

## **Complaint – Albiro, Haglöfs, Jack Wolfskin, Schoeffel and Vaude – China**

### **Status: pending verification**

*FWF is responsible for setting up a complaints procedure in production countries where FWF is active. The complaints procedure allows third parties to make complaints about the working conditions or the way the Code of Labour Practices is implemented in factories which supply FWF members.*

*The responsibility of FWF includes investigating the complaint, verifying whether the agreed corrective action plan is implemented and public reporting. This complaint report gives an overview of a complaint filed to FWF, the investigation and agreed corrective action plan as well as how the outcome is verified. For more information on the complaints procedure see the FWF website. FWF also publishes an overview of complaints received in its annual reports.*

### **1. Affiliate involved**

Albiro, Haglöfs, Jack Wolfskin, Schoeffel and Vaude.

### **2. Accused party**

A factory located in China supplying Albiro, Haglöfs, Jack Wolfskin, Schoeffel and Vaude.

### **3. Date of receiving complaint**

A number of complaints were received by FWF from several workers from March to July 2014 through its local complaints handler in China.

### **4. Filing party**

The complaint was filed by several workers currently employed by the factory whose contact details are known to FWF but will be kept confidential.

### **5. The complaint**

FWF received several messages from workers who shared similar grievances. Workers indicated the payments for overtime hours and working on Saturdays were not correct. According to the workers, overtime premiums were calculated on the minimum hourly

wage instead of the actual wages earned by the workers. In addition, one worker indicated the paid annual leave benefit has been cancelled, which workers find unfair. Moreover, all workers complained they did not receive social security benefits. Throughout the process more messages came in where workers stated the wage payments had been delayed. Half May 2014, the wages of March 2014 were not yet transferred.

## 6. Admissibility

FWF decided that the case is admissible 1 April 2014. The factory is an active supplier of Albiro, Haglöfs, Jack Wolfskin, Schoeffel and Vaude; all affiliates of FWF. The case is relevant to the following labour standards of FWF's Code of Labour Practices:

- Payment of a Living Wage
- Legally binding employment relationship.

## 7. Investigation

FWF informed the affiliates about the case. The affiliates immediately contacted the supplier and asked for a reply. Factory management stated they did not cancel the annual leave and sent many copies of pay rolls for review.

Given the complexity of the payment system and to further verify the authenticity of the documents, FWF decided to conduct offsite interviews to further investigate the complaint.

After receiving the report of the investigation, FWF affiliates had a meeting with the factory manager at the OutDoor fair on 11 July 2014 to discuss all issues raised through the complaints system. A remediation plan was set up between brands and the supplier.

## 8. Findings and conclusions

FWF's liaison officer for China reviewed the documents and confirmed that according to the documents the workers were entitled to 5 days of paid annual leave in Feb 2014. The number of paid annual leave days depends according to PRC labour law Article 3 of the regulations of annual leave for employees. Employees who have served for one to less than ten years are entitled to 5 days. Management indicated the annual leave benefit has not been cancelled. After speaking to workers, they confirmed workers are entitled to 5 days of paid annual leaves.

In addition, the documents showed premiums for Sunday and Saturday are paid at 200% of the local minimum wage.

The offsite worker interviews concluded the payment system is complex and workers had problems understanding the wage calculations. Workers are paid either by piece wage or hourly wage. Bonuses and overtime payments are different for workers who receive hourly wage and worker how receive piece wage.

Paper sample workers indicated they cannot get 86 RMB for their Saturday work if they do not work for full attendance (10 hours a day, 6 days a week). This is a form of involuntary overtime.

According to law, overtime premiums should be based on the wage as stipulated in the labour contract. However, the labour contracts state the minimum wage instead of the actual piece rate. Overtime should be paid 150%, 200% or 300% respectively for working extra hours on weekly working days, on Saturdays/Sundays or on statutory holidays.

Working hours: a new system on working hours was introduced on 29 April 2013. The new working hours have been reduced to 10 hours a day from 11 hours a day from 8:00 to 19:00 with a lunch break of 1 hour from 12:30 to 13:30. However, if low-efficiency workers cannot finish the daily production schedule, they need to continue to work additionally 2 overtime hours from 19:30 to 21:30. The interviewer observed almost 1/3 of the workforce was still working till 21:30.

Interviewed workers confirmed payments were received late. Due to the payment delay, the sewing workers went on a strike in the morning of 4 Jun 2014 to push the timely payment. According to the workers, the strike is mainly caused by poor communications.

Social security: the factory is willing to pay social security for all employees, but some workers do not want to pay for their own share of social security. Therefore, they are requested to sign a statement demonstrating that they are not willing to buy social insurances.

5 senior workers who have been working at the factory for more than 10 years requested the factory to pay the social security retroactively from the start of employment in 2004. However, the factory changed its registration name in 2009 and stated only to be able to buy insurance from 2009 onwards. The workers made a case at the local insurance bureau and successfully argued insurance should be paid from 2004. However, 3 workers stated they ended up paying all the fees themselves. The 2 other workers stated they are waiting for the factory to pay the insurance. They are willing to pay the fee as long as the factory will issue the statement needed for the pay-back procedure. The two workers hoped FWF could help with this issue.

## 9. Remediation

Factory manager and affiliates came to the following remediation plan during the meeting in July 2014:

- Most issues are related to improving communication and dialogue with workers. Workers usually go straight to the general manager instead of using the committee or other internal channels. The suggestion is to train worker representatives on a monthly basis to get the existing committees functioning and make the committee aware of their roles and workers aware of what the committees are for. Topics raised during complaints can be discussed during the meetings.



- Per request of the workers, management agreed to pay salaries on a regular basis. This will start in August 2014. FWF will verify in October/November. Communication to workers should be in written, publicly on the black board. The law stipulates salary should be paid in full on time every 30 days. If the payday is a non-working day, salary shall be paid the day in advance. Exact payment date could differ per province.
- Individual labour contracts should reflect the actual wage of workers. The overtime premiums must be recalculated based on the wage as stipulated in the contract. Overtime surcharges and surcharges for Saturday and Sunday work have to be calculated based on the monthly wage of each individual worker instead of based on local minimum wage.
- Management's goal is to have at least 90% of workers covered under social security by end of 2014. Approx. 250 workers have now joined, approx. 100 missing. So far many of the 100 missing deny social security because they do not want to pay their share for social securities. Those workers are the younger migrants.

## **10. Verification**

The remediation steps will be verified with workers at the end of 2014.

## **11. Evaluation by the complainant**

N/A.