People are a core and valuable asset for every business and in order to have an efficient, productive business, employees need to work in good conditions. Good working conditions go hand in hand with productivity, quality and efficiency as essential elements of building a sustainable and resilient business.

This toolkit provides suppliers with practical assistance on how to improve in these areas: outlining why each issue is important to your business, what you need to do in practice and practical tools to support you as you make improvements.
COnTenTs

This toolkit is written and produced by Partner Africa
www.partnerafrica.org   |  info@partnerafrica.org

Partner Africa is a leading not-for-profit social enterprise and a pioneer in the field of ethical and socially responsible business practice. We work in partnership to deliver high quality and innovative Ethical Trade Services and Trade Development Projects across Africa and the Near East.

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This toolkit was developed by Partner Africa and consultants, in conjunction with the participating brands. Each company may have additional and/or specific requirements on the topics covered in this document and thus this Toolkit should be utilized as a reference guidance only.

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The International Labour Organisation for their permission to reference their resource "Sustaining Competitive and Responsible Enterprises (SCORE)" in Chapters 1 and 2 of this toolkit. These very useful materials on quality, productivity and related topics are highly recommended to suppliers. (International Labour Organisation, Geneva 2009.)

For more information contact: Scoreglobal@ilo.org

Design
Blinc Design  | Bronwen Moys
bronwen.clarke@gmail.com
+27(0)82 775 5179

Disclaimer
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The content of this Toolkit was developed by Partner Africa and consultants, in conjunction with the participating brands. Each company may have additional and/or specific requirements on the topics covered in this document and thus this Toolkit should be utilized as a reference guidance only.
This toolkit provides practical assistance on how to improve Productivity, Quality and Workforce Management – areas which are intrinsically linked. People are a core and valuable asset for every business and in order to have an efficient, productive business, employees need to work in good conditions. Good working conditions go hand in hand with productivity, quality and efficiency as essential elements of a building a sustainable and resilient business.

Partner Africa, through its extensive auditing, training and consulting work have found that workers who are safe, respected and content in their work are more efficient and productive. For instance, productivity is increased by reducing the need for sick days and constant recruitment and onboarding due to high worker turnover. The connection also flows in the other direction: as productivity and efficiency improves, there are opportunities to improve wages and reduce excessive working hours without impacting price.

Productivity, Quality and Workforce Management are all essential elements to building a lasting business and a strong partnership with purchasing companies into the future.

The group of companies and organisations behind this toolkit want to share best practice and learning across the industry. This toolkit gives suppliers practical assistance on how to improve productivity, quality and workforce management in production sites. It will enable you to understand each issue and why it matters for your business, what is required, what that means in practice and will also enable you to assess your current situation and provide you with practical tools to make the necessary improvements.

WHO IS THIS TOOLKIT FOR?

This toolkit is focused on production suppliers, of all sizes and locations. Although it will be particularly useful for manufacturing sites, the principles within it may be applicable to other non-manufacturing businesses.

It is designed to be a practical toolkit for production managers, human resources managers and the people who influence what happens on the production site floors, with day to day interactions with workers. We encourage you to print it out and hand it to the relevant people so it can be used as a reference guide. Each chapter will be available separately to tackle specific issues.

HOW TO USE THIS TOOLKIT

Each chapter covers some or all of the following:

- Why is it important to your business?
- The expectations
- What this means in practice
- Case studies
- Practical tips and tools for making improvements
- Tackling tough situations

To make this toolkit even more practical, the ‘what this means in practice’ section can also be used as a tool to self-assess your site. Where you identify actions that need to be taken, you can use the Action Plan templates at the back of the document to agree, assign, implement and follow up actions.
1. PRODUCTIVITY AND EFFICIENCY

WHY THIS IS IMPORTANT TO YOUR BUSINESS

Productivity is described as doing more with the same, and focuses on the output - how to produce more goods or services with the same amount of input (time, labour, materials and machines).

Efficiency, on the other hand, can be described as doing the same with less, and focuses on the input - how to produce the same number of goods or services, using less resources. In rare cases, especially when leveraging technology, you can improve both productivity and efficiency at the same time - doing more with less.

A competitive market demands continuous improvement in both productivity and efficiency. The rate of development of technology means there is always someone asking "how can this be done better / cheaper / faster" and in order for a business to ensure longevity, a culture of doing more with less must prevail.

Productivity and efficiency improvements should therefore not be seen as a once off goal, rather a way of doing business in order for a company to stay competitive, be sustainable and grow.

THE EXPECTATIONS

Your business needs to be aware of the current productivity and efficiency levels through measurement of key indicators (throughputs / material usage / labour utilisation / waste etc)

Your business needs to be actively working to improve the productivity and efficiency levels within the business by means of continuous improvement and active problem solving.

WHO

The ethos of continuous improvement must be engrained throughout the organisation, from the most senior manager to the entry level employee, including line supervisors, factory managers, HR practitioners and all supporting services.

Waste reduction and process improvement should be an ongoing conversation in every aspect of the business - those directly involved with the product / service as well as supporting services who enable effective delivery of the final product.

WHAT THIS MEANS IN PRACTICE

These sections have been designed as a practical guide for any business to improve their productivity and quality.

What to maximise and build into the production process:

- Capabilities (what we do, processes and systems)
- Resources (what we need to deliver the product).

Strengthening these processes and making efficient use of these resources is central to productivity and competitive advantage. This can be broken down into the SMS:

- Methods (processes and systems)
- Manpower/people (workers/team)
- Machines (machinery, tools, equipment, facilities)
- Materials (inputs for production, raw materials, packaging)
- Measure (measuring productivity, quality, time, costs)

What to remove from the production process:

- Bottlenecks/Delays - A bottleneck is a constraint in a production process that causes delays and determines the capacity of the rest of the system. By identifying and addressing bottlenecks, the overall capacity of the system increases and your business becomes more productive / efficient, reducing unnecessary cost.
- Waste - Anything in the production process that does not add value to the customer is waste. Identifying and reducing or removing unnecessary waste is central to achieving operational efficiency. Waste can be transactional (paperwork, office equipment, computers, reports) or on the production floor. This document focuses on production floor wastes as it is a practical toolkit for increasing productivity in production rather than the management/office functions of the business. Waste can be categorised into 7 sections:
  - Transportation - moving goods from one location to another (within a factory, or to customer).
  - Inventory - raw materials / inputs, work in progress and finished product. There is inherent costs associated with holding, storing and handling inventory.
  - Motion - unnecessary movement of people or machines.
  - Waiting - for work / inputs / information to arrive (from both workers to managers, and managers to workers).
  - Over-Processing - adding more value to the product than required by the customer. This is mostly due to a lack of clear standards and processes.
  - Overproduction - producing more than is required, or producing it too soon before it is required.
  - Defects - products or services that do not meet customer requirements.

We recommend that these sections are applied in conjunction with your existing ISO certifications (if applicable).

In improving productivity and efficiency, we need to consider what to build/ improve and what to remove:
**PRODUCTIVITY CHAPTER OVERVIEW**

1. **CHECKLISTS**
- Use the checklists to identify key areas for improvement.
- A clear understanding of existing issues, their extent and where they are occurring.

2. **PROCESS**
- Draw a process flow diagram.
- Understand the root causes of the issue.

3. **MEASURE**
- Metrics and data collection.
- Improve data collection to better understand the current situation.

4. **PRIORITISE**
- Prioritise where to start.

5. **ROOT CAUSES**
- Understand the root causes of the issue.

6. **MANAGE IMPROVEMENTS**
- Know how to manage the improvement process.

7. **TOOLS & TIPS**
- Choose tools and tips to try.

**CAPABILITIES/RESOURCES (5S)**

- **MATERIALS**
  - We are confident that we are using the most suitable materials for the job, materials that add value to the product, according to the customers’ requirements.
  - We ask whether there are alternative materials which can offer us a similar/better quality at a lower price.
  - Goods are stored in appropriate clean areas, so that spoilage/damage is rare.

- **MANPOWER**
  - We are confident that we have the right people in the right jobs.
  - We provide on-site training to ensure that we maintain good skill levels in our teams.

- **MACHINES**
  - We have machines which are fit for purpose.
  - We have operators with the required skills to maintain and keep these machines in good working order.

- **DELAYS**
  - Line balancing.
  - Overtime.

- **WASTE**
  - $5$ model.

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  - Line balancing.
  - Overtime.

- **WASTE**
  - $5$ model.

- **MEASURE**
  - We understand and measure how productive/efficient we are at each stage of our process and are continuously looking to improve this.
  - The resources required to produce a single product are measured, and we work to maintain or improve on the use of these resources.
  - The time each product spends at each stage of production is measured, and we work to maintain or improve these times.
  - We are able to compare how productive units/worker sections perform in relation to one another.

**CHECKLISTS**

- Review, Analyse, improve method, teams can continuously improve their capabilities.

- Different sections fit together and how it flows as a whole process. By following the checklists:
  - Bonuses/incentives
  - Piece rate
  - Skills and remuneration
  - Communication and teamwork

**Prioritise**

- You have a list of top priority issues to tackle and an understanding of why they occur.

**Root causes**

- Use this diagram to identify where in your process there is room for improvement.
- Understand the root causes of the issue.
- Understanding the root causes of the issue.
- Identify where to start.
- What are the root causes?

**Prioritise where to start**

- Use the diagrams to identify where in your process there is room for improvement.
- What are the areas for improvement?
- Prioritise where to start.

**Chapter review**

- This section explains the details of what this means in practice and can also be used as a tool to self-assess your site.
- Put a ✔ if you think that point is in place in your business and put an ✗ if it isn’t or needs improvement.
- You can then create an action plan, to assign and follow up an action for every ✔ (sample action plans are given at the back of the full document.)
We are able to achieve consistent throughputs within the system, we measure the number of delays/ stops which occur and we seldom/ never need to stop production due to excessive pile-up at one station.

Transportation
Transportation to and from the facility (deliveries, worker transport etc.) takes the shortest route possible.
Product is never/ seldom lost due to transportation concerns (for e.g. break downs/ theft/ stock control).
Deliveries take place during off-peak traffic, reducing delivery time but without negatively affecting production.
Our delivery vehicles make use of full loads, rather than half loads.
We measure and understand the cost (typically cost/kg) to deliver goods and actively seek ways to reduce this.
Workers and workstations are situated close to the inventory supply (store room or previous work stations), eliminating unnecessary movement.
Workers do not have to make unscheduled trips to collect tools or inventory.
The delivery of resources to the production floor is not carried out by skilled workers who are better utilised in production.
Production is seldom/ never delayed due to interruptions in the transport of goods.
Enough time is provided for the transportation of workers to allow for the occasional mishap without having an impact on production.

Inventory
We have traceability of inventory to understand stock movement.
We seldom or never need to dump raw material or packaging which has expired.
We know the value of stock which was dumped, the reason for this (for e.g. expired stock) and work actively to reduce this.
We undertake production planning to understand the inventory levels we require and only order in accordance with the defined plan.
We understand our required levels of work-in-progress (WIP) and are proactive in keeping this to a minimum without interrupting production.
We keep the necessary packaging at our facility for the upcoming production runs and work to keep this at manageable levels.
Raw material and packaging requirements for the shift are delivered prior to the commencement of shifts, typically more than 24 hours before the start of a shift.
We seldom/ never need to stop production mid-way through a shift due to unavailability of stock.
We actively work towards ‘just in time’ production, with minimal delay between end of production and point of sale.

MOTION
We understand the importance of ergonomics (design for efficiency and comfort in the working environment) and how this directly translates to improved productivity/ efficiency.
Carrying of product on the floor from one location to another is kept to a minimum.
Long-distance travel and handling is done by machines (e.g. trucks/ forklifts etc).
Workers do not have to move long distances between stations (situated close together) and in the order of production flow.
Inventory and tools are well laid out so that workers do not have to search for them.
Workers do not lift excessively heavy items (this can lead to delays and costly health issues).
Workers stand or sit at the same level as their task (bending down or reaching up are both time inefficient and can lead to injury).
Twisting, stretching, bending and lifting are kept to a minimum.
Tasks are appropriately assigned to men/ women, understanding the legal/appropriate lifting limit.
Regular breaks are provided to ensure the pace of work can remain sustainable.
We understand that the rate of motion (work speed) is often dependent on skill level and we provide the necessary training to achieve this.
External factors such as exposure to the elements are well understood and the impact that these will have on productivity.
Workers are engaged to understand if there is a better way of undertaking repetitive tasks.

Waiting
We have early detection of delays or waiting time (for e.g. red light flashing when production line stops).
The escalation process to notify management of a stop in production/ process is well understood to avoid waiting time for the problem to be reported to the right person.
If there are potential future delays that can be known ahead of time, appropriate steps are taken to limit downtime (for e.g. scheduled outages/regional shutdowns in electricity is known and therefore production is not planned for that day/time).

Over-Processing
We carry out Root Cause Analysis (RCA) to understand the reason the problem to be reported to the right person.
Workers are measured individually on the number of defects they produce, with incentives provided to reduce the number of defects.
We understand the difference between a defect and an allowable loss on the production line.
We use frequent Causation Analysis (RCA) to understand the reason for the defects and how these losses can be eliminated.

DEFECTS
Measurements are in place to report on the number of defects per production unit (for e.g. 1 defect per 1000 units produced).
We actively work to reduce the number of defects, with clear targets being set.
Workers are measured individually on the number of defects they produce, with incentives provided to reduce the number of defects.
We understand the difference between a defect and an allowable loss on the production line.
We measure how many defects are produced per machine and know which machines are more problematic than others.
We factor in Root Cause Analysis (RCA) to understand the reason for the defects and how these losses can be eliminated.

WASTE
We understand why this has occurred and this is addressed so it does not happen again.
We have a clear understanding of quantities required by our customers and when possible we only produce what will be delivering to them.
HOW TO DRAW A PROCESS FLOW DIAGRAM

1. Decide on the start and end points of the process
   • This exercise can be carried out on a macro process (supply chain from start to end) or a micro process (one step within the bigger process). Often it is used to analyse the flow for just one product line, from the first step in production to the finished product being dispatched.
   • Decide what you are analysing upfront and continue with this all the way through the process.
   • It is better to undertake the process several times on different steps or products rather than try to include too much in one diagram.

2. Draw out the high level plan, showing the processes and movement only.

3. Gather information on:
   • Value added and non-value added time per unit and/or batch, for different stages/steps.
   • The time it takes for a product to move from one stage to the next.
   • Average number of defects per batch/shift/day for different stages/steps.

4. Add the information gathered in step 3 to the process flow diagram.
   • Add tables to capture time and defects.
   • Add time between stages under the movement arrow.

5. Review and analyse the process.
   • Having identified some key areas for improvement in the checklists on the previous pages, can you mark where in the process these issues are occurring, on your process flow diagram?
   • Add symbols where there are concerns in the process, in terms of capability/resources (C), delays (D), bottlenecks and waste (W).
   • Write a document to capture the detail of each issue you have identified, including what is happening, where it is happening, when it is most often happening, what is the result of the issue and what the causes could be.

6. Allow the process to be checked by the whole team, including workers, to see if any steps or potential issues are missing.

The diagram below gives an example of how to draw a process flow diagram, in this case for a beverage bottling plant.
So now you have a list of issues you want to tackle and you know where they are occurring in the process. Another key aspect of reviewing and understanding the current situation is having detailed, up to date and accurate measures in place. This is important for identifying issues, bringing the full extent of the situation to light and also for motivating for and measuring improvements. They lead businesses to ask critical questions about productivity and efficiency which would otherwise be ‘hidden’.

**STeP 1: DRIVERS**

Ask yourselves, as a team, ‘what are the drivers of our business’ profitability?’ For example:

- Efficient usage of labour
- Maintaining low overheads
- Minimising waste
- Achieving throughput targets
- Efficient usage of raw material
- Low conversion cost of raw material to final product
- Purchasing of equipment that is fit for purpose and ensuring that this equipment runs at full capacity
- Maintaining low levels of working capital which includes work in progress

**STeP 2: METRICS**

- Agree a measure for each driver and appropriate metrics.
- What do you want to measure (eg amount of waste, throughput, efficiency of raw material use), what metric is appropriate (eg kg, seconds, percentage) and how will you collect that data? Who has the information?
- Are you already measuring this and how frequently?
- At this stage we are simply measuring what is happening, rather than setting targets.
- (Financial reports are not sufficient - long intervals and only available after the fact)

**STeP 3: SIMPLE DAILY MEASURES**

- If you haven’t already, put a daily measure in place
- Start simple (eg a daily measure of throughput on each shift for the processing unit)

**STeP 4: DETAILED DAILY MEASURES**

If the simple measures are working, you can go deeper and more detailed with the daily measures. For example:

- Planned throughput to actual throughput
- Number of staff and hours for throughput achieved (person hours/kg produced)
- Raw material usage for output achieved (% conversion of raw material)
- Lost time due to breakdowns (% of available time lost due to breakdowns)

**STeP 5: HOURLY MEASURES**

- If the 8 hour shift must produce 16,000kg, then 2,000kg must be produced each hour. If this hasn’t happened in the first hour, it can be addressed immediately rather than letting the issue run all day.
- Hourly measures (actual and target) can also be communicated to workers to increasing motivation.
- For example:
  - Actual hourly output for each section
  - Hourly output needed to achieve shift output target

**STeP 6: MINUTE MEASURES**

- Minute measures can be recorded for individual workers, teams and machines.
- What does each person need to produce each minute to achieve the hourly group target? (eg if there are 60 workers, each worker needs to process 0.56kg per minute to give the hourly throughput of 2,000kg)
- In all of this, when setting targets, they need to be reasonable and safe for workers, not causing quality or health and safety issues.
- At what speed must a machine operate at to achieve the throughput?

**STeP 7: ASK QUESTIONS**

- Is the target throughput correct?
- Could it be more if we changed something?
- Is anything consistently limiting the throughput?
- How can we optimise our process to do more with less?
- What are the patterns of when:
  - Waste is higher than normal
  - Equipment doesn’t run at full capacity
  - Work in progress is high
  - Throughput targets aren’t met

**STeP 8: CONTINUOUS IMPROVEMENT**

- Identify areas for improvement
- Analyse WHY issues are occurring (5 Whys and Fishbone Page 20-21)
- Use the action plan tables and PDCA cycle to manage continuous improvement (see Page 22)

After using the checklists, process flow diagram and improving your measurement/ metrics, you should have a clear understanding of the existing issues, their extent and where they are occurring.

But where should you start? And why are these things happening?
In making changes, we need to focus on tackling the most wasteful practices first, which are going to yield greatest efficiency gains for the least effort. In order to analyse and decide where to start, you can use the Pareto principle (or 80/20 rule), which states that 80% of the effects come from 20% of the causes. In a production facility 80% of efficiency / productivity loss, is often a result of only 20% of wasteful practices. If the business focuses on and resolves ‘the 20%’ of most wasteful practices, it will provide 80% of the efficiency gains which have been identified.

**PRACTICALLY THIS IS THE PROCESS OF IDENTIFYING WHICH ISSUES TO ADDRESS FIRST:**

### STEP 1: IDENTIFY POTENTIAL ISSUES
- Complete the checklists in Section 1.1 to identify areas for improvement.
- Analyse your process (using a process flow diagram described in Section 1.2), marking where there are issues.
- Make a table listing all the issues identified.

### STEP 2: CATEGORISE THE ISSUES
- List the category of the issue next to each: Capabilities/Resources (SMs: Methods, Manpower, Materials, Machines, Measures), Delays/bottle-necks or Wastes (The 7 Wastes: Transportation, Inventory, Motion, Waiting, Over-Processing, Overproduction, Defects).

### STEP 3: ASSESS VALUE AND RELATIVE IMPORTANCE
- Apply an approximate estimated financial value to the resolution of each issue identified and the benefit that it would bring to the business.
- The allocation of financial benefit to each of the areas identified is a challenging exercise, but it proves to be very valuable as it often leads to a motivation for a change in process or purchase of new equipment etc.

If the cost of a broken machine is $1000 / day in downtime, and it costs $15000 to buy a new machine - it implies it will take 15 productive days to pay this new machine off. For more details about calculating the cost of downtime see the tools and tips section page 32.

- The table below shows nominal values associated with each of the identified wastes (these can be per shift, month or annualised as long as it is a consistent metric for all rows).
- Calculate a total of the potential gains of resolving all the issues listed.
- Adjust a column for percentage of the gains that the issue/row represents (see the first table below for an example).
- If you are unable to quantify financial benefit to the list of identified wastes, a ranking of 0-10 can be used. 0 being little or no benefit from eliminating the waste, to 10 being extremely beneficial to the business if the waste was removed. This can be used instead of value in Step 4 to prioritise.

### STEP 4: PRIORITISE USING THE 80/20 RULE
- Sort/record the rows in the table by the % of value (or the rank, if you have not got values), so that the highest % value (or highest rank) is at the top of the table (shown in the second table below).
- Add a new column for cumulative percentages, adding % to the next row (see the second table below for example). This illustrates that by solving items 5, 2 and 3 from the list ~80% of the total gains will be achieved.
- The Pareto exercise therefore implies that your resources should be spent firstly trying to resolve the top three issues identified on the list. If these are addressed, they will result in 80% of the efficiency gains which have been identified from the 10 suggestions. Once those top priorities are resolved, you can keep moving down the list to the next most important issue, until all the items have been addressed.

<table>
<thead>
<tr>
<th>Number</th>
<th>Waste Identified</th>
<th>Category</th>
<th>Value if eliminated</th>
<th>% of total</th>
<th>Cumulative % of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Efficiency gain is available by improving the weighing and packing functions on the floor</td>
<td>Methods</td>
<td>$1,500</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>2</td>
<td>Labour utilisation will be improved through better sorting of raw material</td>
<td>Methods/Manpower</td>
<td>$34,000</td>
<td>24%</td>
<td>25%</td>
</tr>
<tr>
<td>3</td>
<td>Raw Material from Supplier 1 often needs to be rejected due to quality concerns, causing delays</td>
<td>Materials</td>
<td>$24,500</td>
<td>17%</td>
<td>42%</td>
</tr>
<tr>
<td>4</td>
<td>The transport of packaging M is unreliable and has interrupted production on numerous occasions</td>
<td>Materials/Transport</td>
<td>$500</td>
<td>0%</td>
<td>42%</td>
</tr>
<tr>
<td>5</td>
<td>Machine A breaks down continually, costing us 10% time on Line A</td>
<td>Machines</td>
<td>$55,000</td>
<td>39%</td>
<td>81%</td>
</tr>
<tr>
<td>6</td>
<td>Machine B is cold and clumsy, costing in raw material loss higher than the average</td>
<td>Machines</td>
<td>$9,500</td>
<td>7%</td>
<td>87%</td>
</tr>
<tr>
<td>7</td>
<td>Productivity losses at station A are a result of unskilled workers</td>
<td>Manpower</td>
<td>$7,000</td>
<td>5%</td>
<td>92%</td>
</tr>
<tr>
<td>8</td>
<td>Late transport of workers on a Monday means that the shift consistently starts up 30 minutes late</td>
<td>Transport</td>
<td>$8,000</td>
<td>6%</td>
<td>98%</td>
</tr>
<tr>
<td>9</td>
<td>The production plan is often issued late, resulting in a delay in production</td>
<td>Measure/Methods</td>
<td>$2,000</td>
<td>2%</td>
<td>100%</td>
</tr>
<tr>
<td>10</td>
<td>A stop on the production floor is not reported promptly which means further delays</td>
<td>Measure</td>
<td>$3,000</td>
<td>2%</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Total Potential Savings**: $140,800 (100%)

Now you know what the top priority issues are that you want to tackle, but why are they happening?

The Pareto exercise therefore implies that your resources should be spent firstly trying to resolve the top three issues identified on the list. If these are addressed, they will result in 80% of the efficiency gains which have been identified from the 10 suggestions. Once those top priorities are resolved, you can keep moving down the list to the next most important issue, until all the items have been addressed.
1.5 ANALYSE: ROOT CAUSES

The next step is to understand the ‘root causes’ of those issues identified, to diagnose the problem, which is essential before you can find a solution. Two useful tools for root cause analysis are introduced here: the ‘5 Whys’ and the ‘Fishbone diagram’.

1.5.1 ROOT CAUSE ANALYSIS: THE 5 WHYS

In using the 5 Why’s tool to identify root causes, simply ask the question why, until you cannot ask it any more, or until you have got to the bottom of the real reason behind the issue. It may take you more or less than ‘5 Why’s’ to get to the real answer.

What is the problem?

WHY?

WHY?

WHY?

WHY?

WHY?

ROOT CAUSE

FOR EXAMPLE:

PROBLEM: Increase in downtime hours over the last month

WHY? One of the labelling machines has been malfunctioning

WHY? It hasn’t been serviced in over 2 years

WHY? There is no maintenance schedule in place

WHY? The manager responsible for scheduling maintenance on the machine is new, and was not given a maintenance plan by his predecessor

ROOT CAUSE:

The company does not keep centralised maintenance plan records that multiple managers can access, or which can be easily taken over by a new manager

THE SOLUTION:

Create a central database of all machinery maintenance schedules that can be accessed by multiple managers. Ideally, this system should also send reminders to managers in advance of the next maintenance event.

1.5.2 ROOT CAUSE ANALYSIS: FISHBONE DIAGRAM

The concept is to create a diagram that is in the shape of a fishbone, to assist in solving more complex problems that could have multiple causes.

When to use a fishbone diagram

• To explore all the possible causes that result in a single problem (eg. bottlenecks at step 3 on line A)
• To find out why a process is not working properly

Fishbone diagram

HOW TO USE IT

Write down the main problem you are facing at the “head” of the fish. Use the 5Ms (methods, manpower, machines, materials, measure) as the “big bones” of the fish. These are the categories that will be analysed.

For each category, write down any causes that you think could be contributing to the main problem. For example ‘Insufficiently skilled workers, causing bottlenecks’ could be a cause under “manpower”.

Use “small bones” to add more information to a cause. For example ‘new workers have not yet been trained’ could be a reason why the insufficiently trained workers are causing bottlenecks.

ONCE YOU HAVE BUILT YOUR FISHBONE DIAGRAM:

• Analyse the diagram and rank the causes by priority of how significant they are in contributing to the problem: high, medium, low priority.
• Discuss as a team to find solutions and implement changes, starting with high priority causes.
• Assign responsibility for each improvement action you agree on and check it is completed (more ideas are given on how to manage this improvement process in the next section).

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**1.6 IMPROVE: MANAGING CONTINUOUS IMPROVEMENT**

**Action plan tables**

At the back of this toolkit there are action plan tables. You can use those to keep track of the actions you decide should be taken to tackle the issues you have identified. It helps to have all the actions listed in one place, along with who is responsible, when it should be done by and a space to write what progress has been made.

**Plan-Do-Check-Act Cycle**

Whatever improvement you decide to implement, you can use management expert W Edwards Deming’s ‘Plan-Do-Check-Act cycle’ to guide the process of addressing the root causes you have identified, to improve productivity and efficiency.

### 1. PLAN

Understand the current situation
- Collect and analyse information gathered through the checklists, process flow diagram exercise and measurements - using the ‘Review’ sections above
- Understand the impact on the business (both qualitative (costs) and quantitative (team morale, motivation, H&S))
- And also what the impact of solving the problem would be on both
- Select a project/issue to tackle and understand it fully
- Select a priority project or problem to solve (identify any patterns or particular issues that are being repeated or are particularly high priority - using the 1.4 Analyse Priorities’ section above)
- Identify the root causes of the issue (find out why the issue is happening and what can be done to improve it - using the 1.5 Analyse: Root Causes’ section above)

Work with a team
- Bring together the most suitable team to tackle the problem
  - (internal/external expertise? Complimentary skills – ‘hard’ and ‘soft’ skills may both be needed)
- Look in the toolbox – This document provides a valuable tool kit of problem solving techniques and tips
- Can you find some that are relevant to this issue/project? What other resources do you have available?
- Has anyone in the business solved a similar problem before? What was learnt from that?
- Brainstorm with your team to determine possible solutions and together choose a solution to try first

Agree a plan
- Prepare a implementation plan and schedule, with specific responsibilities assigned to individuals, with timelines attached
- Set a target of how things to improve, with appropriate metrics

### 2. DO

Implement solutions on a trial or small scale before making fundamental changes to the business.
- Check that each task in the implementation plan has been successfully completed.

### 3. CHECK

Monitor and measure how the new solution is performing
- Has it met targets? Were targets realistic?
- Are new targets needed?
- Compare the metrics and measures to what was collected before the solution was trialed

Tracking and reporting progress is essential to keep the team motivated to continue
- Get feedback from workers
  - (and customers where possible)
- Are the measures you are using accurately reflecting the problem and the improvement?
- Are you only measuring quantitative gains? Can the qualitative gains also be measured and reported on?

Refine the solution - Was there any aspect that didn’t work well?
- What can be done to address that?
- How can the improvements be maintained?

### 4. ACT

Make any changes required to improve the implemented solution
- If the solution is working, make it a permanent part of the production process
- Can the solution be extended to other areas?

Once you have successfully implemented one solution you can return to the plan stage, to tackle another issue.

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**Objectives/KPIs**

Part of managing improvement is setting and tracking targets. Objectives are specific, measurable goals that you can keep track of on a regular basis, by collecting data that matches Key Performance Indicators for each objective. You may wish to set objectives and KPIs for specific departments or even individuals. You can then measure the KPIs and have monthly report backs and problem solving sessions with teams.

The Objectives and KPIs you set will be specific to your processes and priorities but some examples are given below.
1.7 IMPROVE: TOOLS AND TIPS

You can pick and choose from the tools and tips below based on what you think is necessary for the particular priority issues you have identified and their root causes. You can refer back to the flow diagram of the chapter on page 10 to give you an overview. This section gives tools and tips on Manpower/people, Machinery, Delays/bottlenecks and Waste.

1.7.1 IMPROVE: MANPOWER

Communication and team work

Productivity can be improved by better communication of production targets and sharing ownership of meeting those targets with supervisors and workers. This can be done in a number of ways:

COMMUNICATION & TEAMWORK

DAILY PRODUCTION MEETINGS

Daily production meetings to discuss the day before, any issues and explain the targets for the day. This can just be a very brief ‘stand-up meeting’ on the production floor at the start of the shift. (More details on this and a possible agenda are given in the Worker Cooperation and Communication chapter, page 69). See the case study below.

COMMUNICATE THE WHY

It is important that the ‘why’ is communicated to the workers. Why it is important to work at a more efficient rate, why productivity improvements are essential for longevity of the business (and therefore provision for their families) and the important role that the workers play to enable this to happen.

VISUAL MANAGEMENT TECHNIQUES

Using visual management techniques such as display boards with production targets and output data means workers can track their progress against targets on an hourly/half daily basis. Visual aids also assist with lines/sections being able to track progress in relation to one another. Intuitively, if a line sees they are falling behind the other they will increase productivity to catch up and this can create healthy competition on the floor.

The chapter on Time Management and Productivity (page 62-63) explains these methods in more detail, including case studies of where they have been used successfully.

CASE STUDY

PRODUCTION MEETINGS IN SOUTH AFRICA

Two production sites in South Africa have seen the benefit of regular meetings.

One site had weekly production meetings only with senior management but now includes team leaders/production supervisors. They have found they are able to identify issues and find practical solutions quicker.

Another site started to have morning meetings for each team including the team leader/supervisor and all workers, a production meeting for managers at the end of each day, one for team leaders and managers weekly and a bigger monthly meeting. Any concerns with quality or production were raised and suggestions for improvements were given. If a certain quality mistake was being repeated and having to be returned to be re-worked, the whole team would brainstorm solutions and agree what changes they would make. Sometimes very simple changes made a significant and immediate impact on productivity and quality.

“We have these monthly meetings where we can earn a free bottle of cool drink for those who come up with the best ideas for changes on the site. So someone will make a suggestion for a practical change and we will see the changes then happen, I think it is encouraging us to speak up more.” – Worker, South Africa

“Before we were not working together, everyone was going their own way. But now everyone supports each other because we know we can work together for the benefit of the company and that is also for our benefit so we can take money home for our families.” – Stock controller, South Africa

Skills and remuneration

The Wages chapter (page 80) and Workforce Management chapter (page 78) illustrate in more detail how productivity is improved by building the capacity and motivation of a workforce through skills development and decent wages. Studies show that skilled workers are 23% more productive than their unskilled counterparts,14 and that higher wages motivate harder work by up to 12%.15
### PIECE RATE SYSTEM

Some companies find that using a piece rate system for wages, can help to motivate higher productivity. However it doesn’t work for every company, product type or team. If considering a piece rate system, you need to be careful you are not just driving productivity but forfeiting quality. Quality controls and checks may need to be strengthened if a piece rate system is initiated.

It is also absolutely essential that the system is structured in such a way that EVERY worker receives at least minimum wage for EVERY pay period. If there is no legal minimum wage where you are, see the note at the end of the section.

#### THE BENEFITS

- Productive workers earn more, which is a good motivator towards productivity
- Wages are linked to the level of production, meaning employers don’t cover the cost of poor worker productivity
- Employees hitting production targets are rewarded for their efforts, which improves morale and reduces staff turnover of good workers

#### WHEN THE SYSTEM WORKS WELL

A piece rate system doesn’t work for every business. Where the following are in place it may be worth trying this system:
- Pieces or units of work are measurable
- There is a clear relationship between worker effort and output
- The job is standardised: the workers are producing the same thing every time, all the time
- There is a regular flow of work, and workers are not dependent on other factors to determine their output and therefore wage
- Machine breakdown is at a minimum. (Employers should cover the wages of workers during machine downtime)
- The quality of output can be maintained even when production increases
- The piece rate can be determined very accurately
- If this does not sound like your business, then a straight piece rate system is not for you. You may want to rather consider paying productivity bonuses and/or incentivising teams rather than individuals.

#### THE DISADVANTAGES

- It can be difficult to set the right piece rate
- Quality of output can be negatively affected by workers prioritising speed - this needs to be carefully managed. As the system matures in the organisation, a quality ‘score’ can be included in the calculation of the piece rate system.
- It doesn’t allow for rewarding employees for seniority/experience, which is important in some locations due to cultural beliefs
- Introducing new technology or production methods impacts on the piece rate, and has to be taken into consideration
- It can lead to employees over-working, causing health issues, which are a cost to the business
- It can create a competitiveness between workers that leads to bigger cultural issues or reduced effectiveness in team work

#### HOW TO CALCULATE

##### STEP BY STEP

**STEP 1 Test current productivity** - Establish the current average rate of production per person. Measure how many pieces are produced in a current working hour, and divide that by the number of workers. Individual time study is also advised at this step to understand how employees perform in relation to one another, and how an unskilled person performs compared to a skilled person.

**STEP 2 Work out a fair production rate** - Workers have to earn the minimum wage at the very least, so when calculating the piece rate you must ensure that slower workers are able to still earn the minimum wage. To make this achievable, divide the average number of pieces per person, per hour, by 12, to give a figure slightly below average.

**STEP 3 Calculate the piece rate** - Using the normal hourly pay rate (at least minimum wage or more), divide this by the number of pieces per person determined in step 2. The full formula is as follows:

$$ \text{Minimum wage per hour} / \left( \text{Average rate of pieces per hour} / 12 \right) $$

**STEP 4 Determine the wage** - Therefore, the wage per worker is number of pieces produced x rate per piece. There will need to be trial periods and feedback, to ensure everyone is making at least minimum wage without undue stress or pressure that could lead to accidents. Example:
- 50 - Number of workers
- 450 - Average number of pieces completed per hour
- ⁸ - Average number of pieces completed per person, per hour
- $10 - The minimum wage for an hour ($10 / (9 / 12)) = $10/7.5 = $1.33

Therefore, the piece rate is $1.33 per item made

#### APPLICATION

- **Run a trial** - Use the piece rate for a test run, check everyone is able to consistently make at least minimum wage. If not, make up everyone’s wage to at least minimum wage and adjust the piece rate. This may need to be done quite a few times to get a correct piece rate.
- **Make up to minimum wage** - Even once a piece rate is set, any worker making less than minimum wage based on piece rate must have their wage made up to at least minimum wage.
- **Communicate** - Very clearly communicate the new payment system, and how it works. Encourage questions. It is essential that it is not only fair but is also perceived and understood to be fair.
- **Get feedback and monitor** - Get weekly feedback from workers. Keep a record of productivity and wages paid.
- **Re-assess** - Based on feedback and data, decide how the system can be improved, and whether it is meeting your goals.

**NOTE:** If there is no legal minimum wage in the country where you operate you need to benchmark the piece rate wages against the prevailing wages in the factory to set a minimum piece rate wage. This may be determined by a collective bargaining council. If there is no legal minimum wage, you may wish to carry out a ‘living wage study’ for your site, described on page 81-82.

#### RESOURCES AND TOOLS

- Further information on piece rate systems: [http://www.liscos.org/global/topics/wages/minimum-wage/definition/7W35_438067/lng=en/view/1](http://www.liscos.org/global/topics/wages/minimum-wage/definition/7W35_438067/lng=en/view/1)
- Insights and practical examples of the impact and challenges of piece rate pay: [https://ces.ucd.ie/theses/7paper11.pdf](https://ces.ucd.ie/theses/7paper11.pdf)

#### BONUSES AND INCENTIVES

Other businesses incentivise worker performance through productivity bonuses. Typically, this means a lower base salary (that still meets minimum wage) with rewards for meeting certain performance targets. Some important things to consider if adopting an incentives scheme:

- Ensure you are consistently paying at least legal minimum wages. Performance pay, incentives or bonus schemes should not be considered to calculate base salary.
- Pushing too hard can be counter-productive: The schemes shouldn’t be used to continually push up the expectations of productivity or output as this can make workers dissatisfied, de-motivated and frustrated, which can decrease overall productivity.
- Involves workers: If workers are actively involved in designing the scheme it is more likely to be successful because it increases confidence that it’ll be used fairly.
- Teams: Where teamwork is important in a particular process, individual targets may create competition which may damage team dynamics and effectiveness. In some situations it may be possible to have team targets and team rewards.
- Keep an eye on it: It’s important to monitor and ensure that production targets and rewards don’t lead to overworking or cutting corners with safety or quality in order to hit targets. It is also important to understand the causes of lost time which are outside of the workers control, which may impact their ability to meet targets.

Non-financial incentives and recognition can also be established for individuals or the best performing line / section. A small amount of recognition such as being ‘time of the week’ can go a long way to improving productivity.

Gainsharing

Gainsharing is another option, which means that workers are involved in identifying and implementing improvements in productivity and a proportion of the financial gains from increased performance (above a measured baseline) are shared with workers. Key elements to consider to ensure it is successful include:

- actual and perceived fairness
- regular information sharing with employees
- worker engagement in the development and monitoring of the scheme
- clear communication in advance of the targets and of the benefits that will be shared if targets are met
- rewards distributed fairly with no preference or discrimination
CASE STUDY

**BONUSES AND INCENTIVES**

Nucor Steel is one company that has successfully implemented Pay-For-Performance and productivity bonuses.

How it works at Nucor Steel:

Workers earn a lower base salary (that is at least minimum wage), but are given a percentage of the revenue from the plant. This helps promote a ‘working together’ culture.

Employees are also rewarded based on their individual performance as follows:

- Exceptional performance bonuses for exceeding hourly quotas
- 5% bonus for each target level achieved
- Bonuses paid at end of every week, increasing motivation
- Lose bonus for the day if late for work (but at least minimum wage is guaranteed)
- Employees have a way to appeal if they feel they have been treated unfairly

Results:

- Nucor has a very low absenteeism rate of between 1% – 1.5%
- Productivity is x3 times the industry average

1.7.2 IMPROVE: MACHINERY

If the ‘review’ and ‘analyse’ sections showed up issues with machinery, you could use this tool to help you to solve the root causes you have identified.

**Overall Equipment Effectiveness (OEE)**

WHAT IS IT?

- OEE is an asset utilisation tool used to measure the overall effectiveness of key machinery within the business.
- Specifically focused for continuous processing plants
- A clear and unambiguous measure

WHY IS IT USEFUL?

- It incorporates machine availability (usage), the performance on the line (rate of work) as well as quality defects from the line into one score showing the overall effectiveness of the machine

HOW DOES IT WORK?

OEE is measured in a percentage and is the product of:

- **Availability (%)** - What percentage of the available running time was the machine / line actually running?
  - e.g. The line was scheduled to run for 100min, but experienced a 10min breakdown in machinery
  - (100min – 10min)/100min = 90%

- **Performance (%)** - What was the performance of the machine in the running time, compared to manufacturer’s design capacity?
  - e.g. The line was running for 90min and the manufacturer specified 10 units to be produced per minute, but the floor only produced 800 units
  - (800 / 90min x 10) = 89%

- **Quality (%)** - Number of non-defective units as a percentage of total units produced.
  - e.g. 800 units were produced and 20 of these were defects
  - (800-20)/800 = 98%

Overall score = Produced by multiplying the 3 scores together

- (90/100) x (89/100) x (98/100) = 0.78 = 78%

**Showing the OEE Score graphically**

One way to do this is through a red/amber/green system on bar charts, where green illustrates high equipment effectiveness, amber shows average and red is poor.

The percentages that represent good/average/poor are different for the 3 elements. So the percentage/position at which that bar has the amber band would be different for each. For example 90% is good for availability but the same percentage score would only be average for performance and poor for quality.

The exact percentage of what constitutes green, amber or red would be business specific and also dependent on the current equipment effectiveness of the plant. The management team could set internal stretch targets for each production line or individual machine based on how the plant is operating currently.

The figure below shows how one can represent the OEE score for a specific machine on a particular shift. The bars just show 50-100%.

To take this tool a step further you can analyse each of the three components to find out where the majority of losses originated from, which will help in identifying issues that need to be resolved (e.g. start up product losses, major breakdowns/stoppages, set ups, change overs).
1.7.3 IMPROVE: DELAYS/ BOTTLENECKS

If the ‘review’ and ‘analyse’ sections showed up delays and bottlenecks, you could use these tools and tips to help you to solve the root causes you have identified.

### Line balancing

**WHAT IS IT?**
- Line balancing means levelling the workload across all processes in a cell or value stream to remove bottlenecks and excess capacity.
- This results in a reduction in waiting time/non-value adding time, which is in most cases a significant and costly waste.

**HOW DO YOU DO IT?**
- Identify bottlenecks: Use your process flow diagram and get feedback from workers and supervisors (eg in daily production meetings)
- Then you know where you need to improve critical path analysis and production layout
- This may mean changing the number of workers doing a particular process or stage in production
- Or even physically rearranging workstations and production flow
- In some industries shifting to straight line production can significantly increase productivity
- Any changes must be well explained to workers

**RESOURCES TO HELP**
- There is a ‘Six Sigma’ online ‘calculator’ that assists you to work out the time and loading for each process in the production line and therefore how to ‘balance’ the line so there are no bottlenecks.
  

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### CASE STUDY S T R A I G H T L I N E PRODUCTION

Physically rearranging production flow can have a dramatic impact, but may be more appropriate for some product types than others.

For example one factory in the Impact Overtime Study\(^2\) (aiming to reduce overtime through productivity and HR improvements) introduced straight line production in the pre-production department, which allowed semi-finished parts to be passed on to production as they were ready, rather than waiting until a whole batch was complete. This almost halved pre-production lead times.

Straight line production improved efficiency by 86% in another Chinese factory.

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### Tackling downtime

A key issue causing costs to business through bottlenecks is Downtime (the stopping of production due to machine breakdown, labour strikes, injury, waiting on inventory etc.).

Statistics suggest that downtime can reduce productive capacity by up to 20%. A US study of downtime in the auto manufacturing industry reported a cost of $22 000 per minute\(^\ast\).

**COSTS INCLUDE**
- Loss of production
- Cost of unproductive labour while not working
- Cost of machine repairs or replacement
- Loss of inventory
- Not meeting delivery deadlines, which leads to reputational damage with customers and potential lost business in the future

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### CALCULATING DOWNTIME

Cost of downtime = lost revenue + lost productivity + repair costs + lost inventory

Example cost of 3.5 hours downtime in Bob’s Factory:
- Lost revenue = revenue per hour x hours of downtime
  - $2 400 x 3.5 = $8 400
- Lost productivity = cost of labour per hour x number of workers affected x hours
  - $9 x 10 x 3.5 hours = $315
- Repair cost = cost to repair machine
  - $310
- Lost inventory = cost of materials damaged
  - $150
- Cost of downtime event:
  - $8400 + $315 + $310 + $150 = $9175

This does not include reputational damage of customers’ opinions of the product and potential future orders being impacted by late or poor quality products delivered.

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### CASE STUDY COCA COLA BEVERAGES SOUTH AFRICA (CCBSA) IMPROVES WAREHOUSE EFFICIENCY

**New information technology was introduced in the warehouse.**

The system’s primary aim was to control the movement and storage of materials within a warehouse (on site) and to process the associated transactions, including shipping, receiving, put-away and picking.

Interview with Zarine Roode, Policies and Governance Specialist, ABF Bottling (Pty) Ltd, CCBSA.
1.7.4 IMPROVE: WASTE
If the ‘review’ and ‘analyse’ sections showed up issues with waste, you could use this tool to help you to solve the root causes you have identified. It is estimated that the efficiency gains of up to 30% can be achieved by eliminating many of the 7 Wastes of manufacturing22.

THE 5S MODEL
This is a workspace organisation model that can be implemented and practiced on a regular, ongoing basis to reduce waste.

- **SORT**
  - REMOVE ALL CLUTTER FROM THE WORKSPACE
  - Makes it easier to find things and move around a workspace, reducing waste of waiting and motion.

- **SET IN ORDER**
  - ORGANISE ALL TOOLS, EQUIPMENT AND MATERIALS
  - Makes it easier to find and pick up items, creates a system for managing inventory, reduces time searching.

- **SWEEP**
  - CLEAN UP THE ENTIRE AREA ON A DAILY BASIS, INCLUDING MACHINES
  - Keeps workplace safe, helps reduce machine wear and tear, shows up breakages.

- **STANDARDISE**
  - SET WAYS OF WORKING (PROCESSES) FOR THE FIRST THREE STEPS
  - Helps maintain high standards in the workplace, and maintain consistency.

- **SUSTAIN**
  - MAKE SURE THAT THE 5S METHOD IS PART OF THE CULTURE OF THE BUSINESS
  - Workers can do it without being told, improves overall efficiency.

REDUCING WASTE, INCREASING EFFICIENCY - WATER AND ENERGY
Becoming more energy efficient and reducing water use can be very significant cost savers for your business. The Environment chapter (page 96) gives more detailed information and tips to help you reduce costs in this area.

**CASE STUDY: REDUCING WASTE: FLEET FUEL EFFICIENCY**
Between 2005 and 2015, Walmart improved fleet fuel efficiency by 187% (reducing transport waste) through better delivery routing of vehicles, truck loading, driver training and new technologies, as part of an initiative to reduce their carbon footprint. This produced an estimated cost saving of almost $11 million.23
2. QUALITY OF PRODUCT

WHY THIS IS IMPORTANT TO YOUR BUSINESS

For products to sell, they need to be highly marketable and desirable, with quality consumers can trust. Consumers hold brands responsible for quality and so the quality of products is very important to brands, alongside other areas of supplier performance.

If there are quality issues with your products, this can result in unexpected costs. If the quality issues are discovered before the products leave your facility, there are costs of having to repair or remake defective products, including both material and labour costs and there is the loss of potential revenue. If the products with quality issues leave your facility and have to be dealt with later there are even higher costs including potential return of the products and the cost of damaged reputation or lost customers. It is always more cost effective in the long run to make it right first time.

A quality driven ethos and an efficiency / productivity orientated mindset go hand in hand. A business only driving efficiency gains but ignoring quality will soon see any productivity gains eroded through rework and rejected product. Similarly, a business only focused on ensuring the right quality at any cost will lack the efficiency to remain competitive.

WHAT THIS MEANS IN PRACTICE

The 5Ms framework was used in the ‘Review’ section of the Productivity chapter and is also a useful tool to help define what quality looks like, and what is required to improve quality in the production process.

1. Methods – The ability of a management team to create the right processes to ensure quality
2. Manpower (People) – A well-trained, motivated workforce who understand and work towards the same quality standards
3. Machines – The suitability and performance of the machinery, equipment and facilities used in production
5. Measure – The measuring of quality, time and costs

Look out for defects resulting from:
- Below standard skill levels
- Poor work conditions
- Malfunctioning machinery and equipment
- Sub-standard raw materials
- Storage and transportation

These sections have been designed as a practical guide for any business to improve their productivity and quality. We recommend that these sections are applied in conjunction with your existing ISO certifications (if applicable).

The International Labour Organisation has developed some very useful materials on quality, productivity and related topics, called ‘SCORE, Sustainable Competitive and Responsible Enterprises’, which are highly recommended (more details in the endnote references, with contact details for further information).
The diagram below gives you an overview of the whole Quality chapter, how the different sections fit together and how it flows as a whole process. By following the Review, Analyse, Improve method, teams can continuously build their capabilities to improve quality and reduce defects.

**QUALITY:**

**SECTION OVERVIEW**

1. **CHECKLISTS**
   - Use the CHECKLISTS: Identify key areas for improvement
2. **PROCESS**
   - Draw a PROCESS FLOW DIAGRAM: Use the diagram you drew in the productivity section to identify where issues are happening
3. **MEASURE**
   - Metrics and Data Collection: Improve data collection to better understand the current situation
4. **PRIORITIZE**
   - Prioritize Where to Start: Pareto process
5. **ROOT CAUSES**
   - Understand the Root Causes of the Issue: 5 Whys - Fishbone

A clear understanding of existing issues, their extent and where they are occurring

You have a list of top priority issues to tackle and an understanding of why they occur

To improve quality you will need to address all four improvement areas

- **7.1:** Quality objectives
- **7.2:** Quality Control / Assurance
- **7.3:** Problem solving to reduce defects
- **7.4:** QA culture and teamwork

2.1 **REVIEW:** CHECKLISTS

This section explains the details of what this means in practice and can also be used as a tool to self-assess your site. Put a ✓ if you think that point is in place in your business and put a ✗ if it isn’t or needs improvement. You can then create an action plan, to assign and follow up an action for every ✓ (sample action plans are given at the back of the toolkit).

**METHODS**

- We know exactly what the customers’ quality requirements are
- Everyone on site understands the reasons for the quality requirements and why these are important to achieve
- Our plan of products and processes are designed as simply as possible to meet the customers’ actual needs, not what we may perceive these needs to be
- We get regular feedback from the customer to ensure quality standards are met, and about how we can improve, to meet these standards more efficiently (both now and in the future)
- The business ensures that all team members know exactly what the final product quality requirements are, as well as how the quality of each individuals’ output contributes towards achieving this overall quality
- There is a written set of criteria for products that will be declared irregular instead of being repaired
- There is a culture of employing strong process discipline, through Standard Operating Procedures (SOP’s) which ensure consistency
- The team is encouraged to offer input towards the setting of the process / SOP’s but they are also consistent and meticulous in the execution of the agreed plan
- Some measures of quality are included in Key Performance Indicators (KPIs) when measuring productivity and team performance
- There is one or more inspection points before final inspection of the finished products
- The quality inspections happen frequently to avoid long runs of ‘out of specification’ product
- Someone is responsible for sorting defects from final inspection for distribution back to the appropriate departments (the department which makes the mistakes are made aware of the errors, to maximise learning/improvement)
- The business has measures to tackle reoccurring quality issues and to reduce future defects
- We consistently deliver quality products/services
- We consistently deliver products/services on time

**MANPOWER (PEOPLE)**

- Staff are employed with the right skills and experience to do their job well
- Every staff member is trained and equipped for the job that they are doing, including an understanding of their job’s effect on downstream operations
- Managers understand the cost of quality mistakes
- All employees are informed about customer expectations and quality standards /specifications and how to avoid common quality issues
- All employees have access to the operational specifications for the task they are completing
- Understanding of specifications is reinforced by carrying out a correctly constructed sample before production starts
- Working conditions (including health and safety) are good and allow people to do their jobs well
- Line and floor managers are trained and equipped to easily spot and address quality defects
- The person responsible for quality is able to halt work that does not meet requirements, even if there is a rush for delivery
- Quality concerns being raised by workers is welcomed by management, not seen in a negative light
- There are opportunities for workers/operators to suggest changes to improve quality
- Such suggestions are implemented where appropriate
We take representative samples for quality checks. Our internal controls and measures are of a similar standard to that of the customer, not lower or excessively higher. The quality measures are clearly defined and agreed by all in the business. Quality results are seldom disputed internally. Accurate measures of quality are kept, including % defect rate and % reworking, by department and by product. The business understands the definition of a ‘defect’ and the multiple ways that any one product can be below the required specification. We have easy to measure standards of quality for each step of a process. Facilities are clean and well maintained, to meet hygiene and safety standards, throughout the year, not only around the time of an audit. Machines are serviced regularly, according to a maintenance schedule, and repaired immediately when required. Good lighting and supporting services are provided to meet the required quality standards. Facilities are clean and well-maintained, to meet hygiene and quality standards, throughout the year, not only around the time of an audit.

**Defining Defects and Calculating a Metric**

It is essential to clearly define what constitutes a defect. A defect can be broadly defined as a product/system/process that is not at the desired specification. Both management and production workers need to be very clear on what the specifications are and what constitutes a ‘defect’ for each product. Six Sigma provides a clear way of measuring and calculating ‘Defects Per Unit’ (DPU) or the rate of defect production. 

\[
\text{Defects Per Unit (DPU)} = \frac{\text{Defects Observed}}{\text{Number of Units Inspected}}
\]

Data collection

- In order to set and track progress against objectives, you first need to be collecting accurate and consistent data on quality.
- Some of the data you need to be collecting includes:
  - Number of rejects for each product and each department, each month
  - Number of reworks for each product and each department, each month
  - Number of deliveries that were late, each month
  - Customer satisfaction (this can be done through a simple customer survey with quantitative ratings at regular intervals)
  - Average idle-machine time (weekly or monthly)
  - Number of customer complaints/returned products (monthly, annually)

Frequency of data collection

As in the ‘Review: Measure’ section in the Productivity chapter.

After using the checklists, process flow diagram and improving your measurement/metrics, you should have a clear understanding of the existing issues, their extent and where they are occurring. But where should you start? And why are these things happening?

---

Six Sigma is a set of techniques and tools for minimizing defects in manufacturing through process improvements. It was developed by engineers in the car industry and is now applied as good practice across many different industries.
You have now identified a few areas for improvement from the checklists and process flow diagram. Having accurate and frequent measures in place will significantly help in determining the priority areas to focus on, and where you will get the best return for effort spent.

After your 'review' exercise, you could ask the following questions, to help you prioritise where to start:

- Are there relatively more defects:
  - on a particular shift?
  - on a particular product line?
  - using a particular raw material?
  - producing a particular product?
  - at certain times of day (dayshift vs nightshift)?
  - when one person is doing quality checks rather than another?

### THE PARETO PROCESS

You will have worked through the Pareto process in the productivity chapter (page 18-19), to prioritise where to start. This tool can similarly be used for quality issues.

#### Step 1: List Issue Areas

List all the areas where defects are occurring, as specifically as possible.

#### Step 2: Calculate the Defect Rate

Determine the Defects Per Unit (DPU) from each of these areas identified. The data could be collected from production sheets, feedback from a customer or any other means available.

#### Step 3: Cost

As a team, try to quantify the cost per defect of these scenarios. This could be in wastage of raw material, labour, transport etc, or the opportunity loss on that sale.

#### Step 4: How Much Product?

Determine how much of this product is produced in a particular cycle. The cycle could be weekly, monthly or even annually, as long as you keep all the cycles for the different rows the same for this comparison.

#### Step 5: Opportunity/Priority

Multiply the DPU by the ‘Cost Per Defect’ by the ‘Total Produced’. This will give you an ‘opportunity to the business’ for resolving that specific defect problem. As you can see from the table below, the highest defect rate doesn’t necessarily result in the largest opportunity. Similarly the highest number of units produced does not either, or the cost of a defect. It is the combination of these three that will give you the overall top priorities.

<table>
<thead>
<tr>
<th>Number</th>
<th>Defect Trend Identified</th>
<th>Defects per unit</th>
<th>Cost per defect</th>
<th>Total Produced</th>
<th>Opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Pealing of label on 500ml bottle produced on Line A</td>
<td>0.03</td>
<td>$15.00</td>
<td>100</td>
<td>$45</td>
</tr>
<tr>
<td>2</td>
<td>Overweight of product A resulting in rework</td>
<td>0.40</td>
<td>$1,000.00</td>
<td>10,000</td>
<td>$4,000,000</td>
</tr>
<tr>
<td>3</td>
<td>Raw materials quality concern from supplier M resulting in product being rejected</td>
<td>0.15</td>
<td>$400.00</td>
<td>900</td>
<td>$54,000</td>
</tr>
<tr>
<td>4</td>
<td>Damaged product from machine X results in disproportion number of defects from Line Y</td>
<td>0.07</td>
<td>$0.02</td>
<td>500,000</td>
<td>$700</td>
</tr>
<tr>
<td>5</td>
<td>Customer complaints experienced from product using input ingredient Z</td>
<td>0.60</td>
<td>$30.00</td>
<td>40</td>
<td>$720</td>
</tr>
</tbody>
</table>

Pareto Process for Quality issues. Showing Steps 1-5.

#### Step 6: Reorder by Priorities

Sort or re-order the rows by the figures in the ‘opportunity’ column, so that the top priorities are at the top of the table.

#### Step 7: Cost to Resolve

The exercise can be taken further by determining the cost it would take to resolve the root cause of the defect. For instance, if it is going to cost your business $90 to resolve a $45 dollar problem, it may not be worth it.

#### Step 8: Cost Benefit Ratio

Divide the figure in the ‘cost’ column, by the figure in the ‘opportunity’ column, to give a simple ‘cost benefit ratio’ for each row. The ones with the lowest ratio figure will give you the greatest impact for the least cost.

<table>
<thead>
<tr>
<th>No</th>
<th>Defect Trend Identified</th>
<th>Defects per unit</th>
<th>Cost per defect</th>
<th>Total Produced</th>
<th>Opportunity</th>
<th>Cost to remedy</th>
<th>Cost to Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Overweight of product A resulting in rework</td>
<td>0.40</td>
<td>$1,000.00</td>
<td>10,000</td>
<td>$4,000,000</td>
<td>$1,500,000</td>
<td>0.38</td>
</tr>
<tr>
<td>3</td>
<td>Raw materials quality concern from supplier M resulting in product being rejected</td>
<td>0.15</td>
<td>$400.00</td>
<td>900</td>
<td>$54,000</td>
<td>$7,000</td>
<td>0.13</td>
</tr>
<tr>
<td>5</td>
<td>Customer complaints experienced from product using input ingredient Z</td>
<td>0.60</td>
<td>$30.00</td>
<td>40</td>
<td>$720</td>
<td>$800</td>
<td>1.11</td>
</tr>
<tr>
<td>4</td>
<td>Damaged product from machine X results in disproportion number of defects from Line Y</td>
<td>0.07</td>
<td>$0.02</td>
<td>500,000</td>
<td>$700</td>
<td>$40</td>
<td>0.06</td>
</tr>
<tr>
<td>1</td>
<td>Pealing of label on 500ml bottle produced on Line A</td>
<td>0.03</td>
<td>$15.00</td>
<td>100</td>
<td>$45</td>
<td>$90</td>
<td>2.00</td>
</tr>
</tbody>
</table>

Pareto Process for Quality issues. Showing Steps 6-8

#### Step 9: Taking it Further

There are endless possibilities to expand on this type of exercise. Here are a few useful questions which could be asked together with the team:

- What is an acceptable DPU target for each item identified?
- How can we reduce the cost per defect?
- How can we know sooner that the end product will be a defect, part way through the process?
2.5 ANALYSE: ROOT CAUSES

2.5.1 ROOT CAUSE ANALYSIS: THE 5 WHY’S
Simply ask the question why, until you cannot ask it any more, or until you have got to the bottom of the real reason behind the issue.

WHAT IS THE PROBLEM?

WHY?

WHY?

WHY?

WHY?

WHY?

ROOT CAUSE

FOR EXAMPLE:

PROBLEM: High defect rate of bottle labels.
WHY? The labels peel off easily
WHY? The glue seems to not be holding
WHY? The quality of the glue used (Materials) is not that good
WHY? Purchasing cheap glue from the supplier
ROOT CAUSE:
Supplier is selling a poor quality product.
THE SOLUTION:
Change supplier or specify better quality glue.

2.5.2 ROOT CAUSE ANALYSIS: FISHBONE DIAGRAM
This tool was explained in the productivity chapter, with a worked example, please refer back to page 21. You can follow the same steps to identify, categorise and prioritise multiple ‘causes’ of a particular issue. The diagram below is an example of a Fishbone to tackle the problem of high defect rates with a certain product.

Now you know your key priority issues, their extent, where they are happening and why they are happening. So what are you going to do about it?
2.6 IMPROVE: TOOLS AND TIPS

Unlike in the productivity chapter, where you were encouraged to pick the tools that you thought might be useful, based on the areas where you identified issues, in this Quality chapter, you need to work through all of the subsections in this improvement section in order to make progress with quality: Objectives, Quality Control/Assurance, Problem solving and QA culture/team work.

2.6.1 IMPROVE: QUALITY OBJECTIVES

Objectives are specific, measurable goals that you can keep track of on a regular basis, by collecting data that matches Key Performance Indicators for each objective. You may wish to set objectives and KPIs for specific departments or even individuals. You can then measure the KPIs and have monthly report backs and problem solving sessions with teams.

The Objectives and KPIs you set will be specific to your processes and priorities but some examples are given below:

<table>
<thead>
<tr>
<th>Objective</th>
<th>Key Performance Indicator</th>
<th>Target</th>
<th>Achieved This Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce product defects</td>
<td>% reduction in defective units per month, per customer, per product</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduce rework</td>
<td>% reduction in rework (per month, per customer, per product)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promote worker feedback</td>
<td>Number of worker-reported faults and defects</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of worker-reported faults and defects involved</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of worker-generated ideas for improving quality</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improve on-time delivery</td>
<td>% decrease in late deliveries (per month, per customer, per product)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improve customer satisfaction</td>
<td>% increase in anticipated customer satisfaction surveys</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of customer-generated ideas for improving quality implemented</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% decrease in returned product (per year, per customer, per product)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase number of customer complaints because of quality</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2.6.2 IMPROVE: QUALITY CONTROL/ASSURANCE

Quality control / assurance is all about preventing defects, identifying defects and solving defect issues. The ILO SCORE materials referenced at the start of this chapter were useful in writing this section and provide useful further guidance on Quality Control / Assurance.

PREVENTING DEFECTS

Standard Operating Procedures (SOPs)

- Documents which give the detailed steps to be taken at each stage of any production process
- Well communicated to workers and followed closely every time, to reduce defects and errors
- Updated when a process or procedure changes
- Training provided, when necessary, to ensure that worker skills match the procedures

Product Specifications (Spec Sheets)

- Define the expectations of how a product is to be made and the quality levels that must be achieved (including all the technical details of the product, the operations breakdown, measurements and labeling requirements)
- Each production line should have spec sheets for the final product (and physical examples), as well as a spec sheet for each workstation

IDENTIFYING DEFECTS

Inspections at key stages in the production process are essential in preventing, identifying and analysing defects.

- Pre-production inspection of input materials. Defective materials removed and sent back to the supplier preventing any defective products being made from them
- In-line inspections of products, during production (if a product is being produced below specification, there should be opportunity for this to be picked up and addressed immediately rather than leaving it so that more out of spec products are produced)
- Post-production inspection of finished products before packing / shipping

Inspections can take different forms but usually include both self-examination and random sampling.

Self-examination: Each worker is trained to check the items from the prior operation before proceeding and then also check their own completed work before moving it along the line. This reduces rework and defect rates, saving time and reducing wastage. For the process to work, template examples are required for each workstation and sufficient space for examining the product. The process is as follows:

- Detect defect
- Alert next workstation and line-manager that a defect has been detected
- Send unit back to workstation where defect came from (or repair station if due to faulty machine or material)

- Record defect for data records

Random sampling: This can be done at different stages during production.

- A segment of work is removed from an operator, one piece inspected, if that’s fine the segment is returned.
- If one piece is faulty, a second is inspected, if the second is faulty the whole segment is examined and the operator stops work until it is resolved.
- The following is recorded: number of units examined, stage of examination in production, faults found, cause of faults, actions taken to resolve issue.

Consistency of quality checks: Is acceptable product being rejected on the floor because of inconsistent quality checking standards? This can be observed through inconsistent defect rates being achieved through very similar processes. For example, when Quality Checker A is on the floor, the defect rate is 0.02, but when Quality Checker B is on the floor, the defect rate is 0.01. You need to understand why this is. Possibly no change needs to be made to the process, it is rather about educating both checkers to be using the right standard.

RECORDING DEFECTS

Find the best way for your team to record defects so that you can see where most defects are coming from within the production cycle. Make sure that all workers know what to do if they find a defect or produce a defect. Ensure they feel comfortable sharing defects without fear of being punished, and have a clear process for reporting and/or recording defects.

Data needs to be collected on a continuous basis to locate issues so they can be resolved. Data could be collected through product inspection, check sheets for workers to record tallies of defects themselves, and logbook reviews. The key thing is that data is analysed and reviewed and linked to continuous improvement and problem solving, so that issues can be resolved and defect rates decreased.

Defects need to be classified to determine the urgency with which they need to be rectified.

- Critical defects = products are not usable
- Major defects = products that are not acceptable (justifying a customer return)
- Minor defects = do not make the product unacceptable but require improvement
### 2.6.3 IMPROVE: PROBLEM SOLVING

Once you have a clear idea about what the quality issues are, where they are occurring in the processes, what the priority issues are and what the root causes are, you are able to bring a team together to brainstorm solutions and implement improvements.

**Action plan tables**

At the back of this toolkit there are action plan tables. You can use those to keep track of the actions you decide should be taken to tackle the issues you have identified. It helps to have all the actions listed in one place, with a note of who is responsible, when it should be done by and a space to write what progress has been made.

**Plan-Do-Check-Act (PDCA) Cycle**

This is a problem solving and implementation tool from management expert W. Edwards Deming. You can use this to manage the overall process of continuous improvement. See Productivity chapter for more detail (page 22). This tool takes you through every step of the continuous improvement process.

#### PLAN
- Understanding the issue, the extent, the root causes and bringing an appropriate team together to come up with and agree on a potential solution, agree an implementation plan and assign actions, timelines and targets

#### DO
- Testing the solution in a trial/small scale

#### CHECK
- Measuring the impact of the change, getting feedback, adapting the solution if necessary

#### ACT
- Rolling out the solution more widely if it worked well.

### 2.6.4 IMPROVE: QUALITY ASSURANCE CULTURE AND TEAMWORK

#### What is it?

For good quality to be integrated into the core of your business, you need to set a quality assurance culture in your business. This means that everyone knows and believes that quality is the responsibility of all employees and not just the ‘quality assurance team’.

#### What does it involve?

- A culture of using mistakes to learn and get better, rather than blame the fault on someone (see Worker Communication and Cooperation chapter, page 22)
- Employees at all levels encouraged and empowered to identify, solve and prevent quality issues
- Moving from being results-orientated to being process-orientated, ensuring that processes function correctly, resulting in fewer quality issues
- Focusing on making daily improvements and involving everyone in that process

### TEAMWORK

To reduce quality issues your whole workplace needs to work as a team. The production workers are the people who are most likely to spot potential quality issues and also most likely to have practical suggestions for solutions. For this to work 3 things need to be in place:

- Create an atmosphere where workers feel free and welcome to speak up, knowing that their suggestions are going to be taken seriously and they won’t be treated negatively for identifying an issue
- Set up a system of regular meetings where those suggestions are received
- Have a process in place for suggestions to be taken forward, actioned if management agree, and feedback given to workers on what was done

### CASE STUDY: WORKERS IN PROBLEM SOLVING

In a factory in Asia, a high defect rate was identified and the management found that the Root Cause of the problem was that there was no in-line quality check. So they took the following actions:

- Reviewed existing quality policy and expectations for all production lines
- Got workers themselves involved in the review process
- Streamlined work flows and implemented a quality check system
- Did random quality checks a few times a day, and gave a reward to one worker each time
- Put up posters all around the factory with the message “Getting it right first time”

**What Happened?**

- Defects dropped by 50%
- Because workers were included in the process, and they saw the improvements, motivation improved and they took greater pride in their work
- Workers were then willing to engage with managers and work as a team to come up with improvement plans
- Problems were solved much faster, with more ideas from the team
3. HEALTH AND SAFETY

WHY THIS IS IMPORTANT TO YOUR BUSINESS

Poor health and safety can result in many and significant costs to the business but H&S improvements can reap significant ROI, as illustrated below.

**WORK-RELATED ILLNESS AND INJURY**
1.3ml suffering work-related illness and injury in UK alone

**POOR HEALTH & SAFETY**

- Less motivated and physically resilient staff
- 61% of workers would work harder for an employer who invested in their health
- Workers making mistakes because of unsafe machinery
- Worker accommodation clean, safe, structurally sound, well maintained and meets basic needs of workers
- Workers are empowered to raise H&S concerns and receive a response

**LEGAL ACTION**

- A company director of a UK recycling firm was jailed for manslaughter after a fatal injury of an employee maintaining machinery.
- A 2.7 million rand (approx $225,000) common lawsuit in the Constitutional Court in South Africa, by a worker who claimed he contracted lung disease at work and the employer was negligent.

A 2.7 million rand (approx $225,000) common lawsuit in the Constitutional Court in South Africa, by a worker who claimed he contracted lung disease at work and the employer was negligent.

**COSTS TO BUSINESS**

- WORK DAYS LOST
  - 30.4 mil working days lost in the UK per year
  - Workplace illness and injury costs $170 billion a year in US
  - Worldwide – 4% of annual GDP – $2 trillion

- HIGHER COST OF RECRUITMENT AND TRAINING
- COST OF REMAKING PRODUCTS
- COST OF RECRUITMENT
- COST OF LITIGATION
- COST OF LAWSUITS

HEALTH & SAFETY IMPROVEMENTS CAN RESULT IN SIGNIFICANT RETURNS ON INVESTMENT (ROI) WITH SOME INTERVENTIONS DEMONSTRATING A ROI OF $9 SAVED FOR EVERY $1 SPENT.

THE EXPECTATIONS

- Maintain a productive workplace by minimizing the risk of accidents, injury and exposure to health risks.
- Adhere to all local laws and regulations on health and safety.
- Ensure H&S policy, management systems, management responsibility are in place.
- Ensure a safe and secure working environment (including adequate safe drinking water, sanitary and hygiene facilities, ventilation, adequate lighting and temperature, personal protective equipment and health and safety training).
- Ensure emergency preparedness procedures are in place.
- Ensure proper handling and disposal of hazardous chemicals, according to law.

WHO

Senior management, production manager, supervisors, line managers, health and safety manager, Risk Manager, workers representatives, SHEQ Manager or officers

RESULTS INCLUDED:

- Two thirds reduction in both lost time and minor injury frequency rates over 10 years
- A shift in culture – people now say the business makes H&S its number one priority
- British Sugar now have a HSE lead and a H&S specialist on site

Case Study

**RA’INA PLAZA DISASTER – MANAGEMENT CHARGED WITH MURDER**

1,135 people were killed in the collapse of the Rana Plaza complex in Bangladesh in 2013, which housed 5 garment factories, supplying global brands.

Another 2,500 people were rescued, some with traumatic injuries. 38 people including the owner, senior management and government officials were charged with murder in 2016 and could receive the death penalty if found guilty. In the meantime, the owner has been sentenced to 3 years in prison for corruption.

The owner and 17 others have also been charged with breaching building codes while adding three further floors to the original six-storey building. Survivors of the collapse said they had been ordered to enter the factory to work despite complaining about the appearance of cracks in the walls.

Case Study

**BRITISH SUGAR STEPPING UP ON H&S AND REDUCING ‘LAST TIME’**

British Sugar had an excellent safety record and was devastated in 2003 when it suffered three fatalities. The company realised it needed to look again at its focus on H&S and that included:

- The Managing Director assigning H&S responsibilities to all directors, with monthly reports to the Board.
- Creating effective working partnerships with employees, trade unions and others.
- Overseeing a behavioural change programme and audits.
- Publishing annual health and safety targets, and devising initiatives to meet them.

Results Included:

- Two thirds reduction in both lost time and minor injury frequency rates over 10 years
- A shift in culture – people now say the business makes H&S its number one priority
- British Sugar now have a HSE lead and a H&S specialist on site

"Safety and health has a tremendous value to it. When someone gets hurt, you have to replace him/her with somebody that might not be as well trained – your production or your quality might suffer. A couple of years ago we really started trying hard. Over the past 2-3 years, we’ve reduced medical costs and workers comp costs dramatically, almost $200,000.” Shane Cruize, Pride Manufacturing
Physical working areas
- Work areas are well lit
- Work areas are well ventilated
- Monitor vibrations and ensure it is not excessive or likely to cause harm to workers
- Adequate working space
- Noise levels monitored and reduced where possible or ear protection provided
- Temperature monitored and kept at a reasonable level. Air conditioning/ventilation/fans or warm protective clothing provided if temperatures are particularly hot or cold.
- Display allowable floor loading weights and maximum load limits
- In areas of confined space, post appropriate warning signs
- Aisles and exits accessible
- Workers with standing jobs have tables with adjustable height and floor mats

Protection
- All tasks and areas of the workplace are risk assessed to identify the need for personal protective equipment, so that PPE is suitable for the work conditions (e.g. gloves, ear protection, masks etc)
- All workers (including all contractors, temporary and seasonal workers) receive appropriate PPE
- All PPE is free of charge
- A system is in place to provide new PPE at appropriate intervals, so that it continues to provide sufficient protection (or filters regularly changed)
- Visitors also provided with PPE
- Signage displayed indicating what PPE is required
- Workers are trained on the use of PPE and why it’s important
- Regular checks are made to ensure workers are consistently using the appropriate PPE

Machinery
- All machinery in good working condition with regular preventative maintenance carried out, including emergency equipment
- Records are kept of machinery maintenance.
- All machinery has appropriate guards and safety devices where there are blades and/or moving parts that could cause injury
- Machines have accessible emergency stop buttons and power isolation (lockout/tag out)

Chemicals and hazardous materials
- All hazardous materials and chemicals are handled properly, with the correct personal protective equipment (PPE) used
- Exposure to hazardous substances is maintained at or below regulatory standards, with periodic monitoring conducted to validate levels
- Exposure is reduced where possible through engineering controls.
- All workers handling chemicals are trained in the risks involved, the safety procedures, PPE use, disposal and emergency procedures.
- Emergency eyewash and showers provided if hazardous materials/chemicals are used.
- All hazardous materials and chemicals are stored properly and safely, with appropriate and clear labelling (in a language that workers understand) and are properly contained using secondary containment. Storage is away from sources of heat and flammable materials and is secured.
- A full inventory is accurately maintained of the hazardous materials used on site
- Material Safety Data Sheets are made available to all workers handling or storing hazardous materials and chemicals, in the appropriate language. These may need to be prominently displayed in the areas where the materials are used as well as being explained clearly to the workers
- All hazardous materials, carcinogens, toxins and chemicals are disposed of properly, according to local law
If the fire-detection and warning system is electrically powered, are there provisions for people/locations where the alarm cannot be heard? Can the means of warning be clearly heard and understood by everyone throughout the whole building when initiated from a single point? Are the detectors of the right type and in the appropriate locations? Access to fire extinguishers is not obstructed. Emergency equipment is in designated and well signed locations. Sufficient, clearly marked, unobstructed, unlocked exits, which open in the direction of travel, are available. Adequate emergency equipment (e.g. fire extinguishers appropriate to the materials used on site), which are maintained/tested and checked for pressure on regular basis. Evacuation plans and route signs. Emergency lighting. A clear, publicly-available health and safety policy statement is in place. Appropriate health and safety management systems are developed and applied (including clear assignment of management responsibility for health and safety). Risk assessment of the whole site (production facility and wider property) reflecting existing and emerging issues and good practice; to understand health and safety issues both generally and specifically for our sector, including machinery, chemical use, trips and slips and other potential hazards. Assign management actions are assigned to resolve any potential issues observed and to mitigate identified risks. Jobs/tasks are assessed for potential repetitive motion injuries. Accidents, injuries and incidents are clearly monitored, tracked and investigated (including near misses). The records/logs are reviewed to evaluate any trends. Solutions/ corrective actions are put in place to resolve any situations causing an accident or injury, with actions assigned to specific people and followed up to check they are completed. Reminders are posted regarding the need to report accidents and injuries. All legally required licenses, permits, certificates and records are up to date. Records maintained regarding number of stacks or vents. Records maintained regarding number of stacks or vents. Conditions of the facility and grounds are monitored and evaluated for safety. All buildings and other facilities are structurally sound. Air pollution and air discharge is periodically tested as per local regulations and is controlled to an appropriate level. Air discharge filters changed periodically. To clean, safe and meets basic needs of workers. Constructed and maintained to ensure safety of workers and in accordance with laws and regulations. Separate to any production area.

**EMERGENCY PREPAREDNESS**

- Plan for emergency situations, i.e. fire, medical, natural disasters, civil disturbance
- Site co-coordinator responsible for emergencies
- All relevant staff are familiar with the local fire safety requirements
- Fire detection and alarm system is in place and is regularly tested
- Can the existing means of detection ensure a fire is discovered quickly enough for the alarm to be raised in time for all the occupants to escape to a place of total safety?
  - Are the detectors of the right type and in the appropriate locations?
  - Can the means of warning be clearly heard and understood by everyone throughout the whole building when initiated from a single point?
  - Are there provisions for people/locations where the alarm cannot be heard?
  - If the fire-detection and warning system is electrically powered, does it have a back-up power supply?

**HYGIENE**

- Clean drinking water freely available
- An adequate number of functioning restrooms/toilets provided with sinks, running water and rubbish bins.
- Restrooms are clean and hygienic, regularly cleaned, with adequate hand soap, paper towels or hand-driers.
- Restrooms/toilets segregated by gender
- Current meets all national and local regulations regarding conditions
- Food service is carried out in accordance with hygienic principles.
- People who handle, prepare and serve food are in good health, with current health records.
- Food safety training is provided for people who prepare and serve food eg handwashing etc.

**FIRST AID/ MEDICAL ATTENTION**

- Emergency medical equipment and first aid supplies available in close proximity to the working area
- Trained first aiders and CPR available on each shift
- Medical professional available, if required by law.
- Medical exams kits provided by law (It is essential that medical exams/tests are voluntary and the results of these tests are confidential and do not have negative repercussions for workers’ treatment or employment)
- Proper training for relevant/involved staff on appropriate aspects of medical care, handling of blood and blood contaminated waste

**TRAINING AND H&S COMMITTEE**

- Sufficient and clearly understandable health and safety training provided so that all workers understand the risks and the necessary precautions, PPE and what to do if an incident occurs
- Workers using particular machines and/or hazardous materials have specific training in the risks and the preventative actions and PPE needed. This is repeated at appropriate intervals and also provided for temporary/holiday workers.
- Have appropriate mechanisms in place to ensure and contract workers can raise and discuss their concerns around health and safety with management and receive a response. A health and safety committee is one way this can be done — see ‘practical tips’ below on page 53.
- Risk assessment of the whole site (production facility and wider property) reflecting existing and emerging issues and good practice; to understand health and safety issues both generally and specifically for our sector, including machinery, chemical use, trips and slips and other potential hazards. Assign management actions are assigned to resolve any potential issues observed and to mitigate identified risks.
- Jobs/tasks are assessed for potential repetitive motion injuries.
- Accidents, injuries and incidents are clearly monitored, tracked and investigated (including near misses). The records/logs are reviewed to evaluate any trends.
- Solutions/ corrective actions are put in place to resolve any situations causing an accident or injury, with actions assigned to specific people and followed up to check they are completed.
- Reminders are posted regarding the need to report accidents and injuries.
- All legally required licenses, permits, certificates and records are up to date. Records maintained regarding number of stacks or vents.

**MANAGEMENT**

- A clear, publicly-available health and safety policy statement is in place.
- Appropriate health and safety management systems are developed and applied (including clear assignment of management responsibility for health and safety).
- Risk assessment of the whole site (production facility and wider property) reflecting existing and emerging issues and good practice; to understand health and safety issues both generally and specifically for our sector, including machinery, chemical use, trips and slips and other potential hazards. Assign management actions are assigned to resolve any potential issues observed and to mitigate identified risks.
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- Reminders are posted regarding the need to report accidents and injuries.
- All legally required licenses, permits, certificates and records are up to date. Records maintained regarding number of stacks or vents.

**BUILDING INTEGRITY**

- Conditions of the facility and grounds are monitored and evaluated for safety.
- All buildings and other facilities are structurally sound.

**ENVIRONMENT**

- Air pollution and air discharge is periodically tested as per local regulations and is controlled to an appropriate level.
- Air discharge filters changed periodically.

**WORKER ACCOMMODATION**

- To clean, safe and meets basic needs of workers.
- Constructed and maintained to ensure safety of workers and in accordance with laws and regulations.
- Separate to any production area.

**ATTEN TION**

- FirST  Aid/ medicAl

- First Aid
- CPR

- Records maintained regarding number of stacks or vents.

**Workers**

- Records maintained regarding number of stacks or vents.

**ENVIRONMENT**

- Air pollution and air discharge is periodically tested as per local regulations and is controlled to an appropriate level.
- Air discharge filters changed periodically.

**WORKER ACCOMMODATION**

- To clean, safe and meets basic needs of workers.
- Constructed and maintained to ensure safety of workers and in accordance with laws and regulations.
- Separate to any production area.

**ATTEN TION**

- FirST  Aid/ medicAl

- First Aid
- CPR

- Records maintained regarding number of stacks or vents.
PRACTICAL TIPS AND TOOLS FOR IMPROVEMENT

Fire Safety

Risk assessments

Here is a tool to help you go through the 5 key steps of taking an overview of a fire safety risk assessment in your facility:

<table>
<thead>
<tr>
<th>Fire Safety Risk Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Identify fire hazards</td>
</tr>
<tr>
<td>Identify: Sources of ignition, sources of fuel, sources of oxygen</td>
</tr>
<tr>
<td>2. Identify people at risk</td>
</tr>
<tr>
<td>Identify: people in and around the premises and people especially at risk</td>
</tr>
<tr>
<td>3. Evaluate, remove, reduce and protect from risk</td>
</tr>
<tr>
<td>Evaluate the risk of a fire occurring and the risk to people from fire</td>
</tr>
<tr>
<td>Remove or reduce fire hazards and remove or reduce the risk to people</td>
</tr>
<tr>
<td>(detection and warning, fire-fighting, escape routes, lighting, signs and notices, maintenance)</td>
</tr>
<tr>
<td>4. Record, plan, inform, instruct and train</td>
</tr>
<tr>
<td>Record significant findings and actions taken</td>
</tr>
<tr>
<td>Prepare an emergency plan</td>
</tr>
<tr>
<td>Inform and instruct relevant people: co-operate and co-ordinate with others</td>
</tr>
<tr>
<td>Provide training</td>
</tr>
<tr>
<td>5. Review</td>
</tr>
<tr>
<td>Keep assessments under review</td>
</tr>
<tr>
<td>Repeat and revise as necessary</td>
</tr>
</tbody>
</table>

For more detailed advice you can access a free document on Fire Safety and risk assessments for factories and warehouses here:

Fire-fighting equipment

You need to make sure the right fire-fighting equipment is available for the types of materials present and the potential fire hazards and also ensure that people are trained in how to use the equipment in the case of an emergency. See diagrams on the next page.

Practical tools: You can download safety posters here www.safetybanners.org, you may also be able to access posters and signage from your local or national health and safety body.

Chemical safety

A Material Safety Data Sheet (MSDS) is a document that contains information on the potential hazards (health, fire, reactivity and environmental) of a chemical product and how to work safely with it. Once you have got MSDS for every chemical and hazardous material you use, you need to make sure it’s accurately translated into the appropriate language for workers to understand, that each worker is trained in the content of the MSDS and that it is readily available and/or displayed in the appropriate area.

Practical tools: The companies that provide your chemicals should be able to provide MSDS sheets in required languages. In addition to this, information on where to find MSDS online is provided by ‘Interactive Learning Paradigms Incorporated’ (ILPI) a US based organisation which supplies free web resources related to occupational/environmental health and safety (CHS/EHS).
http://www.ilpi.com/msds/index.html

55
Overtime can be a high cost burden to business and may not be paying off. Excessive overtime can indicate that staff resourcing, shift patterns or production planning are not operating efficiently. Your business also has a legal obligation to keep hours within legal limits. Effectively tackling this issue can materially benefit your business through decreased costs and increased employee wellness and productivity.

**4. TIME MANAGEMENT AND PRODUCTIVITY**

**WHY THIS IS IMPORTANT TO YOUR BUSINESS**

> Overtime can be a high cost burden to business and may not be paying off. Excessive overtime can indicate that staff resourcing, shift patterns or production planning are not operating efficiently. Your business also has a legal obligation to keep hours within legal limits. Effectively tackling this issue can materially benefit your business through decreased costs and increased employee wellness and productivity.

**THE EXPECTATIONS**

- Employees should not work excessive hours.
- Maximum number of working hours must be in compliance with national law, collective agreements and the provisions of the relevant ILO standards.
- Overtime must be paid at a premium rate, in accordance with law.
- Rest days and breaks must be provided in accordance with law and workers should be allowed a minimum of one continuous 24-hour rest period in every 7 day period (unless legal provisions are higher, e.g. 36 hours in South Africa).
- Best practice: In the absence of applicable laws or collective agreements, normal working hours should not on a regular basis exceed 48 hours per week including overtime.
- Working overtime should be seen as the exception, not the norm.

**COST TO BUSINESS**

- Cost to business of remaking products due to quality mistakes.
- Cost to business of lower output due to longer production times.
- Cost to business of increased medical costs due to physical and mental strain.
- Cost to business of increased worker turnover.

**WHAT THIS MEANS IN PRACTICE**

This section explains the details of what this means in practice and can also be used as a tool to self-assess your site.

- Know what the legal requirements are in your country for maximum working hours, overtime hours, overtime premiums, rest days and meal breaks.
- Keep accurate attendance and hours records for all workers.
- This should include clocking times of when workers actually start and stop work.
- A measure of total overtime for the site should also be kept and trended to see improvement.
- Have a system to communicate what overtime hours will be needed in advance where possible.
- Have a system in place for workers to accept or refuse overtime hours without penalty/pressure.
- Ensure that overtime hours are all paid at a premium rate and noted on pay slips, in accordance with the law.
- Ensure that checks are done on hours records to ensure that you are complying with the law and the requirements listed above and that one rest day is given every 7 working days (unless legal provisions are higher, e.g. 36 hours in South Africa).
- Ensure that the management system for approving overtime is overseen by senior management with an awareness of the need to contain overtime hours.
- The business consistently complies with local law on working hours and rest periods.
- If excessive overtime hours seem ‘normal’ in your facility you need to assess what is driving that (eg lack of sufficiently skilled workers, lack of appropriate machinery, poor balancing in production processes eg bottlenecks, poor scheduling or forecasting, poor record keeping etc) and look at the ‘practical tips’ section below to see how you can make changes and move towards reducing excessive overtime.
- Managers and business owners understand that excessive overtime is bad for business and will ultimately lead to increased costs and low employee wellness and productivity.
- Expectations in terms of working hours and overtime hours should be clearly communicated at the time of hiring new workers.
- Policies and procedures are in place stating what the workplace allows in terms of working hours, overtime, rest days and meal breaks. These are communicated to all relevant staff.
- Attendance records and hours records for all workers (including timecards with clocking times for all workers) should be kept for the past 12 months at a minimum (it is recommended that the documents are kept for 5 years).
Analyze: Root causes

The checklist on the previous page can help you to understand your current situation, as can improving your timekeeping and measurement systems. Before trying to find solutions you need to analyse this information, to find out what are the root causes of any overtime issues.

Using the fishbone diagram tool described in the Productivity chapter (page 21), you can brainstorm the root causes of overtime in your particular facility and identify where you need to focus your actions.

**MANPOWER**
- Absence from work and high turnover
- Incomplete headcount

**MACHINES**
- Requirements of heavy physical activities during long hours
- Equipment breakdown
- Machine breakdown

**OVERTIME**
- Long distribution routes
- Inaccurate record keeping system
- Inaccurate distances for distribution routes
- Poor sales forecast
- Insufficient overtime available

**MEASURE**
- Effective communication and engagement with employees/unions. Explain why changes need to happen in terms of healthy work-life balance, reduced injuries, increased productivity and legal compliance. Encourage employee involvement and suggestions to achieve targets. Keep in mind that employees who have consistently worked longer hours have become accustomed to the increased earnings from the overtime. Understand any financial impact on employees and develop strategies to offset, which could include transition, one time payments and review of base rates.

**METHODS**
- Analyse: root causes
- Assessment of timekeeping methods. Ensure these give an accurate reflection of hours eg that workers clock in and out at the actual time of starting and finishing work. Ensure records identify regular and overtime hours. Ensure systems are in place for the employer to request overtime, with some notice and for workers to accept or refuse it.

**CAUSES**
- Assess possible root causes of excessive overtime. Take a fresh look at the production facility and review production flow, production planning, unplanned stoppages/breakdowns, shift patterns, worker pay calculation methods/incentives. You can refer to the Productivity and Quality Chapters for more details (pages 8-47). Try to identify areas where delays can be reduced and improvements can be made. The sections below will help with this.

**ANALYSE: ROOT CAUSES**

**COMMITMENT AND TEAMWORK**
- Create awareness that excessive overtime is a problem and ultimately leads to productivity losses and other problems (high staff turnover, increased costs, decreased employee wellness).
- Build commitment to managing overtime. This is essential to any change being achieved and will include building a local business case and setting targets that all levels of management agree to.

**REVIEW AND MEASURE**
- Assess the current situation and keep track. Collect and review data to give you a full picture of the current level of the hours issue - total hours in a day, week and month as well as number of rest days, for different departments/activities. Also review data on the current impacts and costs in terms of injuries, absenteeism, turnover, contracted rates.

**ANALYSIS: ROOT CAUSES**

**PLANNING**
- Ensure legal requirements are built into production planning and processes. All relevant staff need to understand the legal requirements (including young worker restrictions and government waivers) so that they are incorporated into scheduling, shift plans etc.
- Ensure that work patterns and shifts are planned according to the production even if this includes a limited amount of overtime. Never formulate the work pattern to include the full overtime allowance.
- Approval of overtime. Ensure that any overtime must be approved by top management. This creates a healthy check where appropriate to encourage continued progress.

**IMPROVE: PLAN, TAKE ACTION AND MEASURE IMPACT**
(you may wish to use the PDCA cycle introduced in the Productivity Chapter page 22)
- Establish a plan. Develop a plan for gradual reduction in overtime hours and agree it with management. Put monthly tracking in place. Decide how to allocate available overtime hours to workers.
- Effective communication and engagement with employees/unions. Explain why changes need to happen in terms of healthy work-life balance, reduced injuries, increased productivity and legal compliance. Encourage employee involvement and suggestions to achieve targets. Keep in mind that employees who have consistently worked longer hours have become accustomed to the increased earnings from the overtime. Understand any financial impact on employees and develop strategies to offset, which could include transition, one time payments and review of base rates.
- Take actions to address root causes. Sustain focus on and commitment to this, it will take time for improvements to happen.
- Measure impact on hours, pay, productivity, quality, accidents etc and communicate with management and workers where appropriate to encourage continued progress.
CHANGING SHIFT PATTERNS AND EMPLOYING MORE WORKERS
Some direct approaches to tackling excessive overtime include adding a 3rd shift, employing more full-time workers or contract/temporary workers. A cost benefit analysis in the decision making process for these changes, (if they managed to decrease excessive overtime), would need to include, amongst other factors, the increased productivity of workers, lower risk of accidents and absenteeism and the reduction in overtime premiums paid. Monetary values would need to be assigned to these factors by each site (the statistics given at the start of this chapter may help with this).

COSTS ASSOCIATED WITH ADDING A 3RD SHIFT
• Electricity for night shift
• Security
• Wages
• Transport for workers?
• Night work premiums (some countries)

BENEFITS OF ADDING A 3RD SHIFT
• Reduced overtime premium costs
• Increased productivity of workers because of shorter hours
• Lower risk of accidents (less lost production)
• Lower absenteeism

CASE STUDY
COCA COLA BEVERAGES SOUTH AFRICA (CCBSA), CHANGES IN WORK PATTERNS TO REDUCE OVERTIME
• Used to be on a 5 day work pattern which led to overtime being paid on weekends.
• Moved to 6 day work pattern by shortening the hours worked in the week from 9 hours to 7.5 hours and including Saturdays as part of the normal work week, which meant that the overtime was eliminated.
• Also introduced staggered work patterns which started on different days of the week and some would include Sunday in the work week – to where they used to pay double overtime for Sunday, they now would only pay a 1.5 times premium for all Sunday work but everyone still get their legal weekly rest days.
• By implementing these work patterns they reduced Overtime and Shift Allowances by 40% and ensured legal compliance on working hours and rest periods.

Interview with Zarine Roode, Policies and Governance Specialist, Abi Bottling (Pty) Ltd, CCBSA.

IMPROVING PRODUCTIVITY, QUALITY, HUMAN RESOURCES AND COMMUNICATIONS
If you combine the learnings from the earlier Productivity, Efficiency and Quality chapters with your efforts to reduce overtime hours, it is possible to make the same number or more products in fewer hours and therefore bring overtime hours down to a more reasonable level. This can be done by combining productivity/quality improvements with small gradual reductions in overtime each week and introducing more rest days per month.

CASE STUDY
REDUCING OVERTIME HOURS IN CHINA
A study was carried out in Chinese factories, in partnership with 11 purchasing companies and local partners over a period of 3 years, coordinated by Impactt Limited, to test the theory that by improving a factory’s productivity, human resources management and internal communications, hours can be gradually reduced, while maintaining wage levels.

The project found that improvement is possible and most factories saw increased productivity, reduced reworking, steady or increasing pay, reduced working hours and reduced worker turnover. The success in different factories depended on managers’ commitment, the effectiveness of two-way communication with the workers and a willingness to pass some of the benefits of improvements onto workers. In one factory there was:
• a 30% increase in productivity
• a downward trend in average working hours
• an upward trend in wages (% of workers earning the minimum wage for normal time increased from 40-50% to 95%)
• and a greater sense of teamwork and higher levels of motivation.

Some ideas are given on the next pages for changes that can reduce the need for excessive overtime. Some of these suggestions have resulted from three separate pieces of work/resources:
• The Impactt Limited ‘Changing Over Time’ study mentioned above
• Suggestions directly from production site managers themselves, shared in the Sedex Supplier Workbook
• The Coca Cola Company’s Hours of Work Improvement Guide

You can access the full documents from the links in the endnote references.
**PRODUCTIVITY**

- Improve critical path analysis and production layout. Analyse production process and flow to highlight where the bottlenecks are, to balance product lines and where necessary physically rearrange production flow. Any changes must be well explained to workers. (see pages 25-26)
- Provide training for supervisors and team leaders on managing production problems and managing production flow so they can spot and resolve issues on the job.
- A database of standard product cycle times can be created to support production planning.
- Machinery. Preventative maintenance in low periods or even capital investment in new machines can reduce unplanned stoppages/breakdowns and reduce processing time (you can include costs of overtime premiums and reduced production during stoppages in the ‘fix or buy planning’).
- Apply visual management techniques and use display boards with production targets and output data so workers can track their progress against targets on an hourly/half daily basis. The boards can also provide workers information on piece rates.

In South Africa, a factory started communicating both weekly and daily targets to team leaders and workers and posting these to workers and written on a board, in view of the production line, and updated hourly. The workers started to feel a sense of commitment towards achieving the targets and a great sense of team achievement when it was reached. If they were below target in the morning they would speed up in view of the production line, and updated hourly. This was passed on to workers and written on a board, to highlight the common quality issues at that stage and how to avoid them.

**QUALITY**

- Assess raw material suppliers with a formal supplier appraisal system and focus on those who were able to provide raw materials of the right quality at the right time (this avoids delays waiting for materials which could result in unnecessary overtime).
- Proactive techniques for enhancing quality control. This means that the focus is not on quality checks at the end of the production and then reworking the whole product but checks are made through the production process and workers receive extra training at specific steps/tasks where key issues are found.
- Quality can be boosted by increasing accountability. In the impact study in China mentioned above, they hung quality records on each workstation; workers experiencing most problems received extra training or were moved to an easier task and reworking was passed back to the worker who made the mistake in order to increase awareness. This could work with teams rather than individuals in other manufacturing processes.
- Complete a trial run for a new product, including inspection, to allow any problems to be identified and resolved early.
- Boards displaying ‘watch points’ or production can be displayed in each work area, to highlight the common quality issues at that stage and how to avoid them.

**HUMAN RESOURCES**

In one case study given by The Coca Cola Company, in a group of plants in one country, they identified that 80% of their overtime was the result of manpower availability issues, most of which were controllable through improved scheduling, cross-training, or the hiring of additional staff.

- Shifting from hourly pay to piece rate can incentivise increased productivity in reduced hours. This change must be carefully managed to ensure workers’ wages are sufficient, to always meet at least minimum wage, with a realistic piece rate (see the Productivity chapter for more details, page 26-27). It is important that quality checks are maintained or strengthened if a piece rate system is adopted.
- Giving worker incentives and productivity bonuses. For example a production bonus can be earned by meeting or exceeding production targets in ordinary time, which gives a strong incentive for workers to work hard in ordinary time rather than pushing work into overtime hours. Due consideration must be given that these incentives are set up fairly, rewarding those who are responsible for the increased performance, without demotivating the rest of the staff. See the Productivity chapter for more details, page 27.
- Assign high skilled workers to more difficult tasks. Having a good understanding of which skills are required for each task and placing the correct staff at these locations will greatly assist in achieving efficiency improvements.
- Continually upgrade workers’ skills through training, mentoring and coaching.
- Develop systems for assessing skill levels and training needs, developing and implementing training programmes, ongoing skills development, performance evaluation and career development.
- You could develop a grading system to rank workers according to their skill level and provide training to assist workers to progress to more skilled jobs, with salaries reflecting this progress.
- Ensuring workers’ skills accurately match their job/task reduces the amount of re-work needed which can reduce the need for overtime.
- Training multi-skilled workers who are competent in more than one operation may be helpful. See the Productivity chapter for more details, page 27.

**COMMUNICATIONS**

Communications can be improved between supervisors and line managers, and between line managers and workers. This can also reduce the need for excessive hours (see the Worker Communication chapter, pages 66-71).

- Ensure work instructions are clear and easy to follow.
- Hold work team meetings where clear instructions can be given, production targets communicated and feedback of any potential issues can be received and resolved. This can reduce errors that could cause delays.
- Give regular opportunities for workers to give feedback on how to improve the process and flow. Workers are a source of innovation as they are dealing with the details of production minute by minute and they will spot bottlenecks and other issues and can suggest solutions if given a chance. Workers will only speak up if they are not fearful and feel respected and that their opinions are valued and acted upon.
- Improving communication and team work between supervisors of different sections prevents double-working or overlap and inefficiencies.

In one of the Chinese factories in the Impact ‘Changing Over Time’ Study, mentioned on page 67, the worker turnover rate reduced from 140% to 9.6% during the project.
Shirley always volunteers to work overtime. Her manager appreciates her willingness to work longer hours, so he happily gives her all the overtime she wants. In fact, last month she worked 14 days straight with no days off.

Even if workers want more overtime, it must be limited to the legal maximum, with a minimum of one day off in 7 (or more if law requires it), even if local law allows her to work 14 days straight. If workers are always wanting more overtime than is allowed, you may need to look at the wages chapter and ensure they are being paid a sufficient wage for the legal working hours. The manager should also provide education to the workers to support their understanding of why a day off is important to their long term health and well-being.

TACKLING TOUGH SITUATIONS

Interview with Zarine Roode, Policies and Governance Specialist, ABI Bottling (Pty) Ltd, CCBSA.

CASE STUDY
COCA COLA BEVERAGES SOUTH AFRICA (CCBSA)
NEW APPROACHES TO TACKLE OVERTIME HOTSPOTS

- **Hauler drivers** – Because long trips could result in working hour violations, they developed a system of having two drivers on a truck so that one can drive to the destination and the other would drive back. Alternatively if they have empty trucks, they book the driver into a hotel and they get the needed rest. The comparison is between a tired driver which could cause a fatal accident and the cost of a stay in a hotel.

- **Agreements with workers** – In South Africa it is possible for employers to sign ‘60 hour agreements’ with employees whereby they agree that instead of getting 36 hours of continuous rest in a week period (normal legal requirement in South Africa), they will get 60 hours of continuous rest in a 2 weeks period. This not only allows for extra hands to work over a weekend but also serves as a warning flag. An employee who worked every day in the one week will be picked up as a “potential” working hour violation and management can ensure that their next shift is planned to ensure they do not violate the 60 hour requirement over the two week period. This way there is never a violation of working hours.

- **Learners** – In South Africa, the government has put initiatives in place where companies can employ a learner for a year period in which they get experience in the work place, and the government will pay back the money to the employers in the form of an annual rebate. This has allowed the Company to use these Learners to fill in where there are labour constraints in terms of working hours, to alleviate the permanent employees.
5. WORKER COOPERATION AND COMMUNICATION

5.1 WORKPLACE COOPERATION AND COMMUNICATION – OVERVIEW

WHY IS IT IMPORTANT TO YOUR BUSINESS?

Your business can only really thrive and excel if you have your workers’ minds and hearts (ideas, motivation and commitment) as well as their hands (physical capacity). If your workforce is not engaged you are only reaping a small part of the potential business benefit of the wages you pay.

Why is it important to your business?

The expectations

Effective and regular cooperation and communication between all levels of employees.

Who needs to be involved and informed in tackling this issue?

Senior management, production manager, supervisors, line managers, shop stewards, HR Manager, workers representatives, union representatives

VALUE TO BUSINESS

- Increased production/profitability
- Reduced costs of recruitment and training
- Reduced cost of lost output
- Increased production/profitability
- Increased productivity and quality

86% of managers and employees surveyed cite lack of collaboration or ineffective communications as a key reason for workplace failures. 10

46% of employees surveyed routinely receive confusing or unclear directions (36% said up to 3 times a day). Estimated it wastes 40 mins a day, the equivalent of 83 employees in a company of 1,000 doing nothing every day. 11

WHAT THIS MEANS IN PRACTICE

This section can be used as a tool to self-assess your site.

Put a ✓ if you think that point is in place in your business and put a ❌ if it isn’t or needs improvement. You can then create an action plan, to assign and follow up an action for every ✓

Information is shared widely across your organisation
Two-way communication is actively promoted
Managers communicate regularly and in a variety of ways with workers
Communication is in a simple, understandable form, in a language all workers can understand
Workers generally know and understand the goals of the organisation
Using notice boards and visual information sharing to the best capacity
Daily team meetings
Workers able to identify and have opportunities to raise issues and suggestions for improvement in the production site (productivity, quality, H&S, other issues)
Employees are encouraged to make suggestions and these are listened to and acted upon where relevant
Workers feel confident to share ideas and suggestions
Good suggestions are often implemented
The leadership style empowers workers as a source of innovation and welcomes problems as opportunities for improvement
There is a good level of respect and trust

Case study: Worker cooperation in small Indonesian factory

A small factory in Indonesia worked hard to improve the working environment and respect between workers and management, introducing regular consultation with workers, who are encouraged to give their ideas.

They have managed to decrease their defect rate from 5% to 2% within just 3 months.

“We don’t get the same good results as we used to before. Now it has changed, we communicate better and it also boosts our productivity.” - H. Suwarno, Director of PT Laksana Teknik Makmur.

A recent poll

By Gallup showed that 70% of U.S. employees are not engaged at work. That’s a startling figure and has massive implications for productivity.

70% U.S. employees = not engaged at work

What do you think the figure would be at your business?

Can you imagine the productivity benefits of increasing the level of real engagement and commitment at work?
PRACTICAL TIPS AND TOOLS FOR IMPROVEMENT

Some types of workplace cooperation and communication – formal and informal 58

As you read through this list, ask yourself:

1. What forms of workplace communication and cooperation already exist in our facility?
2. How well are they each working?
3. What are the strengths and weaknesses of each approach we take?
4. What needs to change to make them more effective?
5. What new/different forms of cooperation and communication should we try out?

Information sharing: Notice boards, newsletters, announcements. One-way and no opportunity for feedback or clarification. Notice boards can be used to communicate work targets and progress as well as many other topics.

Visual information sharing: Translate vital information, instructions and warnings into visual devices as close to the point of use as possible. Minimises need for supervision and process management.

Two-way communication: Management provides information and gives workers opportunities to discuss, ask questions, and seek clarification, e.g. a query on the details of a payslip.

Line/cell team meetings: Production line/cell team members and their supervisor meet for 10 mins at the beginning of a shift to discuss the previous day’s performance (safety, quality, productivity, using actual data), solve any issues (including opportunity for workers to make suggestions for improvements); discuss the plan for the day, share other information. Short and productive. Facilitated in such a way that workers can contribute.

Daily production meeting: Similar to above but with supervisors and production managers. Especially important for shift handovers.

After-action review (AAR): Brief team meeting after a particular project/delivery (workers and supervisors involved), to discuss:
- Did everything go according to plan?
- Did unforeseen problems arise?
- What did the team address these problems?
- What can we learn? How would we do it next time?

Employee suggestion schemes: Ideas on performance improvements can come directly from workers with first-hand experiences of the issues on the production floor. Employees participating in improving the productivity have increased sense of pride and ownership of their work. E.g. Suggestion boxes, dealt with by management regularly, with a quick response time.

Joint problem-solving: Interactive process to identify a problem between two or more parties. Recognise any overlap in desired outcomes, understand what’s causing the problem, brainstorm options for solutions, evaluate options and agree viable solutions.

Joint decision-making: Discussion between managers and workers that results in a binding decision. Can be in formally established committees or a specially created task force.

Teamwork and cross functional collaboration: Often input from different functions is needed to solve a problem. This can be in formal workshops and projects but also on a daily basis, e.g. production and maintenance or procurement and quality.

Consultations: Information is shared and discussed but one party retains the right to make the final decision, e.g. management asking workers for input and suggestions on how temperatures could be made more reasonable in a section.

Dispute/grievance resolution: Formal mechanism, mediated by human resources or senior management, to resolve disputes and address employee grievances, ensuring root causes for disputes are understood and addressed while treating all parties fairly and respectfully.

Consultative Committee: Elected representatives of workers meet regularly with senior members of management to discuss problems, changes in operations or new initiatives and to consider joint solutions and ideas. Agreed minutes can be shared with the whole business where appropriate.

Negotiation and bargaining: Two or more parties come together to resolve an issue by making compromises and reaching an agreement. Collective bargaining is a formal process where workers (union representatives) discuss and negotiate with management representatives to reach a legally binding agreement (Collective Bargaining Agreement CBA). This normally involves pay, benefits and hours but can include other matters.

DAILY PRODUCTION MEETING (OR LINE/CELL TEAM MEETING) AGENDA

5-10 minutes. Assign a scribe to take notes. Time managed according to agenda.

- Call to order – Production Manager/ team leader
- Review of the previous day (led by the team leader/production manager but with brief input encouraged from all attending)
  - Were production targets met? (Share actual data)
  - Were there any issues in terms of productivity/efficiency? any bottlenecks? - Briefly brainstorm solutions – what needs to be different today?
  - Were there any issues in terms of quality? - e.g. high number of defects in a particular part of the process? - Briefly brainstorm solutions – what needs to be different today?
  - Were there any issues in terms of health and safety? - Briefly brainstorm solutions – what needs to be different today?
  - Were there any other issues? - Briefly brainstorm solutions – what needs to be different today?
- Plan for today
  - Production targets (as part of production targets for the week overviewed)
  - Identify any unforeseen issues – what actions need to be taken?
- Review action items and ensure they are recorded
- Close
Quality/effectiveness of cooperation and communication

Leadership mentality and style has a significant impact on whether you will have successful two way communication with workers and cooperation from them, which is essential to the productivity and growth of your business.

- Recognise the value of workers as a source of innovation, since they have a direct day-to-day knowledge of the production process, issues and potential solutions.
- Eliminate a ‘blame culture’ – instead of asking ‘who’s to blame’ when an issue arises, rather ask ‘why did the problem occur?’ By focusing on fact-finding, process, systems and improving capacity, the real issues can be seen and resolved. 95% of problems in an organisation are process and systems driven and only 5% are due to people issues.
- Welcome problems as opportunities for improvement. If you get angry about a problem and blame someone, issues will be hidden and go unresolve in the future because people will be too scared to raise them. Increase people’s confidence and capacity to identify and solve problems on a daily basis.

Eliminate a ‘blame culture’ – instead of asking ‘who’s to blame’ when an issue arises, rather ask ‘why did the problem occur?’ By focusing on fact-finding, process, systems and improving capacity, the real issues can be seen and resolved. 95% of problems in an organisation are process and systems driven and only 5% are due to people issues.

Worker Engagement Survey

**Why is this important?**
- Workers are more motivated, satisfied and productive when their job meets their needs in terms of income security, progression, self-respect and feeling safe.
- There may be some issues you don’t know about that need to be resolved and could make a big difference to workers’ motivation.
- Workers can be a valuable source of information to solve problems in production, if they believe their voices are heard and valued and their suggestions are implemented.

**How can it be implemented?**
- Most sites would provide workers with paper forms that they complete by hand. Workers must be able to respond anonymously and be reassured that there will be no retribution or penalty for any responses. These would be collated by the Human Resources department into a spreadsheet and statistics produced, to be reported to senior management.
- If you are a larger business you may wish to investigate the possibility of doing a survey through mobile phones.

**What could be included?**
- You could include some of these questions, or others you think are relevant. To each question, the worker would have space to write a comment if they wish.
- I am content in my work
- I feel motivated to work hard and take pride in my work
- Do you have opportunities for progression and promotion?
- Do you feel safe at work?
- My workplace is free of threatening behaviour from colleagues, supervisors and managers
- At work, I am spoken to in a respectful way by colleagues, supervisors and managers
- My colleagues and I are treated equally
- I am satisfied with my working hours
- If no, what would need to change for you to be satisfied?
- I can leave the site whenever I want
- How would you rate your relationship with your supervisor / manager? (Positive / Neutral /Negative / Not applicable)
- Have you noticed any issues that limit your productivity and ability to make products that meet the quality standards? (Space for free text response)
- What solutions can you think of to improve these issues? (these need to be small and practical where possible, and not involve large investments)
- Have you noticed any other issues that impact you or your colleagues?
- What solutions can you think of to improve these issues? (these need to be small and practical where possible, and not involve large investments)
- Have you noticed any other issues that impact you or your colleagues?
- What solutions can you think of to improve these issues? (these need to be small and practical where possible, and not involve large investments)

**Data do you with results?**
- Data needs to be collected, analysed and statistics produced for each question
- The top issues can be identified from the responses (HAS, hours, pay, harassment etc)
- The results should be presented to a committee of senior management and production staff.
- This group needs to discuss what the root causes of the issues found are and what possible solutions are. The practical tips sections in the various chapters of this toolkit should give you a starting point for some solutions and actions that can be taken.
- Actions should be assigned to individuals, with timescales.
- Any positive changes should be reported to workers.
5.2 FREEDOM OF ASSOCIATION

WHY IS IT IMPORTANT TO YOUR BUSINESS?

Freedom of association is an important right according to international labour conventions and in many cases is a legal requirement. In addition to this, trade unions can assist in communication and negotiation with your workforce and disseminating information to your employees.

THE EXPECTATIONS

- Respect employee’s right to join, form or not to join a labour union and to bargain collectively without fear of reprisal, intimidation, or harassment.
- Where employees are represented by a legally recognised union, establish a constructive dialogue with their freely chosen representatives and bargain in good faith with such representatives.
- Workers representatives are not discriminated against and have access to carry out their representative functions in the workplace.
- In countries and/or situations where the legal system prohibits or severely restricts the right of freedom of association, suppliers should support, within the framework of applicable laws and regulations, the establishment of alternative means to facilitate the effective representation of workers interests and communication between workers and management.

CASE STUDY
FRUIT PRODUCER CHIQUITA DEVELOPS ‘CULTURE OF DIALOGUE’ AND REDUCES STRIKES 9, 10

Chiquita produces fruit and vegetables from Central and South America. In the late 1990s there was concern with negative media coverage about working conditions and allegations of anti-union activities, particularly in banana plantations.

Chiquita, the International Union for Food Workers (IUF) and the Coordinating Committee of Banana Workers’ Unions (CODISIBA) signed a Framework Agreement in 2001, which commits Chiquita to supporting the ILO Core Conventions (including protection of worker representatives) and to a framework for dialogue. The Agreement affirms the right of each worker to choose to belong to, and be represented by, an independent and democratic trade union and to bargain collectively.

According to George Jaksch, Chiquita’s Senior Director for Corporate Responsibility and Public Affairs, the Agreement creates a ‘culture of dialogue’. It established a formal steering committee which meets twice per year. Under the Agreement, the parties agree to “avoid actions which could undermine the process spelled out in the Agreement, such as public international campaigns or anti-union retaliatory tactics.”

Since the Agreement was signed, there have been significantly fewer strikes in Chiquita’s operations in Latin America. In large part as a result of the dispute resolution processes built into the agreement. The biggest impact has been the increase in union membership in Colombia, with 4,000 additional trade union members added and 27 new collective agreements. In Honduras, the Agreement led to the formation of a new trade union at the Buenos Amigos plantation. In Costa Rica, the Agreement has facilitated an on-going dialogue between unions and Chiquita at the national level. As a result, fewer disputes have been reported to the Labour Ministry.

WHAT THIS MEANS IN PRACTICE

This section can be used as a tool to self-assess your site.

Put a ✔ if you think that point is in place in your business and put a ✗ if it isn’t or needs improvement. You can then create an action plan, to assign and follow up an action for every ✗ (sample action plans are given at the back of the toolkit).

- Every worker has the right to join a trade union or not, as they wish.
- Workers are treated equally regardless of their association - this needs to be actively implemented into policies, training and procedures for staff responsible for recruitment, performance management, discipline, termination and wages payment (eg applicants should not be asked about their views on trade unions in an application process).
- The workplace allows access to trade union representatives, in accordance with local law.
- Workers are made aware of their rights to join and participate in a trade union and worker representation.
- Where there are unions represented in your workforce you need to establish constructive dialogue with the representatives and negotiate with them. This includes:
  - Building relationship with representatives
  - Workers representatives are democratically elected by the workers rather than being selected by the company
  - Allowing representatives to carry out their functions in the workplace (including providing paid time for their duties)
  - Telling workers how they can find out about the union or other employee organisation
  - Setting regular meetings with representatives
  - Keep records of meeting notes including issues discussed and solutions/actions agreed upon (minutes should be reviewed and approved by both management and a union/worker representative)
  - Records should be kept of collective bargaining agreements with the union
  - Decisions made at meetings are communicated to the workforce
  - Being willing to negotiate key conditions such as pay and benefits
  - Workers who choose to associate or not to associate with a union must not be in fear of reprisal, intimidation or harassment. If you notice or hear of any such intimidation or harassment this must be dealt with immediately.
  - If the legal system prohibits or severely restricts the formation of, or association with, unions you need to establish alternative means to allow representation and communication. This can include worker committees.
**Resources**

- The International Organization of Employers provide support and resources on labour issues including industrial relations: [https://www.ioe-emp.org/policy-areas/international-industrial-relations/](https://www.ioe-emp.org/policy-areas/international-industrial-relations/)
- UN Global Compact: [https://www.unglobalcompact.org/Dilemmas/](https://www.unglobalcompact.org/Dilemmas/)
- UN Global Compact Human Rights Dilemmas forum (includes information on risks to business, case studies, specific 'dilemma' situations and suggestions for responsible business action) [https://hrbdf.org/dilemmas/freedom-of-association](https://hrbdf.org/dilemmas/freedom-of-association)
- International Labour Organisation: [https://www.ilo.org/](https://www.ilo.org/)
  - ILO Helpdesk – Q&As on Freedom of Association: [https://tinyurl.com/ycxqr248](https://tinyurl.com/ycxqr248)
  - ILO Helpdesk – Q&As on Collective Bargaining: [https://tinyurl.com/y9pyuvon](https://tinyurl.com/y9pyuvon)

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**TACKLING TOUGH SITUATIONS**

**WHAT DO YOU NOTICE?**

You have discovered that it is common practice in your business for potential employees to be asked during the recruitment process about whether they support a union or whether they have engaged in union activities.

**WHY IS IT IMPORTANT TO YOUR BUSINESS?**

Including this question in the interview process is an open door to discrimination against people who are involved in union activities, so it shouldn’t be included in the interview process.

**WHAT DO YOU NOTICE?**

It’s come to your attention that certain managers have been subtly checking up on union activities. For example, standing outside a union meeting and keeping notes on who enters.

**WHY IS IT IMPORTANT TO YOUR BUSINESS?**

Union activities need to be able to function without management intimidation or interference.

**WHAT DO YOU NOTICE?**

As you review working hours records you start to notice a trend: it seems that union supporters are often assigned to the less desirable shifts.

**WHY IS IT IMPORTANT TO YOUR BUSINESS?**

This means employees are being denied equal treatment based on their support of a labour union. Shifts need to be allocated based on a fair system that is not to do with gender, race, union involvement or any other factor.

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**5.3 GRIEVANCE PROCEDURES**

**WHY IS IT IMPORTANT TO YOUR BUSINESS?**

- Addresses complaints/issues quickly and systematically
- Minimizes disruptions to business and production
- Resolving problems within the enterprise without government intervention
- Builds trust and confidence between workers and managers
- Workers who know their concerns are being resolved are more committed to the business and less likely to be absent or leave – which would cost the business in loss of production and recruitment costs.

**THE EXPECTATIONS**

- An accessible, trusted, fair and confidential mechanism should be provided for workers to express any grievances without fear of reprisal. Concerns should be appropriately addressed in a timely manner.

Where there isn’t a grievance procedure or where workers don’t feel able to raise their concerns, the turnover can be higher, as people just leave if they are unhappy rather than trying to resolve the issue.
PrAcTiCAl TiPS AND ToolS for imProvEmEnT

Simple solutions for a small business:
• A suggestions and grievances box could be provided in an accessible part of the site, which is not in view of management offices.
• Workers should be informed and trained in the use of the box and informed what will happen with any concerns raised.
• Senior person within the business must be responsible for ensuring the process is followed.
• The box should be regularly emptied and a system in place to investigate and resolve issues raised.
• Resolved issues should be communicated to workers.
• Workers recognised and rewarded for good suggestions and never penalised for comments or critical suggestions.

A more formal method for larger sites/businesses:
• You could provide a confidential hotline number which is publicized amongst workers through verbal briefings, distributed materials/leaflets and posters in public areas and restrooms.
• The process should be effectively communicated to workers, including who will answer the call, confidentiality, anonymity and what will happen to resolve issues raised.
• A system should be in place for any concerns reported to be documented anonymously and submitted to relevant members of the management team.
• A procedure must be in place to follow up and thoroughly investigate all concerns and provide a remedy where appropriate that is communicated to workers.
• Clear policies and procedures to ensure there is no retaliation.

Resources and tools
• Tesco have compiled a very practical document on how to set up and run a grievance procedure. It also gives sample templates of a ‘grievance form’ and a ‘notice of formal grievance meeting’. Link in endnote references 62.
• ‘Discipline and grievances at work’ leaflet can be downloaded from the link in the endnote references 63.

WHAT THIS MEANS IN PRACTICE

The objective of any grievance mechanism should be to seek to understand allegations, mitigate any negative consequences, and provide some form of remediation, where appropriate.

This section explains in more detail what this means in practice and can also be used as a tool to self-assess your site.

Put a ✔ if you think that point is in place in your business and put a ✗ if it isn’t or needs improvement. You can then create an action plan, to assign and follow up an action for every ✗ (sample action plans are given at the back of the toolkit).

☐ There is an easily accessible, trusted and fair method for workers and/or external individuals to report concerns or violations including: accidents or safety issues, harassment or discrimination, abuse, bribery or potential conflicts of interest.
☐ There is a written grievance procedure that’s shared with all employees explaining how the process works, how long each step takes, who the employee should contact about a grievance and how. It is understandable and accessible to all.
☐ Workers are able to report a concern anonymously. This is very important
☐ Reports are kept confidential
☐ Training and clear explanation are provided to all workers (and repeated at regular intervals) to ensure all workers know how to use the system and that they understand the process for handling any issues that are raised.
☐ Reports are followed up with appropriate action taken, in a timely manner.
☐ Workers are entitled to have a representative assist them with any complaint.
☐ If the problem can’t be resolved informally there would be a meeting with the employee (a grievance hearing), to hear evidence and make a decision on the case, which should be in writing. If either party isn’t happy with the decision they can appeal.
☐ There is a policy in place prohibiting retaliation against workers and other stakeholders who lodge good faith grievances or concerns. Employers are careful to ensure this is carried out and no worker is poorly treated or harassed because of reporting a concern.
☐ Are you aware of your customers’ requirements and mechanisms available on reporting grievances? Check your customers’ supplier code and website to find out details of their services for whistle-blowing and grievance reporting.

Setting up an effective grievance procedure
6. WORKFORCE MANAGEMENT

WHY THIS IS IMPORTANT TO YOUR BUSINESS

Workforce management (also called Human Resources Management or HRM) means the way that people are managed within the business. It is not something that happens in one department but it is everyone’s responsibility to ensure good practices and relationships are developed.

The benefits

In many cases, the biggest competitive advantage a business has is the knowledge, skills, competence, motivation and productivity of its workforce. Businesses need to have the right practices and systems in place, in order to actualise and really capitalise on the full potential of the talents and value of the workforce. If good workforce management succeeds in increasing workers’ motivation and commitment, there are significant benefits to the business, including lower turnover, higher skill retention, lower recruitment costs, higher productivity and the attraction of skilled and experienced workers (as illustrated in many of the business benefits flow diagrams in this toolkit).

WHO

Who needs to be informed and involved in tackling these issues?

Senior management, HR managers, production managers, supervisors, payroll staff, those involved with recruiting permanent and temporary staff.

The cycle of Human Resource Management

This is a useful tool for planning and maintaining Human Resources Management, while keeping the big picture in mind. Every element of HRM will fit into one aspect of this cycle: Recruitment, Staff motivation (including remuneration and conditions of employment), Staff development and performance (including training and performance management), Separation or transfer (including dismissal).

The Lifecycle of the Human Resources Strategy

Staff motivation

A key part of this cycle is ‘staff motivation’. A valuable concept in thinking about staff motivation is Maslow’s hierarchy of needs. Maslow’s theory suggests that the lower or basic needs (safety and security) have to be satisfied before the higher order needs (self-esteem and achieving potential) become a concern to the individual. It suggests that employees will only be motivated to improve productivity and grow in their skills and abilities, if the lower level needs are met first.

The cost of employee turnover

If you have good relations with your workers and manage them well, they will be less likely to be absent and leave. The true costs of employee turnover are often underestimated. The total of the direct and indirect costs are estimated to be between 30% and 50% of the employee’s remuneration package (for entry and mid level employees). Direct costs include management time and other costs of recruiting and training new staff and indirect costs include lost productivity, reduced performance levels and unnecessary overtime premiums related to new staff being less skilled.

It is a valuable exercise to calculate the employee turnover costs to your business, to understand the cost benefits of better engagement and treatment of workers. A practical tool is provided for you to do that in Appendix 1 (page 101).

Internal and external factors

Every business is impacted by both internal and external factors. These impact how it functions and how it manages its workforce. Internal factors include: strategic business objectives, organisational structure, enterprise culture/policies and labour relations. External factors include: economic context, industry policy, activity of competitors, requirements of customer, national laws and regulations, international labour standards, demography and labour supply issues.

A key aspect of the external factors impacting how a business runs is the national laws and regulations it must adhere to in order to have licence to operate in the country. These legal requirements have a significant impact on workforce management and set certain minimum standards for a number of issues. Some of these issues/topics are covered in other sections of this toolkit but many of the key elements of legal requirements for workforce management are covered in this chapter: wages/benefits, discrimination and harassment, child labour, forced labour and regular employment.

Appendix 1 (page 108).
6.1 WAGES AND BENEFITS

**WHY THIS IS IMPORTANT TO YOUR BUSINESS**

![Connections Diagram]

- **Paying Decent Wages**
  - Increased job satisfaction, worker morale and loyalty
  - Lower absenteeism
  - Improved productivity & performance
  - Stronger recruitment opportunities
  - Stronger more resilient workers / fewer health issues

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**VALUE TO BUSINESS**

- Reduced staff turnover
- Reduced business costs of recruitment and training
- Reduced business costs of loss of production
- Improved profitability
- Reduced cost of recruitment
- Cost benefit of high quality staff
- Reduced lost production due to sickness

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**US RETAILER COSTCO HAS DECIDED IT MAKES BUSINESS SENSE TO GIVE GOOD WAGES, BENEFITS AND TRAINING AND IN TURN IT HAS SIGNIFICANTLY HIGHER RETENTION AND PERFORMANCE LEVELS, WHICH SAVE SIGNIFICANT COSTS OF EMPLOYEE TURNOVER (RECRUITMENT AND TRAININGS).**

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**CASE STUDY**

**THE EXPECTATIONS**

- Pay wages according to at least the legal minimum standards or appropriate industry standards, whichever is higher.
- Provide the legally required benefits to all workers.
- Best practice: Beyond this, suppliers should work towards providing workers with a pay and benefits package that supports an adequate standard of living ("living wage"/"fair wage").

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**WHAT THIS MEANS IN PRACTICE**

This section explains the details of what this means in practice and can also be used as a tool to self-assess your site.

- Put a ✓ if you think that point is in place in your business and put a ☑ if it isn’t or needs improvement. You can then create an action plan, to assign and follow up an action for every ☑ (sample action plans are given at the back of the toolkit).

- Know what the legal minimum wage is for your country, your industry as well as employment categories within your business.
- Know what the legal requirements are regarding benefits.
- All workers’ wages meet or exceed the legal minimum wage or industry benchmark standards, whichever is higher (before overtime premiums and bonuses).
- Wages are paid directly to the worker by the employer (for example the employer may be the supplier or a sub-contractor to the supplier).
- Deductions and fines are all legal and not excessive (including for food, housing, transport and utilities).
- Deductions from wages as a disciplinary measure is not allowed.
- Payslips are provided indicating hours, overtime premiums, pay (piece rate if applicable), bonuses and any deductions.
- Wage and payment details are communicated to workers in written and understandable format, before entering employment and for each pay period.
- All legal requirements are given to workers (eg holiday and sick pay). This includes developing a system for workers to request and have holiday approved and a clear procedure for taking a sick day. This is clearly communicated to workers.
- If local law requires it, employers and employees participate in social benefits and social insurance premium payments, paid in full at the required time.
- Records are kept for at least 12 months including pay journal/payroll, timecards, production records, piece rate records for all workers.

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**THE CONNECTIONS**

The connections illustrated in this diagram have been evidenced by various studies reported in Forbes Magazine and Harvard Business Review.

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**INFORMATION**

- In some cases you may be paying the legal minimum wage but workers still do not seem to be able to live on that salary and support their families. In many countries, production site workers are supporting up to 10 dependents on their salary. The ideal is for your business to work towards what is called a Living Wage, which enables a family to meet their basic needs and some discretionary income. Social Accountability International breaks down “basic needs” into: “a standard level of nutrition, housing, transportation, energy, healthcare, education and savings within regulated working hours (eg without overtime hours).” For more information: Base Code Guidance: Living wages Ethical Trading Initiative http://www.ethicaltrading.org/resources/base-code-guidance-living-wages.
WHAT THIS MEANS IN PRACTICE

This section explains the details of what this means in practice and can also be used as a tool to self-assess your site.

Tip: If you think that point is in place in your business and put a ✔ if it isn’t or needs improvement. You can then create an action plan, to assign and follow up on an action for every ☐ (sample action plans are given at the back of the toolkit).

- Know what the legal minimum working age is in your country and what the requirements are for young workers.
- Have a system in place to check official documentation that proves a worker’s age, at the time of hiring (eg official government documents such as birth certificate or ID card with date of birth, photo ID preferred where possible).
- Keep a copy of this document and ensure the original is returned to the worker.
- Keep a list of all ‘young workers’ and ensure that the tasks they are assigned to are not hazardous and that their working hours are in line with legal restrictions and are not at night. The register should list their name, date of recruitment, birth date, department, job (including tasks, to ensure non-hazardous), work schedule/hours (including education related restrictions) and supervisor’s name.
- You may need to register young workers with an appropriate government organisation, if required in your country.
- Employment agencies and other recruitment brokers are instructed to follow the business’ standard on the minimum age for recruitment, facing a penalty (no more business) if they provide under-age workers.
- If you find workers in the supply chain that are below the minimum age for work, you need to develop or participate in and contribute to policies and programmes which provide for the transition of any child found to be performing child labour to enable her or him to attend and remain in quality education until no longer a child and then for the child to be re-employed if they so wish (details below).

6.2 CHILD LABOUR AND YOUNG WORKERS

Your business must be legar to it to be a viable and sustainable business. The purchasing companies need to be confident that all their suppliers adhere to local law and internationally agreed standards so that children are not working (under the legal minimum age) and young workers (between the minimum age and 18) are working in non-hazardous jobs with limited hours, that protects their health, wellbeing and development.

If children are contributing to the manufacture of the products or if young workers are in hazardous jobs, this is damaging to the reputation, credibility and legitimacy of your company and also of the purchasing companies in the eyes of customers and other stakeholders. However, it is ESSENTIAL that if children are found to be involved in any part of the process, the situation is handled sensitively and they are not just dismissed, since this may result in even worse danger to their wellbeing.

The expectations
- No child labour: You must ensure that all workers are above the legal minimum working age or over 15 years (as required by the ILO) whichever is higher (subject to exceptions permitted by the ILO, see footnote).*  
- Young workers (under 18 years old): Employment conditions for young workers must be in accordance with the legal requirements to ensure they have access to education and their health and safety is protected (eg specific working hours restrictions, no work at night and no hazardous work).

Footnote: *The international community has agreed that younger children should not be employed in full time work before reaching a specified minimum age. International Labour Office (ILO) Convention 138 sets the age at 15. There are specific and limited circumstances in which children can undertake some types of work. Some national laws or regulations permit light work for children aged 14-15 if this is not harmful to their health and development, and does not interfere with attending school or vocational training. Convention 138 states that children should not be employed on night work (or more than four hours violent of their normal school schedule/education) as well as public holidays. In the context of global supply chains, we strongly recommend that the international standard minimum age of 15 for full time work should be enforced even if a country’s laws allow for the employment of younger workers.

There are clear internationally binding standards about the type of work children can do and their working hours are limited: ILO’s ‘World List of Child Labour Convention’ 138 states that children under 15 should be allowed to engage in ‘light forms of child labour’ which is basic work that is hazardous; undertaken at night, requires long hours of work or causes harm to the health, safety or morals of a child. ILO Conventions 182 and 183 are core labour standards that are binding for all countries, regardless of whether or not they have ratified these conventions. (Black Code Guidance: Child Labour Ethical Trading Initiative)

What do you notice?

There is a difference in your workplace between what men and women are paid for the same job role and also a difference between local and foreign workers’ pay levels. There is also a worker who is injured and he is paid less. The manager says it’s because the value/output of their work is not the same.

Pauses

Think

What next?

All workers, regardless of gender, race, disability or any other factor, should be paid the same for the same role.

Tackling tough situations

No deductions should be taken as a disciplinary measure (eg quality mistakes or being late). Deductions shouldn’t be excessive. In this case the deductions are excessive and do not leave the worker enough to live on.

PRACTICAL TIPS

As you increase productivity and efficiency of your production unit, it may be possible to increase wages for workers, beyond the minimum legal wages and ideally to move towards ensuring they can meet their basic needs on their wage. This progress will benefit the company by reducing the costs of employee turnover, sickness and dissatisfaction and attract better skilled workers.

In order to wages to be negotiated there needs to be positive social dialogue between workers and management. This can include in-factory and sector-wide collective bargaining mechanisms and it can also include more informal worker engagement methods such as focus groups and committees, to bring people together to discuss improvements.

If you are working towards not just a minimum wage but a ‘living wage’ (which enables a family to meet their basic needs on their wage.

Such as focus groups and committees, to bring people together to discuss improvements.

Include more informal worker engagement methods such as focus groups and committees, to bring people together to discuss improvements.

This progress will benefit the company by reducing the costs of employee turnover, sickness and dissatisfaction and attract better skilled workers.

Tips

- Put a ✔ if you think that point is in place in your business and put a ☐ if it isn’t or needs improvement. You can then create an action plan, to assign and follow up on an action for every ☐ (sample action plans are given at the back of the toolkit).
- Know what the legal minimum working age is in your country and what the requirements are for young workers.
- Have a system in place to check official documentation that proves a worker’s age, at the time of hiring (eg official government documents such as birth certificate or ID card with date of birth, photo ID preferred where possible).
- Keep a copy of this document and ensure the original is returned to the worker.
- Keep a list of all ‘young workers’ and ensure that the tasks they are assigned to are not hazardous and that their working hours are in line with legal restrictions and are not at night. The register should list their name, date of recruitment, birth date, department, job (including tasks, to ensure non-hazardous), work schedule/hours (including education related restrictions) and supervisor’s name.
- You may need to register young workers with an appropriate government organisation, if required in your country.
- Employment agencies and other recruitment brokers are instructed to follow the business’ standard on the minimum age for recruitment, facing a penalty (no more business) if they provide under-age workers.
- If you find workers in the supply chain that are below the minimum age for work, you need to develop or participate in and contribute to policies and programmes which provide for the transition of any child found to be performing child labour to enable her or him to attend and remain in quality education until no longer a child and then for the child to be re-employed if they so wish (details below).

- No child labour: You must ensure that all workers are above the legal minimum working age or over 15 years (as required by the ILO) whichever is higher (subject to exceptions permitted by the ILO, see footnote).*
- Young workers (under 18 years old): Employment conditions for young workers must be in accordance with the legal requirements to ensure they have access to education and their health and safety is protected (eg specific working hours restrictions, no work at night and no hazardous work).

Footnote: *The international community has agreed that younger children should not be employed in full time work before reaching a specified minimum age. International Labour Office (ILO) Convention 138 sets the age at 15. There are specific and limited circumstances in which children can undertake some types of work. Some national laws or regulations permit light work for children aged 14-15 if this is not harmful to their health and development, and does not interfere with attending school or vocational training. Convention 138 states that children should not be employed on night work (or more than four hours violent of their normal school schedule/education) as well as public holidays. In the context of global supply chains, we strongly recommend that the international standard minimum age of 15 for full time work should be enforced even if a country’s laws allow for the employment of younger workers.

There are clear internationally binding standards about the type of work children can do and their working hours are limited: ILO’s ‘World List of Child Labour Convention’ 138 states that children under 15 should be allowed to engage in ‘light forms of child labour’ which is basic work that is hazardous; undertaken at night, requires long hours of work or causes harm to the health, safety or morals of a child. ILO Conventions 182 and 183 are core labour standards that are binding for all countries, regardless of whether or not they have ratified these conventions. (Black Code Guidance: Child Labour Ethical Trading Initiative)
### PRACTICAL TIPS AND TOOLS FOR IMPROVEMENT

#### Developing a child labour policy

Many non-compliances in social audits on child labour are raised because the company does not have a child labour policy. It is important for you to develop a policy and communicate it with the relevant staff, especially in recruitment. Before developing a policy you need to assess what the risk of child labour is within your region and industry. A policy should include:

- Your company’s stance on child labour – aligned with ILO Conventions. If you chose to align your policy with the ILO convention (which is recommended) your policy should include a commitment to not recruit or hire workers below the age of 15 or below the local legal minimum age (whichever is higher).
- How you as a company will ensure you do not employ children – e.g. document checks on recruitment etc.
- A definition of what you mean by young workers and what the specific conditions are for their employment, e.g. a commitment to not allow young workers to work overtime, at night, or in hazardous jobs.
- A description of what your company will do if child labour is found – e.g. how the company will remEDIATE the situation in the best interests of the child and his or her family.

This doesn’t have to be a separate policy. If it’s specified in your code or other company policies that’s fine as long as it’s explicitly mentioned. A link to a sample child labour policy is given in the end notes. 16

#### Acceptable and unacceptable forms of work for children and young people

The table below gives a few examples. 16

<table>
<thead>
<tr>
<th>In some circumstances it is acceptable…</th>
<th>It is unacceptable...</th>
</tr>
</thead>
<tbody>
<tr>
<td>For adolescents to help a parent who is a home worker (if the work is not hazardous)</td>
<td>For a ten-year-old child to be sent away to work full-time as a live-in domestic servant or in a factory.</td>
</tr>
<tr>
<td>To work part-time in the evenings or at weekends while also continuing with their studies</td>
<td>For the government to oblige school children to harvest crops or for children to spend all their time working alongside parents who, because they are so poorly paid, cannot earn enough money to survive without the additional income generated by their child’s work.</td>
</tr>
<tr>
<td>For adolescents to help out with the harvest during school holidays</td>
<td>As long as such work is not hazardous or excessive</td>
</tr>
</tbody>
</table>

#### Evidence of age

- Setting meaningful evidence of young people’s age may be a challenge. In many countries children may have no birth certificate, and whatever certificates people do have may be forged to suggest they are older than they are. Equally, many children and parents genuinely do not know what age a child is or in which year the child was born.
- Be aware that various techniques which are reputed to estimate a young person’s age accurately are in fact inaccurate or even unethical (e.g. x-rays or examinations of a young person’s teeth).

#### What to do if you find child labour

If workers who are younger than the minimum working age are found working at the production site it is essential that they are not just dismissed. This may often cause them more harm than is being caused by remaining at work, since in some countries, they may well be likely to go into more hazardous work or into prostitution.

This is a complex and difficult situation to tackle. Protection for the child is the most important consideration and involving credible local experts is the best way to develop an appropriate strategy for the individual child/children concerned. Essentially the supplier should:

- Compensate for loss of income and get commitment for remediation, including a stipend, housing, food
- Ensure that the children can access and stay in quality education and that fees are paid until they are of employment age when they should be re-employed, if the children so wish.
- If you are facing this situation we recommend you read ‘Basic Code Guidance: Child Labour’, published by the Ethical Trading Initiative. 17
- In the country you operate in there may also be dedicated organisations to support you in dealing with child labour if identified.

#### Other resources

**Checkpoints for Companies – Eliminating and Preventing Child Labour** is an application for smartphones that is available for download from the Apple Store and from the Google Play Store. This Checkpoints app allows you to create interactive checklists to help you eliminate child labour in your company and provides best practice recommendations for taking action. It was created by the International Labour Organisation and is also available at the endnote link. 17

The Child Labour Toolkit, produced in partnership with Save the Children Denmark, focuses on the textile industry but includes practical principles that can be applied to other industries. [https://tinyurl.com/yag2bd4v](https://tinyurl.com/yag2bd4v)
6.3 FORCED LABOUR AND FREEDOM OF MOVEMENT

WHAT THIS MEANS IN PRACTICE

Forced or compulsory labour means all work that is exacted from someone under the threat of any penalty and/or for which they have not offered themselves voluntarily. The fact that someone is paid does not mean that it is not forced labour. The threat of penalty could include the threat of violence, or suppression of rights, or could be more subtle, such as the threat of reporting an illegal worker to the authorities for example. Work undertaken involuntarily can include cases where part of the salary is withheld to repay loans, or where identity documents are held, so that the individual is not free to leave.

WHY THIS IS IMPORTANT TO YOUR BUSINESS

Your company needs to be compliant with local law to be sustainable as a business. Forced labour in the supply chain poses a significant reputational risk to your business and to the purchasing companies and your business has a moral responsibility to ensure it is not occurring in your business or supply chain.

Governments are increasingly regulating forced labour in the supply chain. There is now a 'Modern Slavery' law in the UK (UKMSA) which requires companies above a certain turnover to report publicly on what actions they are taking to tackle forced labour in their supply chains. In other areas of the world there is the California Transparency Act, restrictions on US imports produced using child or forced labour and Australia is also working on transparency requirements for forced labour in supply chains.

THE EXPECTATIONS

- All work must be conducted on a voluntary basis, with no coercion of any employee through any means.
- Workers must be free to leave their employment at any time, with reasonable notice.
- Suppliers must prohibit and must not benefit from any forms of forced or compulsory labour including slave labour, prison or military labour, indentured or bonded labour or any form of human trafficking.

WHAT IS THE LAW?

The Forced Labour Act (2013) makes it a criminal offence to traffic a person for their own forced labour.

PRINCIPLES OF PRACTICE

- All employment is entirely voluntary
- Workers are not indebted to the facility or recruitment agency
- Government-issued identification, passports or work permits are not withheld from workers.
- Workers are not required to lodge recruitment fees (deposits), or any deposits for anything else including working equipment (deposits can create a bond between the employer and employee).
- Workers are free to withdraw from the employment relationship/leave with reasonable notice.
- Workers are allowed to leave the work premises off-shift.
- The prohibition of trafficking of persons includes arranging or facilitating the travel of another person with a view to that person being exploited.
- Workers have freedom of movement whilst working and within company provided housing. This includes reasonable movement around the facility (i.e. during meal breaks or using the restroom etc).
- Workers are not locked in a facility or accommodation or guarded (this would be an indicator that there is some coercion for them to stay or that they could be trafficked).

PRACTICAL TIPS AND TOOLS FOR IMPROVEMENT

Loans

You should not make a loan to an employee if this will in any way prevent the employee from leaving the job. Often a person is unable to repay an initial loan and must take another, and another to keep re-paying loans and this can become debt bondage. While employers might be providing loans for entirely right reasons, it is often the start of a process which ends in the employee not being able to be free to leave employment and not being able to pay their way out of debt.

Loans to employees shouldn’t be common practice, but if in a special circumstance it is necessary, you must ensure the following are in place:

- Write a policy on loans and apply it consistently, with no favouritism (more favourable terms for some), including what you will lend money for and terms of repayment, for example, are you prepared to extend flexible terms?
- Loans agreed in writing, including how much was loaned, interest rate, terms of repayment, monthly repayments and how and many payments need to be made. Signed by both parties.
- Set a maximum deduction allowed for loan repayments, which limits the maximum loan that can be given. In some countries this is specified by law (eg 10% in South Africa. So if an employee earns R5,000 a month and maximum repayment period is 6 months, 10% of R5,000 x 6 months = R900. So the maximum loan should be R900, repaid over 6 months in equal portions.)
- Ensure there is a plan for how the employee would repay the loan if they wanted to leave the business.
- Put safeguards in place to ensure workers, especially those with little formal education, don’t fall into a debt trap, where they are unable to repay the loan.
- Check whether your customers have specific policies on giving employees loans and ensure that your procedures adhere to those requirements.

To make sure you don’t put a company at risk of having to pay a fine:

- Put a tool to self-assess your site.
- If you think that point is in place in your business and put a ✔️ it isn’t or needs improvement.
- If it isn’t or needs improvement.
- Check whether your customers have specific policies on giving employees loans and ensure that your procedures adhere to those requirements.

How to spot potential coercion

(Human trafficking includes transporting people from one country or area to another for the purposes of exploitation/ forced labour)

- Workers being locked or guarded
- Workers owning a debt to the employer
- Workers required to hand over government issued identity papers, passports, work permits or travel documents to the management
- Workers feel that their family back home are threatened if they leave
- Limited freedom of movement around the facility for meal breaks and to use the restrooms
- Excessive loan repayments in wage deductions
- Workers provided by labour providers swam unclear about their work/employment conditions/wages etc

Recruitment agencies

Bonded labour may be more likely to occur in contract labour than in your own facility. Sometimes labour contractors loan potential employees money and then they have to work endlessly, with the conditions of the loan set as such that they never quite repay the loan and are forced to continue to work.

Human trafficking can also be an issue with labour provided by recruitment agencies or contractors. You need to ensure that all recruitment agencies and contract labour providers you use understand your requirements on this issue and you need to check their processes and procedures to ensure their recruitment and treatment of workers is in alignment with this requirement.

You need to investigate and ensure that labour providers/ recruitment agencies do not hold original identity papers or deposits from workers and that workers are not indebted to them, holding them in employment.

TACKLING TOUGH SITUATIONS

It would be fine for the company to loan this money, with small reasonable loan repayments deducted from monthly wages until it was repaid (with a fair agreement between the parties). However, it would not be ok for the employee to work for ‘free’ and receive no wages to repay the loan.
6.4 DISCRIMINATION AND HARASSMENT

**WHY THIS IS IMPORTANT TO YOUR BUSINESS**

The right for every worker to be treated fairly and equally in the workplace is outlined in international labour conventions, national constitutions and laws.

Divided teams don’t function effectively but team work, respect and good communication improves productivity and quality. Workers who feel safe and respected, participate in the work with more motivation.

**THE EXPECTATIONS**

- Workplaces should be free from all types of harassment, intimidation, bullying or abuse of any employee including the threat of physical punishment or disciplinary action, or any abuse that is physical, sexual, psychological or verbal.
- No corporal punishment.
- No disciplinary-related deductions from workers’ pay.
- Employees should all be treated fairly, with no discrimination (for recruitment, hiring, placement, training, compensation, advancement or any aspect of employment) on the basis of (but not limited to) factors such as race, colour, caste, ethnicity, religion, gender, age, political opinion/affiliation, national extraction, disability, marital status, health (including pre-employment medical exams), union membership, social origin, pregnancy and maternity, sexual orientation or any other arbitrary means.
- Hiring and employment decisions (including those related to compensation, benefits, promotion, training, discipline, and termination) are made solely on the basis of the skill, qualifications, experience, ability and performance of workers.
- Any security measures in place:
  - Must not harm the safety or security of local community members and other third parties.
  - Must not undermine respect for the human rights of workers and third parties.
  - Must not use force. If force is used, it shall be in a manner consistent with applicable laws and shall never exceed what is strictly necessary and appropriate to the situation.

**WHAT THIS MEANS IN PRACTICE**

This section can be used as a tool to self-assess your site.

Put a ☑ if you think that point is in place in your business and put a ✗ if it isn’t or needs improvement. You can then create an action plan, to assign and follow up an action for every ✗ (sample action plans are given at the back of the toolkit).

**Harassment**

- The workplace is free from all harassment, intimidation and bullying. This means there shouldn’t be shouting in the workplace or harsh treatment of workers, even in busy times.
- Take a look at policies and practices to make sure there are no inappropriate or unacceptable punishments or penalties. What happens when a worker does something wrong? Are they shouted at? Are workers ever hit? Are workers traitors? Have you ever heard of those things happening? None of these forms of punishment are acceptable.
- The workplace is free from all sexual harassment, even subtle forms of inappropriate language and behaviour.
- Supervisors and team leaders are trained effectively to eliminate these practices (this is covered in the ‘Practical Tips’ section below).
- There is a culture of respect in the workforce.
- Ensure payment/wage procedures do not include financial deductions as punishment for bad behaviour, quality mistakes etc. You may need to think of more creative ways to reward good behaviour and production.

**Security**

- The security measures in place do not threaten the safety or security of the local community.
- All security staff are trained and understand that their role and actions must never undermine workers’ or third parties’ human rights and they should always try to avoid the use of force and if force is used it should only be what is strictly necessary. (This includes contract labour providing security services).
- As you walk around the production site and observe the interactions between security staff and workers, check, do workers seem scared and intimidated by them? If so, you may need to investigate this to check that force or inappropriate behavior is not occurring.

**Discrimination**

- Providing a workplace free from discrimination.
- Temporary workers are offered the same rights as permanent staff.
- Review the recruitment procedure and questions asked in interviews and application forms. Does it include any information about the worker that you think could be being used to discriminate against them in recruitment/hiring (eg religion, race, pregnancy, union membership)? Ensure all staff involved in recruitment understand the importance of no discrimination.
- Merit-based selection criteria for recruitment.
- Review pay records. Ensure that women are paid the same as men for the same job. Ensure people of different races, religions, nationality etc are paid the same for the same job. If this isn’t the case you will need to speak to HR managers to ensure that this is rectified.
- Take an overview of the employees, is there a pattern of the kinds of people who are more often promoted/advanced (eg certain genders or races)? You need to put policies, procedures and practices in place to ensure advancement is purely based on experience, skills, character, performance and merit, not other factors.
- If there is a medical exam as part of the recruitment purpose, what is that for? Is there a valid non-discriminatory reason for it? Can you guarantee that the results of the medicals are not jeopardising people’s employment potential?

**Resolving concerns**

- A confidential and effective procedure for managing complaints regarding discriminatory or harassing behavior is in place (see chapter on Grievance Procedures, page 76-77).
- If a concern is raised, action needs to be taken, with no recrimination of the person raising a genuinely felt concern. The manager must ensure they are fully informed of the facts before taking action. The action must be, and be seen to be, fair, appropriate and proportionate to the concern raised.
PRACTICAL TIPS AND TOOLS FOR IMPROVEMENT

Resources

- Bullying and harassment at work: a guide for managers and employers. Advice leaflet. Link in the endnote references. 1
- Tackling discrimination and promoting equality produced by Acas (Advisory, Conciliation and Arbitration Service) in the UK. Link in the endnote references. 1
- Practical guide on disciplinary processes and appeals, which includes sample templates of written warnings etc. 1
- https://www.wso2.co.za/documents/Ethical_Disciplinary_and_Appeals.pdf

Training

Develop a policy on harassment and discrimination

Discuss acceptable and unacceptable behaviors and what should be done when unacceptable behavior is demonstrated. Ensure that this is set out in a clearly written statement.

The basics

Training your staff (both workers and management) about the issues of discrimination and harassment needs to cover the basics of:

- Why it’s important to the business to tackle these issues
- The business will only thrive if the whole workforce is moving together
- Appropriate comments and behavior

- workers who feel threatened and scared won’t offer suggestions of how productivity can be improved and the business benefit of the innovation and ideas is lost
- stress, fear and anxiety caused by discrimination and harassment leads to higher absenteeism, poor performance and higher turnover

- What is the management leading by example by actively treating every person equally?
- What needs to happen for every person to be treated equally?
- What types of harassment happen in your workplace?
- Shouting? Bullying? Sexual harassment? Inappropriate comments?
- When are these most likely to happen? And to whom?
- What needs to happen for every person to be treated with dignity and respect?
- Are there particular people who are worse at this behavior? Have they been spoken to/disabled?
- Is the management leading by example by actively treating every person equally?
- Harassment
- Sexual harassment
- Racial harassment
- Age Discrimination

In planning for training, brainstorm as a team.

- What are the most common forms of discrimination in your workplace? Is it gender? Race? Religion?
- A combination of those? Other?
- How does that most often manifest? In how supervisors talk to/ deal with workers? In recruitment?
- What needs to change for every person to be treated equally?
- Are there particular people who are worse at discriminating? Have they been spoken to/disciplined?
- Is the management leading by example by actively treating every person equally?
- Harassment
- What types of harassment happen in your workplace?
- Shouting? Bullying? Sexual harassment? Inappropriate comments?
- When are these most likely to happen? And to whom?
- What needs to happen for every person to be treated with dignity and respect?
- Are there particular people who are worse at this behavior? Have they been spoken to/disabled?
- Is the management leading by example by eliminating any shouting, bullying or harsh treatment in their own behavior?

Challenging mindsets

Once you have an idea as a team about what the key issues are in your work place you can plan some interactive training that engages people in addition to the factual basic training above. People will only start treating people differently if their mindsets about the value of other people are shifted; not just because they have been told to. Your training could include:

- Seeing each other: Giving opportunities for employees to engage with people of different levels (workers/ management) and of different genders/races/religions (or any other factor you think is key in terms of discrimination and harassment). You can set up small groups for discussion, within one big room and set questions for people to ask each other in pairs (within the small group). The pairs should be with someone of a different level, race, gender, religion etc. Suggest questions that enable that person to see the other as human, as not so different to themselves. They could listen to the other person and then introduce them to the rest of the small group, sharing a summary of what they’ve heard. Questions could include:
  - How many siblings do you have?
  - Where did you grow up?
  - What did you enjoy doing as a child?
  - Do you support a sports team?
  - What foods do you like?
  - What do we have in common?

- Finding commonality: Another exercise you could try would be asking everyone in a large room to move around and each find someone else who is a different level, gender or race (or other factor) to themselves, but shares the same:
  - Month of birth
  - Home town/area
  - Number of siblings
  - Favorite sports team

- Role play: Setting up fictional situations where harassment or discrimination most often happen and discussing different ways to handle the situation and asking different people to act it out. You can use these role plays to put people ‘in someone else’s shoes’ – to experience what it is like to be on the receiving end of discrimination and harassment. They can also be used to brainstorm what employees think is acceptable and not acceptable to and to explain what the policy is.

Case Study: Gender Equality in the Workforce in India

Tata Steel is an equal opportunities employer, with a code of conduct and non-discrimination policy and has encouraged employment of women through its apprenticeship programme. However they still didn’t have many female employees. They decided to focus attention on this and carried out the following:

- For managerial levels developed a programme called ‘Empowering Women Managers to Succeed’, which encourages women to look at themselves “not as women executives but as executives that happen to be women.”
- Shop floor levels: Inducing women into jobs previously reserved for men including driving heavy vehicles, forklifts and skills like welding and lubrication.
- Set up the Women Empowerment Cell, of women executives, to hold regular dialogues with female employees to discuss and address issues.
- Sexual harassment: addressed through a special committee.

Employment decisions should be made fairly, without discrimination. The only medical tests that can be done pre-employment relate to the health of the worker relevant to the task they will be doing. HIV/AIDS does not fit into this category.

Tackling tough situations

There should be no discrimination for hiring or employment, including based on pregnancy, requiring a pregnancy test or other type of pre-employment medical test is often against the law and can be seen as a form of discrimination. However, he may need to educate works on workplace health topics, such as the risks of performing certain jobs while pregnant. The worker should feel safe telling her manager that she is pregnant and would like to move to a suitable position, without being afraid that there will be negative repercussions for her request.
6.5 REGULAR EMPLOYMENT

WHY THIS IS IMPORTANT TO YOUR BUSINESS

To every extent possible, work performed should be on the basis of a recognised employment relationship established through national law and practice. Every effort should be made to ensure employment is continuous, where possible. It is recognised that temporary/contract labour is necessary in some businesses but it shouldn’t be used excessively, to avoid the legal requirements of regular employment.

BUILD SKILLS AND EXPERIENCE IN YOUR WORKFORCE

INCREASED PRODUCTIVITY

Higher output

REDUCES QUALITY ISSUES

Reduces costs of remaking products

REDUCES LIKELIHOOD OF ACCIDENTS AND INJURIES

Reduces costs of lost work

LESS RECRUITMENT, HIRING AND TRAINING

Reduces costs of recruitment and training

THE EXPECTATIONS

- To every extent possible, work performed should be on the basis of a recognised employment relationship established through national law and practice.
- Every effort should be made to ensure employment is continuous, where possible.
- It is recognised that temporary/contract labour is necessary in some businesses but it shouldn’t be used excessively, to avoid the legal requirements of regular employment.

WHAT THIS MEANS IN PRACTICE

This section explains the details of what this means in practice and can also be used as a tool to self-assess your site. Put a ☑ if you think that point is in place in your business and put a ✗ if it isn’t or needs improvement. You can then create an action plan, to assign and follow up an action for every ✗ (sample action plans are given at the back of the toolkit).

- Obligations to employees under labour or social security laws and regulations arising from the regular employment relationship should not be avoided through the use of:
  - labour-only contracting
  - sub-contracting
  - home-working arrangements
  - apprenticeships schemes where there is no real intent to impart skill or provide regular employment
  - excessive use of fixed-term contracts of employment

  This does not mean that these types of employment should not be used at all, seasonality of many businesses means this is necessary but the point is that they should not be used excessively or in a way that is deliberately to avoid the legal requirements of regular employment.

- All workers (regular, contract, piece rate and home-workers) have formal, written employment agreements (including duration of contract, job functions, wages, hours, benefits, pay cycle, resignation and termination conditions/process), signed by both the worker and manager, in a language they can understand. The contents are clearly explained and workers should receive a copy.
  - Copies of employment terms and conditions are provided to all workers.
  - Probation periods comply with legal limits.
  - Contract terms are not changed after the worker signs the contract/agreement.
  - Workers are not asked to sign blank papers, forms or resignation letters.

- Agency and contract workers and homeworkers receive full legal and social security benefits.

- The company, its contractors and labour providers do not discharge and rehire workers to avoid paying permanent worker wages and benefits.

- The company, its contractors and labour providers don’t employ workers on consecutive short-term temporary contracts.

- If you have temporary workers, there needs to be clear policies and practices on how long before they receive the same wages, benefits and conditions as permanent workers, after a fixed time period or as required by law. There should be effective systems in place to transition these workers to become permanent employees.

- If you subcontract any work you need to ensure that those businesses understand your expectations in terms of legal wages, benefits, hours and regular employment.
PRACTICAL TIPS AND TOOLS FOR IMPROVEMENT

Examining the use of temp workers

- Do you understand the full situation with temporary workers and contract workers in your business: the proportion of your workforce at different times, the duration of their employment and the reasons for using them?
- If you have identified an excessive use of temporary or contract workers in your company, think through and discuss with different people in management the following questions:
  - What is driving the need for temporary or contract workers rather than having more permanent workers? Is it just seasonal or is it other things, such as rush last minute orders? Or is it just habit of the company and the cost of employing more permanent staff seems too high?
  - If analysis of sales could give better forecasting and if production planning worked closely with Human Resources, could more realistic staffing and production plans be developed to minimize the use of temporary workers?

Labour employment agencies

- Is the labour broker/employment agency a registered legal entity?
- What kind of relationship do you have with your labour providers/employment agencies?
- Do you trust that they are paying at least legal minimum wages and appropriate benefits?
- Do you even know what the workers are paid? If not, informally ask a sample of workers (anonymously) and also ask the labour provider.
- Ensure that you sign a ‘service agreement’ with your labour provider/broker and that it states that they must pay legal wages and benefits and meet other legal requirements on working conditions including safety of transport and any accommodation. A sample Service Agreement is given in Appendix 3, see page 110.
- Ensure that the labour provider gives workers contracts including a termination clause.
- Labour providers should give workers payslips at each pay period.
- Ensure labour providers do NOT take financial deposits or original identity documents from workers and that workers are not indebted to them.

TACKLING TOUGHSITUATIONS

WHAT DO YOU THINK?

You hear via rumours that workers on your site aren’t being paid the minimum wage by the labour provider. You feel this isn’t any of your business because you don’t pay them, you pay the labour provider.

It is your business, because the workers are in your facility and you are the client of the labour provider. You should have a contract or service agreement with the labour broker/provider which states that workers must be paid at least a legal minimum wage and legal benefits. Set up a meeting with the labour provider to discuss this and agree and sign an agreement (if you haven’t already) and discuss practically how they will make the changes to the wages and benefits of workers.
7. ENVIRONMENT

Why This is Important to Your Business

Reduce Costs of Potential Lawsuits
A plastics making company in Shanghai, China was ordered to pay the equivalent of $2.55 million in compensation for polluting the air of neighbouring communities.

Reduce Environmental / Health Damage Through Pollution
A food factory in South Africa was previously spending R500,000 ($4,000) per month on waste management and removal. A waste management system reduced their waste costs to zero and even brought in R25,000 ($2,000) per month from resale of usable waste.

(Potential to Earn Revenue from Useful Waste)

Reduce Costs of Utility Bills and Other Expenses
PepsiCo saved $80 million (2011-2015) by reducing its water usage by 26%.

Cost Savings

Value to Business

Reduced costs of potential lawsuits
Brand value
Cost savings
New revenue streams

Good Environmental Management

The Expectations
- Conduct business in ways that protect and preserve the environment
- Meet all applicable environmental laws and regulations
- Have a clear and publicly available environmental policy statement that addresses the key impacts of your operations and commits to improvement
- Continually strive to reduce your environmental impacts and manage natural resources efficiently. This includes implementing measures to prevent pollution, minimise the use of energy and production of waste and manage water responsibly.

Who Needs to be Involved and Informed?
Senior management, supervisors, line leaders, SHEQ Manager or officers

What THIS MEANS in Practice

This section explains the details of what this means in practice and can also be used as a tool to self-assess your site.

- Management: Know, understand and take action to improve
  - Know the full requirements of environmental legislation in your country and region.
  - Understand the significant environmental impacts of your business.
  - Take steps to minimise environmental impacts and at a minimum meet all legal requirements.
  - Obtain and maintain required environmental permits and registrations. Keep relevant documentation up to date and available for audit including relevant local government environmental certificates/permits. Business license for Chemical Waste Handling Unit (if applicable), Sewage Discharge Permission (including gas), Analytical Testing Report (for discharged water/air), Manifest or Bill of Lading (for transportation of waste).

- Environmental and health hazards in the workplace
  - Provide information to workers on environmental and health issues relating to any hazards.
  - Ensure workers are trained as appropriate.
  - Maintain an up to date list of hazardous and non-hazardous substances used on site.
  - Hazardous waste
    - Ensure all hazardous waste (including gases, liquids and solids) are properly handled, transported and disposed of and treated where necessary, in accordance with relevant requirements.
    - Levels of potential toxic chemicals in both water waste and air emissions must be measured, to ensure they are in line with legal requirements.
    - Take steps to reduce the amount and toxicity of hazardous waste to legal limits or below.
    - Ensure that any standing water inside or outside the facility drains properly.
    - Waste transportation has an appropriate, valid license, permit or registration as required by law.
  - Waste
    - Measure and commit to reduce the production of non-hazardous solid waste.
    - Energy
      - Measure energy use and carbon emissions and commit to reducing them both in manufacturing operations and transportation of products (including short term climate pollutants such as halons and HFCs) (tips on reducing energy use are given in the Practical Tips section below).
  - Water
    - Understand your water usage in the context of local availability and quality.
    - Measure, manage and commit to reduce water usage and discharge, to support sustainable water stewardship (tips on reducing water use are given in the Practical Tips section below).
  - Packaging
    - Collaborate with purchasing companies to identify opportunities to reduce packaging, increase recycled content and make packaging recyclable.

Case Study

PepsiCo saved $600 million overall (2011-2015) through its broader environmental sustainability program, which included water use, energy, packaging and waste reduction initiatives.

Cost Savings
- 20% cut in energy costs represents the same bottom line benefit as a 5% increase in sales.
- Energy efficiency changes can give an internal rate of return (IRR) of 48% on average and payback within 3 years.
- If you think that point is in place in your business and put a ☑.
- If it isn’t or needs improvement, you can then create an action plan, to assign and follow up an action for every ☑ (sample action plans are given at the back of the toolkit).

79
96
97
98
### PRACTICAL TIPS AND TOOLS FOR IMPROVEMENT

#### WASTE MANAGEMENT

- Waste minimisation is an approach that aims to reduce the production of waste and the potential toxicity of waste through education and the adoption of improved production processes and less wasteful practices.
- Re-use and recycle involves processing waste as an input for another process.
- Recovery is reclaiming particular materials/components or using waste as a fuel.
- Waste processing is treatment and recovery (use) of materials or energy from waste through thermal, chemical, or biological means.
- Treatment and disposal is the ‘last resort’ in waste management, if none of the other options are possible. This includes processing the waste so its environmental and health impact is reduced, including separating out and destroying toxic components. This must be in accordance with legal requirements.

The Chartered Institute of Purchasing and Supply have produced a booklet "Managing Waste in a South African Packaging Company". The Institute refers to UK legislation, it contains some very helpful guidance and tips that are applicable elsewhere.

### WATER MANAGEMENT

The Alliance for Water Efficiency has published some valuable water saving tips for commercial and industrial water use. You can download a designed pdf of their tips at the link given in the endnote references and here is a summary of a few of their top tips:

1. Conduct a facility audit to quantify water use
2. Reduce the flow of water where possible
3. Modify equipment or install water saving devices
4. Water treatment, recycling and reuse
5. Educate employees about the important of using less water
6. Use non-drinking water for industrial process use eg reused water or collected rainwater
7. Replace water-cooled equipment with air-cooled equipment when feasible
8. Dry sweep surfaces instead of hose clean where possible
9. Install water efficient fixtures in restrooms

### ENERGY EFFICIENCY

In the ‘Better business guide to energy savings’, produced by the Carbon Trust, there are many practical tips on reducing your costs associated with energy use. You can find the link to the full booklet in the endnote references and an outline of their top tips is provided here:

1. Carry out an energy walk around your production site, noting down and acting on any maintenance issues and identifying opportunities for energy savings
2. Review heating and cooling energy use – is the temperature appropriate and what equipment is being used?
3. Lighting - What type of fluorescent tubes are in use? (A more energy efficient option may be available) Are lights switched off when not needed? (It’s possible to reduce your lighting costs by up to 30% by implementing these measures)
4. Factory equipment - Is any equipment left running when it’s not being used? Could Higher Efficiency Motors be used?
5. Use bills and meter readings to investigate energy use
6. Make someone responsible for each improvement and involve staff by raising awareness with posters and leaflets.

#### CASE STUDY

**MANAGING WASTE IN A SOUTH AFRICAN PACKAGING COMPANY**

Constantia Afripack is a South African packaging supplier that produces consumer flexible packaging and labels for confectionery, beverages, food and personal care products, as well as packaging for industrial applications.

Waste is a challenge for the packaging company since they produce approximately 500 tonnes of waste a month. Mark Liptrot, Sustainability Manager for Constantia Afripack, says “Through increased staff awareness and establishing green teams we have been able to increase our recycling rates by 13% overall and are targeting a 75% diversion from landfill at two major sites in 2017.”

Afripack is applying the “reduce, reuse and recycle” principle to reduce waste as well as strategies to reduce water and energy consumption and to reduce their carbon footprint. The company believe that the first step to reducing waste is to monitor and measure waste generation and then track reductions. A common area of waste in packaging plants is trim of film for flexible packaging that is cut off in the process of printing the packaging. Afripack has minimised this waste by using the narrowest reels possible for each job. Some plastic waste is given to local crafters to reuse to produce new items and some waste is sold to be recycled to make plastic coat hangers. Other areas being explored include producing energy from waste plastic as well as uses for multilayer laminates.
Fraud and corruption can result in considerable financial loss to your company. A business’ license to operate depends on its integrity. The purchasing companies can’t accept any corruption or bribery in their supply chains. This is a core integrity issue and would expose the companies and reduce the trust of stakeholders. There are international laws and governing agreements that prohibit this behaviour (for example anti-corruption laws in the US) that the purchasing companies need to adhere to, not only in their own businesses but in their supply chains.

**WHY IS IT IMPORTANT TO YOUR BUSINESS?**

Why is it important to your business?

- All business must be conducted with integrity, in accordance with relevant laws
- No bribes, corruption or fraudulent practices
- Avoid conflicts of interest between personal, family, financial or political interests and the interests of the company and its business objectives.

**THE EXPECTATIONS**

- All business must be conducted with integrity, in accordance with relevant laws
- No bribes, corruption or fraudulent practices
- Avoid conflicts of interest between personal, family, financial or political interests and the interests of the company and its business objectives.

**WHO**

Who needs to be informed and involved in tackling this issue?

Senior management, procurement and sales staff and those interacting with government eg import, export and customs.

**WHAT THIS MEANS IN PRACTICE**

This section explains what this means in practice and can also be used as a tool to self-assess your site.

- Put a ✅ if you think that point is in place in your business and put a ✗ if it isn’t or needs improvement. You can then create an action plan, to assign and follow up an action for every ✗ (sample action plans are given at the back of the full toolkit).

Bribes can be financial, but can also be offering anything of value where there is an intention to improperly influence a business decision, obtain undue advantage or where the person may not be permitted by their employer or local law to receive it.

- No bribes are ever offered or accepted.
- All relevant government tax payments are made (eg social security) and accurate records kept.
- All records for pay, hours and other records checked by auditors are a full and honest representation of the true situation.
- Policies are written and effectively communicated to management and workers regarding a code of ethics.
- All relevant employees are informed and trained on how to respond to bribery demands, how to report them and what the limits are on acceptable business gifts and entertainment.
- Systems and practices are in place to ensure gifts or entertainment are not excessive or inappropriate (of modest value occasionally) and that they never create a feeling of obligation or the impression of an obligation because this could be perceived as a bribe.
- A ‘whistle-blowing’ system has been set up (to enable people to anonymously report any issue they have noticed, without reprimand or penalty), with a written policy and procedure which are clearly and effectively communicated to all levels of staff and workers.
- Disclose to the purchasing company any personal or professional connections with government officials.
- No bribes are given to government officials of any kind.
- Report any concerns of potential bribery or corruption.
- Avoid conflicts of interest that may jeopardize your company’s ability to act in the best interest of the purchasing company, and disclose any actual or potential conflicts of interest to the purchasing company.
- Keep transparent and accurate records of matters related to business with the purchasing companies.
- Ensure your business complies with all economic sanctions and anti-money laundering regulations.
- Fair Competition: The purchasing companies are committed to the principles of lawful and free competition based on the merits of products and services. All suppliers must also abide by all applicable anti-trust and competition laws in all countries in which they operate.
- Tax Evasion: Suppliers must take a zero tolerance approach to the criminal evasion of taxes wherever they operate, and to the knowing facilitation of another’s tax evasion (both employees and those they transact with).
PrACTiCAl TiPSTAnD Tools for IMPROvEMENT

Tackling bribery & corruption

Bribery is not just cash in exchange for preferential treatment or business opportunities. These regulations also prohibit:

- Lavish travel and hospitality given by business partners/suppliers
- Anything of value (including gifts or entertainment) with the intention to improperly influencing a business decision or obtaining undue advantage
- Political contributions
- Hiring relatives of government employees or people you wish to positively influence

Have a meeting with your senior management to discuss how you can ensure bribery and corruption does not happen in your business:

- Brainstorm the bribes that happen and are perceived as part of 'normal' business activity in your country and sector
- Discuss and role-play how employees should respond if they are asked for a bribe or offered a bribe
- Review the connections of all senior staff to ensure there are no conflicts of interest

For more practical tools and to understand what the key issues are in any particular region, you may want to look at Transparency International’s resources including:

- Corruption Perception Index
- Global Corruption Barometer
- Global Corruption Report

Whistle - blowing

If you are seriously about weeding out fraud, whistle-blower tips are the most common method of detecting and resolving occupational fraud:

- 60% of frauds are uncovered by whistle-blower tips
- Nearly 40% of tips are received from internal employees
- 34% of employees have observed workplace misconduct and more than 1% would report it if they could remain anonymous, do so without retaliation and receive a financial reward for the tip

You may choose to make whistle-blowing part of your system as part of 'normal' business activity in your country and sector:

- Define the purpose: For example, the purpose could be to encourage and facilitate the reporting of issues including allegations of fraud, corruption, bribery, unethical behaviour, misconduct, questionable business practices, warnings about particular risk areas going unchecked
- Introduce training and communication:
  - Provide information to all staff about the whistle-blower process
  - Make complaints anonymous and provide an incentive for anonymous reporting
- Ensure you are aware of your customers’ requirements and mechanisms/services available for whistle blowing by checking their supplier code and website.

However, it may be appropriate to encourage and facilitate the reporting of issues including allegations of fraud, corruption, bribery, unethical behaviour, misconduct, questionable business practices, warnings about particular risk areas going unchecked non-compliance with policy or law observed. Who is it for? Many companies make it available to external stakeholders including suppliers etc as well as employees.

- Training and communication:
  - For example, you could have a meeting with your senior management to discuss the whistle-blower process
  - Discuss and role-play how employees should respond if they are asked for a bribe or offered a bribe
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A ‘social license to operate’ is not something a company applies for and obtains at the local government office; there are many factors that can contribute to obtaining or losing it. The respect for land rights (or lack of thereof) in the communities surrounding supply chain operations, including land acquired by suppliers, are one of those factors.

In this context, respecting local land rights is not corporate philanthropy. It is effective risk management, good business and the right thing to do.”

Brent Wilton
Director, Global Workplace Rights,
The Coca-Cola Company
WHAT THIS MEANS IN PRACTICE

This section explains the details of what this means in practice and can also be used as a tool to self-assess your site.

Put a ✨ if you think that point is in place in your business and put a 😞 if it isn’t or needs improvement. You can then create an action plan, to assign and follow up an action for every 😞 (sample action plans are given at the back of the toolkit).

Prior to purchasing land for your business:

- You need to obtain community support through ‘Free, Prior, Informed Consent’, which means actively seeking community buy-in. See below for further explanation.
- Recognise and safeguard the rights of communities and traditional peoples to maintain access to land and natural resources and also recognise and safeguard the rights of individuals and communities impacted.
- Identify and review all property interests and traditional resource uses prior to purchasing or leasing land.
- Ensure legal land title transfer processes are followed.

Within the process of acquiring land:

- Document efforts to avoid or minimize impacts on natural resources.
- Provide an accessible process to receive grievances for disputes over land titles and concerns about fair compensation and engage with and address these grievances in good faith.
- Ensure that affected communities are informed of land rights under national law or customary use.

Documents needed:

- Ensure documentation such as titles, certificates, deed, lease, or other written instrument are available on site.
- Ensure documentation is available for review describing a grievance resolution mechanism that shows how women, men, and communities can register grievances and how they were/are being resolved.

PRACTICAL TIPS AND TOOLS FOR IMPROVEMENT

What does FPIC mean?

- Free from force, intimidation, coercion, or pressure by anyone (it can be a government, company, or any organisation).
- Prior implies that consent has been sufficiently sought in advance of any authorisation or commencement of any project. Also, local communities must be given enough time to consider all the information and make a decision.
- Informed means that the community must be given all the relevant information to make its decision about whether to agree to the project or not.
- Consent requires that the people involved in the project must allow indigenous communities to say “Yes” or “No” to the project. This should be according to the decision-making process of their choice.

Key steps of FPIC

Detailed guidance on the steps involved are given in the resources listed below but a summary of the key steps is provided here:

1. Identifying appropriate decision-making institutions (allowing rights holders and local communities to select their own decision bodies).
2. Making a careful assessment of local contexts and existing land uses and claims.
3. Developing a process for seeking and obtaining consent and integrating FPIC within project design, involving local people in negotiations.
4. Monitoring what has been agreed in implementation.
5. Verifying consent.
6. Developing a grievance process.

Resources, reports and tools

- Interactive online tool for supporting companies on issues of land tenure rights: [https://tinyurl.com/y7rfttpj](https://tinyurl.com/y7rfttpj)
- Online resource for information, data and knowledge-exchange on land governance issues: [http://landportal.info](http://landportal.info)
- Guidelines for responsible investment in property and land, especially where land rights of local communities are concerned: [https://www.landesa.org/what-we-do/ripl/](https://www.landesa.org/what-we-do/ripl/)
- The Coca-Cola Company has produced a ‘Responsible Land Acquisition Guide’ (link in endnotes).
- Oakland Institute: [https://tinyurl.com/y7rfttpj](https://tinyurl.com/y7rfttpj)
- Food and Agriculture Organisation of the United Nations (FAO): ‘Land grab or development opportunity?’ (Link in endnotes).
- The Center for People and Forests has produced some practical tools, resources and training on FPIC (link in endnotes).
APPENDIX 1

CALCULATING THE COSTS OF STAFF TURNOVER

It's important to know the business value of committed workers and retain them. Use this table to calculate the cost of one staff member leaving. Where you don’t have an accurate figure, give an estimate, or calculate what it is for a group of workers and divide by the relevant number of workers.

<table>
<thead>
<tr>
<th>SEPARATION COSTS</th>
<th>COST (LOCAL CURRENCY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary of worker(s) filling-in while the position is vacant</td>
<td></td>
</tr>
<tr>
<td>Lost productivity of fill-in worker</td>
<td></td>
</tr>
<tr>
<td>Conducting an exit interview - manager's time (annual salary, divided by working hours in the year, multiplied by number of hours taken on this task)</td>
<td></td>
</tr>
<tr>
<td>Costs of training provided to departing worker (that is now lost to the organization)</td>
<td></td>
</tr>
<tr>
<td>Severance and benefits to be paid</td>
<td></td>
</tr>
<tr>
<td>Lost knowledge, skills and contacts</td>
<td></td>
</tr>
<tr>
<td>Separation administrative costs</td>
<td>Sub-Total:</td>
</tr>
</tbody>
</table>

| REPLACEMENT COSTS |  |
|-------------------|  |
| Agency Fee (if being used) |  |
| Internal Recruiter - cost of time spent on this (annual salary, divided by working hours in the year, multiplied by number of hours taken on this task) |  |
| Costs of advertising |  |
| Time for handling resumes |  |
| Time for candidate interviews/ selection process (salaries for all those involved) |  |
| Medical and reference checks |  |
| Pre-employment tests |  |
| Travel and relocation expenses |  |
| Start-up administrative functions | Sub-Total:  |

| TRAINING COSTS |  |
|----------------|  |
| Induction training - trainers time and organisation time |  |
| Departmental training - trainers time and organisation time |  |
| Trainer's time if internal (annual salary, divided by working hours in the year, multiplied by number of hours taken on this task) |  |
| Trainers’ fee, if external |  |
| Training materials, manuals, etc. |  |
| Supervision during training | Sub-Total:  |

| LOST BUSINESS |  |
|----------------|  |
| Lost customers and business ideas |  |
| Lost sales/production (estimate based on average performer) |  |
| Lost revenue | Sub-Total:  |

| LOST PRODUCTIVITY - NEW WORKERS ARE LESS PRODUCTIVE |  |
|-----------------------------------------------|  |
| Lost Productivity @ 25% productivity rate |  |
| Lost Productivity @ 50% productivity rate |  |
| Lost Productivity @ 75% productivity rate |  |
| Co-workers lost productivity (due to disruption) |  |
| Quality mistakes of new worker |  |
| Reduced productivity of supervisor or manager (whilst involved in recruitment process and due to disruption) |  |
| Sub-Total:  |

| Cost of one employee leaving as estimated above |  |
|---------------------------------------------|  |
| Insert your figures here: |  |

\[ \text{Total Cost: } \frac{\text{X} \times \text{Average number of employees that leave per year (usually doesn't include temporary staff or retirements and deaths)}}{\text{Annual cost to your business of your current turnover levels}} \]


APPENDIX 2

HEALTH AND SAFETY COMMITTEE MEETING NOTE TEMPLATE

This template for a H&S Committee meeting was developed by WorkSafeBC. They provide more templates at this link: www.worksafebc.com/en/resources/health-safety/books-guides/templates-resources-joint-health-safety-committees.

1. REPORTING H&S STATISTICS FROM THE PERIOD SINCE THE LAST MEETING

<table>
<thead>
<tr>
<th>Risk assessments conducted</th>
<th>Site inspections conducted</th>
<th>OHS program reviews</th>
<th>Site-wide education programs delivered</th>
<th>Recommendations made to employer</th>
</tr>
</thead>
<tbody>
<tr>
<td>This period</td>
<td>Year-to-date</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Injuries</th>
<th>Incidents</th>
<th>Near misses</th>
<th>First aid only</th>
<th>Medical aid only</th>
<th>Number of time-loss injuries</th>
<th>Days lost due to injury</th>
<th>Threats of violence</th>
</tr>
</thead>
<tbody>
<tr>
<td>This period</td>
<td>Year-to-date</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. REPORTING H&S ACTIVITIES FROM THE PERIOD SINCE THE LAST MEETING

<table>
<thead>
<tr>
<th>Reports</th>
<th>First aid</th>
<th>Incidents</th>
<th>Other OHS reports</th>
<th>Training and education</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>- incidents requiring investigation</td>
<td>- incidents requiring investigation (resulting in worker injury or near misses)</td>
<td>- New and young worker training</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Medical aid only</td>
<td>- Number of time-loss injuries</td>
<td>- First Aid training</td>
</tr>
</tbody>
</table>

3. DISCUSSING ITEMS THAT NEED ACTION

<table>
<thead>
<tr>
<th>Item #</th>
<th>Who</th>
<th>Target date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old business</td>
<td>Number of items for ease of reference</td>
<td>- issues raised at previous meetings - status on actions and whether they are complete</td>
</tr>
</tbody>
</table>

| New business | New issues that need to be raised. Actions assigned and date set. |

4. ANY OTHER BUSINESS AND AGREEING DATE OF NEXT MEETING


APPENDIX 3

NOTE - IT IS YOUR RESPONSIBILITY TO CHECK THIS IS CONSISTENT WITH LOCAL LABOUR LAW IN YOUR COUNTRY. (This example is from South Africa and will need to be adapted to meet local requirements)

SERVICE AGREEMENT

EXAMPLE OF A SERVICE AGREEMENT BETWEEN A PRODUCER AND LABOUR BROKER

Between

__________________________________________________
(insert name of temporary employment service)

And

__________________________________________________
(insert name of client company)

The temporary employment service ______________________________ agrees to:

(i) Employ and supply suitable employees to the Client.
(ii) Be responsible for the disciplining of employees supplied to the Client.
(iii) Be responsible for the total remuneration package of the employee.
(iv) Monitor the progress of the employees and provide the necessary support and discipline to ensure the efficiency of the employees.
(v) Make every effort to replace any employee who does not comply with the conditions stipulated in the Employment Contract.
(vi) Provide professional assistance with regard to the handling of the employees.
(vii) Ensure that assignees are insured in accordance with the requirements of local law.
(viii) Ensure that employees are employed on conditions of service that are no less favourable than those stipulated in local law.
(ix) Ensure that the business complies with all provisions of local labour law including the following.

Ensure that:

• No original identity documents or deposits are withheld from workers
• Workers have a copy of their signed contract
• Workers transport and accommodation is safe and healthy
• No children under 15 are employed and young workers (15-18) only work restricted hours in non-hazardous conditions
• All workers are paid at least the legal minimum wage and receive legal benefits
• All workers only work legal hours and have legal rest days
• No workers are discriminated against for any reason
• No workers receive any form of harassment or abuse
• All workers have access to being able to raise concerns or grievances without the threat of reprisal

The Client agrees to:

(i) Inform the temporary employment service of any dissatisfaction regarding an employee's work performance or conduct and give the temporary employment service reasonable opportunity to rectify the situation should the Client find the work performance or conduct of the Employee unsatisfactory. In this regard the Client undertakes to advise the temporary employment service in writing immediately in the event of any employee:

(a) Intending to resign
(b) Being absent from work
(c) Being unable to attend work for any reason whatsoever
(d) Requiring disciplinary action.

(ii) The Client shall ensure that the Employee is aware of and understands the internal Rules and Policies as well as the Safety Rules and Regulations applicable to the Client's workplace and agrees to provide the employee with any protective clothing and / or equipment at the Client's cost in order that the Employee might comply with these rules.

The temporary employment service shall be indemnified by the Client from any claim of whatsoever nature arising out of any loss, damage or injury sustained by the Employee whilst in the employ of the Client should the Client fail to ensure that the Employee abides by any Safety rule or requirement.

(iii) The Client shall carry out all training of employees at the cost of the Client.

(iv) Should the contract between the Client and the temporary employment service terminate for any reason, the Client shall either employ the Employee, alternatively the Client may request the temporary employment service to transfer the contract of employment to another temporary employment service. The temporary employment service will however endeavor to do so, but is under no obligation to have to find such alternative temporary employment service for the Client.

FEE

(i) The Client will pay the temporary employment service a monthly fee calculated at “_______”% of the value of the payroll, i.e. the total value of the wages and salaries payable to the employees of the temporary employment service assigned to the Client.

(ii) All invoices are payable within seven (7) days of the date of the Invoice.

(iii) The fee referred to in (i) above, excludes the value of the following costs of employment which will be payable to the temporary employment service as a separate payment:

(a) [Names of government social insurance] _____________________________ ___________ %
(b) [Other relevant payments/funds] _____________________________ ___________ %
(c) [Other relevant payments/levies] _____________________________ ___________ %

It is understood that these costs will be added to the monthly service fee.

(iv) Should any of the abovementioned costs of employment increase as a result of amendments to current legislation or the introduction of new legislation, the Client agrees that the necessary amendments and adjustment shall be made to these amounts in order that they may be incorporated into the monthly service fee.

INDEMNITY

The Client hereby indemnifies the temporary employment service from all liability for any claim arising from any loss or damage to the Clients property or business interests caused by or arising from any act or omission by any employee of the temporary employment service while assigned to the Client.

I, .......................................................................................................................... hereby declare that the contents of this contract have been explained to me and that I fully understand and agree to abide by these conditions.

Signed at………………………… this……………… day of……………… month……..year

Name ………………………………… Name ………………………………

Signature ……………………………… Signature ……………………………

for the Temporary employment service The Employee

Name ………………………………… Name ………………………………

Signature ……………………………… Signature ……………………………

For the Client Witness

References

Example of a service agreement. Adapted from a sample provided by Sustainable Agriculture in South Africa. https://siza.co.za/document-library/documents-templates/
<table>
<thead>
<tr>
<th>Section</th>
<th>Issue</th>
<th>Action</th>
<th>who needs to be involved?</th>
<th>who is responsible</th>
<th>when will it be done?</th>
<th>what needs to be done?</th>
<th>update / details</th>
<th>completed</th>
</tr>
</thead>
</table>

**ACTION PLAN TEMPLATES**
REFERENCES


76 Tesco Disciplinary and Appeals policy and procedure. Shared on Sustainable Agriculture South Africa’s website https://www.siza.co.za/documents/Ethical_Disciplinary_and_Appeals.pdf


84 How to develop a waste management and disposal strategy CIPS https://www.cips.org/Document/About%20CIPS/Develop%20Waste%20v%3D%202011%20v2.pdf


88 https://www.transparency.org/

89 Research by the Association of Certified Fraud Examiners, quoted in ‘Creating an Effective Whistleblower Program’, Security Magazine, James D. Ratley, President and CEO of the Association of Certified Fraud Examiners (ACFE).

90 Research by the Association of Certified Fraud Examiners, quoted in ‘Creating an Effective Whistleblower Program’, Security Magazine, James D. Ratley, President and CEO of the Association of Certified Fraud Examiners (ACFE).


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