to ensure the recurring maintenance and cleaning of all toilet facilities. Cleaning these facilities will be a specific role and responsibility to that position.
  2. A log of cleanings performed must be kept on the wall within each restroom stating the date/time of cleaning and the name of the person who performed the cleaning.
  3. Cleaning intervals shall be prior to the start of each new shift, unless it is determined that a closer frequency is required to maintain sufficient cleanliness. In this case, cleaning frequency is to be adjusted accordingly.
  4. The management should provide evidence that this duty is assigned to a specific position and the evidence of a log in the restroom facilities.

**Deadline Date:** 03/09/2010

**Action Taken:**

**Plan Complete:**

**Plan Complete  
Date:**

---

### **Health and Safety: Drinking Water**

H&S.26 Safe and clean drinking water shall be freely available at all times, within reasonable distance of the workplace. Drinking water shall be of a reasonable temperature and the means to drink water (cups, etc.) must be safe and sanitary and available in an appropriate number. (S)

#### **Noncompliance**

**Explanation:** Drinking water is purified at a central location and then transported manually to each floor. With transport, there is a potential for infectious agents to enter the water in the process. Sources: Document review, observation, management interview.

**Plan Of Action:** The management must make a water fountain or water dispenser available on each floor to ensure safe drinking water is readily available. Each floor should have safe drinking water without the need to manually transport water upon demand from a single source. Evidence of water dispensing equipment upgrades on each floor must be shared with the company.



**Deadline** 04/09/2010  
**Date:**

**Action Taken:**

**Plan**  
**Complete:**

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

---

## **Health and Safety: Other - Health and Safety**

### **Noncompliance**

**Explanation:** 1. The staircase has broken steps, which could lead to people slipping or tripping.  
2. The crèche (day care) in the factory was overcrowded. Considering the number of children in the crèche, the facility appeared very crowded given the scarcity of space.

**Plan Of Action:** 1. The management should repair the broken steps and provide evidence to the company of the repaired steps.  
2. The factory management should take the necessary steps to remedy the discovered overcrowding in the crèche facility. This could perhaps be solved by expanding the existing facility, developing another crèche in a non-production site on the premises or finding another safe area to expand capacity without overcrowding.

**Deadline** 03/25/2010  
**Date:**

**Action Taken:**

**Plan**  
**Complete:**

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

---