This toolkit is written and produced by Partner Africa, with the support of ABInBev, The Cola-Cola Company, Diageo and AIM-PROGRESS.

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.
This toolkit is written and produced by Partner Africa

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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.

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 inextricably 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 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 THIS MEANS IN PRACTICE

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:

**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
The diagram below gives you an overview of the whole Productivity 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 improve their capabilities to drive productivity, and eliminate waste and bottlenecks.

**PRODUCTIVITY**

**CHAPTER OVERVIEW**

1. **CHECKLISTS**
   - Use the checklists: Identify key areas for improvement

2. **PROCESS**
   - Draw a process flow diagram: Use this diagram to identify where in your process there is room for improvement

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

4. **PRIORITISE**
   - Prioritise where to start: You have a list of top priority issues to tackle and an understanding of why they occur

5. **ROOT CAUSES**
   - Understand the root causes of the issue: You have a clear understanding of existing issues, their extent and where they are occurring

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

**CAPABILITIES/RESOURCES (5M)**

- **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
  - We measure the effectiveness of each machine and know which of our machines are reliable and which need to be replaced
  - We know what the manufacturers design capacity of each machine and are operating close to that design capacity
  - We continue to update our machinery and equipment to keep up with advances in technology
  - Machinery and equipment is maintained according to a proper maintenance schedule
  - We have a backup if a key piece of machinery breaks down

- **MANPOWER**
  - 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 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
  - We identify clearly defined, measurable targets for new employees which must be attained in a certain time period
  - We have a system in place to listen to the frustrations of workers and attempt to resolve them
  - We have a system in place to listen to the frustrations of workers and attempt to resolve them

- **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
  - We are confident that we have the right people in the right jobs
  - We measure the effectiveness of each machine and know which of our machines are reliable and which need to be replaced
  - We know the manufacturers design capacity of each machine and are operating close to that design capacity
  - We continue to update our machinery and equipment to keep up with advances in technology
  - Machinery and equipment is maintained according to a proper maintenance schedule
  - We have a backup if a key piece of machinery breaks down

- **TOOLS & TIPS**
  - Choose tools and tips to try: Based on where your priority issues are

- **METHODS**
  - We understand what differentiates our business from competitors and we look to strengthen those capabilities
  - Our systems and processes are looked at regularly to see if they can be improved
  - We get feedback from workers who actually use the processes, on how they can be improved
  - We have identified areas where our business needs to improve in order to remain competitive
  - We often ask: Why do we do it that way? How can we do this better? Why is this necessary? Can multiple steps be turned into one? Could a new technology make this more efficient? (We are not afraid to challenge and change the Status quo)

1.1 REVIEW: CHECKLISTS

- Workers are trained and skilled for the jobs that they do
- 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
- We understand what rate of work (e.g. kg / hour, packs per minute) a skilled person can achieve
- We have clearly defined, measurable targets for new employees which must be attained in a certain time period
- We have a system in place to listen to the frustrations of workers and attempt to resolve them
- We have a system in place to listen to the frustrations of workers and attempt to resolve them
We are able to achieve consistent throughputs within the system, with workstations looking very similar each day. We understand why this has occurred and this is addressed so it does not happen again. We measure the number of delays / stops which occur and actively work to reduce these. We are able to achieve consistent throughputs within the system, rather than erratic performance from one hour to the next. Workers do not have to make unscheduled trips to collect tools or inventory. Boschââs delivery vehicles make use of full loads, rather than half loads. Deliveries take place during off-peak traffic, reducing delivery time but without negatively affecting production. We understand the capacity of each work station and provide adequate resources [people, raw material] to ensure the product line remains adequately balanced.

All machines operate at the manufacturers design level (if there is a machine operating above the design capacity, it runs the risk of breakdown and therefore causing prolonged delay). There are clear, open communication channels between workers and managers (waiting for information can be costly in terms of time and also can cause bigger issues, like machine malfunctions). Managers are visible and quick to respond to workers’ questions and information. We have a clear understanding of quantities required by our customers and workers have a clear understanding of quality expectations. They are aware of both the lowest acceptable quality specifications and also the maximum expectations, so they not only avoid producing non-conforming products but also do not waste time making products that exceed the specifications.

We balance our resources to the capacity of our facility, with workstations looking very similar each day. We understand the capacity of each work station and provide adequate resources [people, raw material] to ensure the product line remains adequately balanced. In general, workers are productive during the day – working consistently at the required speed. We undertake production planning to understand the inventory levels we require and only order in accordance with the defined plan. We keep the necessary packaging at our facility for the upcoming production runs and work to keep this at manageable levels. We undertake production planning to understand the inventory levels we require and only order in accordance with the defined plan. We keep the necessary packaging at our facility for the upcoming production runs and work to keep this at manageable levels.

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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) (you can break this down further into the 7 wastes if you wish)
   • 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.
   Review as many times as possible to ensure that the process flow is representative of actual conditions.
   To take this a step further you can also use your process flow diagram to measure and mark the process capacity per station, to understand and reduce your bottlenecks.

EXAMPLE OF A PROCESS FLOW DIAGRAM

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.

**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 0.066kg 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)

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1.3 REVIEW: MEASURE

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.

### 1.4 ANALYSE: PRIORITIES

#### 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 ISSUES
- List the category of the issue next to each: Capabilities/Resources (Skills, Manpower, Materials, Machines, Measure), Delays/bottlenecks or Wastes (The 7 Wastes: Transportation, Inventory, Motion, Waiting, Over-Processing, Overproduction, Defects).

#### STEP 3: ASSESS VALUE AND RELATIVE IMPORTANCE
- Apply an appropriate 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 31)
- Calculate a total of the potential gains of resolving all the issues listed.
- Add a column for percentage of the total 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 0-100 can be used. 0 being little or no benefit from eliminating the waste, 100 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/ reordered 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 each % to the next row (see the second table below for example). This illustrates that by solving Item 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.

### Pareto process. Table representing Steps 1, 2 and 3

<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 separating 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 Y often needs to be rejected due to quality concerns, causing delays</td>
<td>Materials</td>
<td>$23,000</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>$50,000</td>
<td>39%</td>
<td>81%</td>
</tr>
<tr>
<td>5</td>
<td>Machine A breaks down constantly, costing us 10% lost time on Line A</td>
<td>Machines</td>
<td>$55,000</td>
<td>39%</td>
<td>100%</td>
</tr>
<tr>
<td>6</td>
<td>Machine B is cold and clumpy, causing raw material loss higher than the average</td>
<td>Machines</td>
<td>$9,500</td>
<td>7%</td>
<td>17%</td>
</tr>
<tr>
<td>7</td>
<td>Productivity losses at station A are a result of unskilled workers</td>
<td>Manpower</td>
<td>$3,300</td>
<td>2%</td>
<td>9%</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>15%</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>17%</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>19%</td>
</tr>
</tbody>
</table>

The example is shown graphically here, with the initiatives on the x-axis and the gains on the y-axis. The cumulative gains are shown in the line graph, referenced on the secondary y-axis. The shaded block shows where 80% of the gains are.

### Pareto process. Table representing Step 4

<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>5</td>
<td>Machine A breaks down continuously, costing us 10% lost time on Line A</td>
<td>Machines</td>
<td>$55,000</td>
<td>39%</td>
<td>39%</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>63%</td>
</tr>
<tr>
<td>3</td>
<td>Raw Material from Supplier Y often needs to be rejected due to quality concerns, causing delays</td>
<td>Materials</td>
<td>$23,000</td>
<td>17%</td>
<td>80%</td>
</tr>
<tr>
<td>6</td>
<td>Machine B is cold and clumpy, causing raw material loss higher than the average</td>
<td>Machines</td>
<td>$9,500</td>
<td>7%</td>
<td>87%</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>93%</td>
</tr>
<tr>
<td>7</td>
<td>Productivity losses at station A are a result of unskilled workers</td>
<td>Manpower</td>
<td>$3,300</td>
<td>2%</td>
<td>95%</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>97%</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>99%</td>
</tr>
<tr>
<td>1</td>
<td>Efficiency gain is available by separating the weighing and packing functions on the floor</td>
<td>Methods</td>
<td>$1,500</td>
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<td>100%</td>
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<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>$50,000</td>
<td>39%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Total Potential Savings: $140,800 100%
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 Whys 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 Whys’ to get to the real answer.

```
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

```
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)
```

```
FISHBONE DIAGRAM
```

```
WHAT IS THE PROBLEM?
```

```
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?
```
1.6 IMPROVE; MANAGING CONTINUOUS IMPROVEMENT

**ACTION PLAN TABLES**

At the back of this toolkit there are action plan tables. You can use these 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 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 toolkit 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 then 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 you want 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 trialled.

### 4. ACT

**Implement the best solution**
- 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 – Has there been any aspect that didn’t work well? What can be done to address that?
- How can the improvements be maintained?
- 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.

### 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.

<table>
<thead>
<tr>
<th>Objective</th>
<th>Key Performance Indicator</th>
<th>Target</th>
<th>Achieved This Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase efficiency of machinery use</td>
<td>% increase in OEE score for each machine (explained below in Section 1.7.2, page 28-29)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduce lost time due to machinery breakdowns</td>
<td>% decrease in lost time (per month, per key piece of machinery)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase efficiency in raw material use</td>
<td>% increase in raw material conversion yield (less raw material usage in relation to output achieved)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improve frequency and detail of productivity measures</td>
<td>Number of lines with daily productivity measures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maximize manpower productivity</td>
<td>Number of departments with daily productivity meetings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Use line balancing to eliminate waste of delays/bottlenecks</td>
<td>Number of lines that have been analyzed with process flow and changes made to balance lines</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promote worker feedback</td>
<td>Number of worker-generated ideas for improving productivity/efficiency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Make any changes required to improve the implemented solution</td>
<td>% decrease in late deliveries (per month, per customer, per product)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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.

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 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.

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 fruit 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.

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, and that higher wages motivate harder work by up to 12%.
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 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.

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 dependant 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.

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:

\[ \text{Piece rate} = \frac{\text{Minimum wage per hour}}{\text{Average rate of pieces per hour}/12} \]

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 every person 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
- 9 - 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.wtmg.org/latex/laws/whsps/minwage/minwage.pdf
- Insights and practical examples of the impact and challenges of piece rate pay: http://www.nature.healdsley.edu/cece50/ag-labor/7labor/10.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.

Involving 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 ‘line 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 productivity (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 ±3 times the industry average

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?
  - eg. 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?
  - eg. 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.
  - eg. 800 units were produced and 20 of these were defects
  - (800-20)/800 = 98%

Overall score – Produced by multiplying the 3 scores together
  - (0.90 x 0.89 x 0.98) = 0.78 = 78%

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.

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 three 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%. As explained above the coloured bands are at different positions because what constitutes ‘good’ is different for the different components. It shows how the equipment scored with respect to Availability (90%), Performance (89%) and Quality (98%). These three multiplied together gives an OEE score (78%).

The red/amber/green system also allows the business to compare the OEE of one machine against another, different production lines in relation to each other, understand where there is opportunity for improvement and see the trend in OEE over time.

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 (eg 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 efficiency.
- 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.
  
http://www.six-sigma-material.com/Line-Balancing.html

CASE STUDY STRAIGHT LINE 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 Study36 (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.

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.

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.

BEST WAYS TO MANAGE
- Ensure there is a regular and up to date maintenance schedule for machines.
- Invest in training and skills development for employees to avoid user error.
- Make sure that workers get regular breaks and do not work excessive hours (tired workers are more likely to make mistakes that can cause work stoppage through injury or machine failure).
- Invest in technology to monitor production line performance, and provide early and on-time notifications.
- Ensure systems are in place to guarantee that inventory is available and accessible when it’s needed.

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 = $2400 x 3.5 = $8400
- 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 = $150
- Lost inventory = cost of materials damaged = $150
- Cost of downtime event: $8400 + $315 + $150 + $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.

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.

It reduced the amount of time spent loading and picking a shipment and also built in checks for the accuracy of the shipment.

This resulted in an optimised warehouse that could handle more orders, faster by having the technology for live statuses of stock levels etc.

Interview with Zarine Roode, Policies and Governance Specialist, ABI 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 manufacturing. 22

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 workspace 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.

A quality driven ethos and an efficiency / productivity orientated mindset go hand in hand.

THE EXPECTATIONS

Ensure that the purchasing companies’ detailed quality expectations are met in full every time.

This means that systems need to be in place to ensure both ‘Quality of Product’ and ‘Consistency of Product’.

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).

WHO

As with productivity, a quality assurance culture needs to be engrained throughout the organisation, from the most senior managers to the workers, including line supervisors, factory managers, quality assurance teams, HR practitioners and all supporting services.
**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 X 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 reason for the quality requirements and why these are important to achieve**
- **Our plans 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 individual team’s 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 (SOPs) which ensure consistency**
- **The team is encouraged to offer input towards the setting of the process / SOP 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 are 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’ products**
- **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 error, to maximise learning/improvement)**
- **The business has measures to tackle repeat quality issues and to reduce future defects**
- **We consistently drive quality products/services**
- **We consistently drive 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 enforced by maximising 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**
2.2 Review: Process Flow Diagram

Use a clean version of the process flow diagram you drew up for the productivity chapter and mark on the diagram WHERE IN the process there are recurring quality issues or high levels of defects. This should help you to refine your understanding of any issues identified in the checklists. You can categorise the issue points you’ve identified according to the 5Ms. (Methods, Manpower/people, Machines, Materials, Measure).

2.3 Review: Measure

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.

\[
DPU = \frac{Defects Observed}{Number of Units Inspected}
\]

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 reworks for each product and each department, each month
- Number of deliveries that were late, 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)
- Amount of material waste (choose a metric appropriate to your production)
- Amount of material waste (choose a metric appropriate to your production)
- Percentage of material waste (choose a metric appropriate to your production)
- Number of customer complaints/returned products (monthly, annually)

Frequency of data collection

As in the ‘Review: Measure’ section in the Productivity chapter, once you are collecting data monthly, you can increase the frequency and detail of the data collection to daily figures of reworks/reworking, every hourly.

Think through as a team how best to collect this data
- How will each piece of data be collected?
- Who do you need data from and when?
- Assign responsibility to collect, report, collate and analyse data.

Some further tips on identifying defects and collecting that information is given in the Quality control/assurance section (pages 34-35).

Trending data

There should be a system to keep track of these measures on an ongoing basis, to be able to see the trends, whether the business is getting better or worse.

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?

6 Sigma is a set of techniques and tools for minimising 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.

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

<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 material quality concerns from supplier M resulting in product rejects</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>

<table>
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<tr>
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<td>10,000</td>
<td>$4,000,000</td>
</tr>
<tr>
<td>3</td>
<td>Raw material quality concerns 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>
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<td>500,000</td>
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<td>$30.00</td>
<td>40</td>
<td>$720</td>
</tr>
</tbody>
</table>

#### 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.

So you might want to start with the items that are near the top of the table, with the lowest cost/benefit ratios, for example in the table below, numbers 2 and 3.

<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>
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<td>40</td>
<td>$720</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

All too often businesses focus on the symptoms of a quality issue rather than the root cause. Root Cause Analysis enables you to diagnose a problem, find out the underlying issue/cause, which is essential to finding effective solutions. The '5 Why's' and the 'Fishbone diagram' are both Root Cause Analysis tools that were explained in more detail in the Productivity chapter (page 20-21).

### 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 defect rate (per month, per customer, per product)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduce reworks</td>
<td>% reduction in reworks (per month, per customer, per product)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improve worker feedback</td>
<td>Number of worker-reported faults and defects</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improve supplier feedback</td>
<td>Number of supplier-reported faults and defects involved</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improve team satisfaction</td>
<td>Number of team-generated ideas for improving quality</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 customer satisfaction surveys</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease 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 an 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 inspections** on 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:

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

**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 0.002. 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 recording and/or reporting 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

**Minor defects**

- Scratches and dents
- Wrong finishes
- Incorrect weights
- Incorrect marking
- Missing parts
- Wrong color
- Other

**Major Defects**

- Defective materials
- Wrong or missing parts
- Other

**Critical Defects**

- Improper assembly
- Poor fits
- Other
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 these 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.

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 23).
• 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: Involving 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.

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### 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.

<table>
<thead>
<tr>
<th>Illness and Injury</th>
<th>Work-Related Illness and Injury Costs in the UK per Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.3ml</td>
<td>$170 billion a year in US</td>
</tr>
</tbody>
</table>

**COST TO BUSINESS**

- **Work Days Lost**
  - 30.4 mil working days lost in the UK per year
  - Workdays lost is 4% of annual GDP - $2 trillion

**WORKER Turnover**

Less motivated and physically resilient staff. 61% of workers would work harder for an employer who invested in their health.

**Worker Accommodation**

Workers making mistakes because of unsafe machinery.

**Legal Action**

A 2.7 million rand ($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.

**Health & Safety Improvements**

- Can result in significant returns on investment (ROI) with some interventions demonstrating a ROI of $9 saved for every $1 spent.

**Case Study: Rana 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 manslaughter after a fatal injury of an employee maintaining machinery.

**Case Study: British Sugar Stepping Up on H&S and Reducing ‘Lost 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

---

**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
- H&S policy, management systems, management responsibility are in place
- 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)
- Emergency preparedness procedures
- 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
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).
EMERGENCY PREPAREDNESS
- Plan for emergency situations, e.g. fire, medical, natural disasters, civil disobedience
- Site co-ordinator responsible for emergencies
- All relevant staff 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 received 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 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 restroom/toilet facilities provided with sinks, running water and rubbish bins
- Restrooms are clean and hygienic, regularly cleaned, with adequate hand soap, paper towels or hand dryers
- Restrooms/toilets segregated by gender
- Centre 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, e.g. hand washing 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/tests provided by law (NB 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 Island 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 in an incident or accident
- 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 that all workers can voice 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 55

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, slips and falls and other potential hazards. Assign management actions are assigned to resolve any potential issues observed and to mitigate identified risks
- Job/tasks are assessed for potential repetitive motion injuries
- Accidents, injuries and incidents are closely monitored, tracked and investigated (including near misses). The records/logs are reviewed to evaluate any trends
- Solutions/rective 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

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
- Is 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

* Cardiopulmonary resuscitation (CPR) is an emergency procedure for someone in cardiac arrest.
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>5 Steps of a 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 refraint 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>


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.

HEALTH AND SAFETY COMMITTEE

This is a group that discusses any concerns and potential risks in terms of workers’ health and safety.

The people most likely to notice a potential problem are the workers themselves who are working alongside machines and hazardous materials all day. Giving opportunity for workers to freely raise concerns and also suggest solutions will be very valuable to management.

A H&S Committee:

- Should meet at least quarterly
- Should include members from every level of the workforce and from various shifts and functions
- This team should receive training on health and safety, hygiene, waste management, proper handling and disposal of hazardous materials
- Meeting notes should be taken, with concerns, suggestions and also actions agreed and a note of who will do the action and by when. The management need to feedback to the committee on progress on the actions
- Taking action on issues raised builds trust and confidence

Practical tools: Health and Safety Committee template meeting note/agenda is given in Appendix 2, page 109.

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 (OHS/EHS).

http://www.ilpi.com/msds/index.html

FIRE EXTINGUISHER CHART

**EXTINGUISHER**  **TYPE OF FIRE**

<table>
<thead>
<tr>
<th>COLOUR</th>
<th>TYPE</th>
<th>SOLID FLAMMABLE</th>
<th>LIQUID FLAMMABLE</th>
<th>GAS</th>
<th>ELECTRICAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>WATER</td>
<td></td>
<td>✗</td>
<td>✗</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FOAM</td>
<td></td>
<td>✗</td>
<td>✗</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CARBON DIOXIDE</td>
<td>CO²</td>
<td>✗</td>
<td>✗</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>FOAM</td>
<td></td>
<td>✗</td>
<td>✗</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Fire extinguisher colours/types may vary in different countries

Further info: www.firesafe.org.uk/portable-fire extinguisher-general/

HOW TO USE A FIRE EXTINGUISHER

REMEmBER THE PHRASE

PASS

PULL AIM SQUEEZE SWEEP

2 METERS

PULL AT THE PIN

Aim AT THE base OF THE FIRE

SQUEEZE THE Handle

SWEEP from side TO side

the pin

1, 2, 3 METERS
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 working week or 60 hours per week including overtime
- Working overtime should be seen as the exception, not the norm

WHO

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

Senior management, production manager, supervisors, line managers, staff involved with managing payroll and timekeeping.

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 5 years (it is recommended that the documents are kept for 5 years).
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**
- Advance work and high turnover
- Incomplete headcount
- Difficulty in recruiting qualified personnel

**MACHINES**
- Requirements of heavy physical activities during long hours
- Shift Configuration
- Higher corrective maintenance than preventative maintenance

**MACHINE BREAKDOWN**
- Machine breakdown

**OVERTIME**
- Long distribution routes
- Inaccurate distances for distribution routes

**MEASURE**
- Inaccurate record keeping system

**METHODS**
- Poor sales forecast
- Excessive number of changes (SKUs)

**EXPERIENCE**
- Property management, ineffective maintenance

There is a difference between clocking IN and OUT at access control at the site entrance and clocking ON and OFF at workstations.

Coca Cola Beverages South Africa (CCBSA) made some changes in this regard:

- Moved to biometric clocking readers to ensure that employees clock (previously access cards sometimes got left at home/lost)
- Made it compulsory to clock in and out properly, failing to do so is an offense (ensures that there are no missing times which cause wrong payments/overpayments)
- Moved the clocking stations around and closer to working stations
- Confirmed payments by only looking at ON and OFF clocks at the work stations and not at IN and OUT clocks when entering or leaving the site (so an employee can clock OFF at a workstation after a shift and go to the canteen or go and shower or wait for transport in a safe space on site)

**ANALYSE: ROOT CAUSES**

**PRACTICAL TIPS AND TOOLS FOR IMPROVEMENT**

Reducing overtime hours without reducing output or wage levels is a challenge many production units face. In many countries factory managers feel it is just ‘normal’ to have excessive hours and that it can’t be changed. However, with this toolkit we really want to challenge that presumption. It’s important to role that reductions in overtime are usually gradual, not immediate and that high level and middle management commitment must be present.

**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 hours, productivity, quality (defects/losses) etc. Keep track of these as you make changes in overtime hours, both for individual employees as well as the site as a whole.
- Assess 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.

**ANALYSE: ROOT 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.

**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 to ask ‘Is this overtime necessary?; and ‘can this work not be done during normal hours?’ In some cases staff will look to maximise overtime due to increased pay rates, where in reality all of the responsibilities can be completed during normal working hours.

**IMPROVE: PLAN, TAKE ACTION AND MEASURE IMPACT**

- 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
- 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 a 6 day work pattern by shortening the hours worked in the week from 9 hours to 7.5 hours and including Saturday 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 - so where they used to pay double overtime for Sunday, they would now only pay a 1.5 times premium for all Sunday work but everyone still got 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.

These possible solutions can be important and may be necessary but ultimately they are treating the symptoms rather than the cause of the problem. The most innovative approaches are now tackling the source of the problem and reducing the need for the excessive hours. Often the more direct approaches mentioned above will work best in partnership with the approaches explained below which improve productivity, quality, HR and communications.

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 85%)
- and a greater sense of teamwork and higher levels of motivation

Overall average results from the Impactt Overtime Project

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 64-65)
- 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 this was passed on 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 the afternoon to catch up. Excessive hours were reduced because the workers (paid by piece rate) were more motivated to reach targets in reasonable hours.

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' for production can be displayed in each work area, to highlight the common quality issues at that stage and how to avoid them.

PRODUCTION PLANNING

- For some businesses it may be helpful to increase your inventory to help level demands.
- Improve production planning. Line managers and supervisors often comment that high overtime hours are driven by overbooking, poor capacity planning and unanticipated customers' demands.
- Take a closer look at your tracking of order volumes and timing and see what the patterns are. Could this help you to forecast more accurately?
- Ensure the orders you are accepting are feasible based on the exact capacity of the factory.
- Is it possible to improve communication with customers so that production forecasting can improve and reduce the rushes for big last minute orders?
- Staging of production planning, or increasing ‘carry-overs’ from Friday to Monday can assist in reducing overtime. This requires careful production planning as some raw material may ‘expire’ during the carry over period.
- Production targets and schedules based on realistic labour efficiency rates. If measures of worker productivity/efficiency (used to set targets and schedules) are unreasonably set, this will impact timelines and result in overtime hours to complete targets. Labour efficiency rates need to include and consider set-up time and sufficient time for workers to eat, rest, stretch and go to the toilet. Coordinate with Human Resources to ensure capacity planning takes into account the complexity of the process and the workers’ skills. Review the efficiency rates that you use to set production targets and schedules. Do they include these factors and are they actually reasonable?

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. 60
- 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 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.
- Assigning 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 area allows more flexibility and efficiency in the production process.
- Establish and maintain a sense of teamwork and high worker morale. Low productivity of workers can result from them feeling intimidated; dissatisfied (because of low wages and/or long hours); uncomfortable or unhealthy (due to excessive heat, dust, fumes or other hazards). Workers who take pride in the work they do, feel respected in the business, work in good conditions and are treated well by supervisors and co-workers are more likely to be productive and meet delivery deadlines.
- Training for middle management, supervisors and line managers. Increasing awareness and responsibility for worker wellbeing at this level If workers are shouted at or unfairly treated they are more likely to leave or be less productive. Middle management need to understand the importance of the whole team working together for their section to be successful.
- Improved working conditions result in better efficiencies. Creating an environment that is conducive to working efficiently is an important consideration in maximising ‘normal’ time and thereby reducing overtime. For example, working in moderate temperatures, without over exposure to the elements: Ergonomics play an important role to ensure workers are able to perform optimally throughout the day.

In one of the Chinese factories in the Impact ‘Changing Over Time’ Study, mentioned on page 65, the worker turnover rate reduced from 140% to 9.6% during the project.

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 also a source of innovation as they are dealing with the details of production minute by minute and they will spot bottle-necks 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.
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 them 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 of rest is important to their long-term health and well-being.

**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 week 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?

5.1.1 Workplace Cooperation and Communication – Overview

The Expectations

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

Who

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

What

- Can you imagine the productivity benefits of increasing the level of real engagement and commitment at work?

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

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 56

We don’t think this is your experience.

What would you like to change? 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 put forward ideas. They have managed to decrease their defect rate from 5% to 2% within just 3 months.

“...” – H. Susanto, Director of PT Laksana Teknik Makmur.

Case Study

Worker Cooperation in Small Indonesian Factory

WHAT THIS MEANS IN PRACTICE

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

- 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

% A RECENT POLL

86% of managers and employees surveyed cite lack of collaboration or ineffective communications as a key reason for workplace failures. 53

46% employees surveyed routinely receive confusing or unclear directions (36% said up to 3 times a day. Estimated it wastes 40mins a day, the equivalent of 83 employees in a company of 1,000 doing nothing every day. 52

69% of employees said they would work harder if they were more appreciated 55

Differences in manager-employee communications practices directly responsible for an 18% variation in absenteeism rates. 54

Businesses with effective communication are more than 50% more likely to have employee turnover levels below industry average. 51

Improved worker turnover

Workers are a valuable source of innovation

Higher productivity

Better productivity

Less time wasted

Improved workplace morale, trust & commitment to the business

Lower absenteeism

Value to Business

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

Discussion

The need for improved and effective communications is a continuing issue and one that is becoming increasingly urgent in today’s business environment. The role of managers in ensuring effective communication cannot be overstated. It is essential that managers take the initiative in creating an environment of open communication and shared understanding.

However, effective communication is not just about sharing information; it is also about building relationships, understanding different perspectives, and working together towards a common goal. This requires active listening, empathy, and a willingness to engage in dialogue.

Effective communication is critical for the success of any organisation. It can improve productivity, decrease turnover, and enhance employee satisfaction. It can also help to build trust and foster a positive organisational culture.

In conclusion, managers must recognize the importance of effective communication and actively work to improve it. This includes not only sharing information but also fostering an environment of open dialogue, mutual respect, and collaboration.

References

1. H. Susanto, Director of PT Laksana Teknik Makmur.

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

3. “...” – H. Susanto, Director of PT Laksana Teknik Makmur.

4. Information is shared widely across your organisation

5. Two-way communication is actively promoted

6. Managers communicate regularly and in a variety of ways with workers

7. Communication is in a simple, understandable form, in a language all workers can understand

8. Workers generally know and understand the goals of the organisation

9. Using notice boards and visual information sharing to the best capacity

10. Daily team meetings

11. Workers able to identify and have opportunities to raise issues and suggestions for improvement in the production site (productivity, quality, H&S, other issues)

12. Employees are encouraged to make suggestions and these are listened to and acted upon where relevant

13. Workers feel confident to share ideas and suggestions

14. Good suggestions are often implemented

15. The leadership style empowers workers as a source of innovation and welcomes problems as opportunities for improvement

16. There is a good level of respect and trust

17. 86% of managers and employees surveyed cite lack of collaboration or ineffective communications as a key reason for workplace failures.

18. 46% employees surveyed routinely receive confusing or unclear directions.

19. 69% of employees said they would work harder if they were more appreciated.

20. Differences in manager-employee communications practices directly responsible for an 18% variation in absenteeism rates.

21. Businesses with effective communication are more than 50% more likely to have employee turnover levels below industry average.
PRACTICAL TIPS AND TOOLS FOR IMPROVEMENT

Some types of workplace cooperation and communication – formal and informal

As you read through this list, ask yourself:

- What forms of workplace communication and cooperation already exist in our facility?
- How well are they working?
- What are the strengths and weaknesses of each approach we take?
- What needs to change to make them more effective?
- What new/different form(s) 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. This could be in meetings, conversations, workshops or training.

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.

Review-action meeting (RAM): Brief team meeting at the end of a shift to consider what went well, what needs improvement, and any other issues that need addressing.

Line/Cell team: 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.

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.

Consultation: 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 receive 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.

Meeting agenda:

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 reviewed)
  - Identify any unforeseen issues – what actions need to be taken?
  - Review action items and ensure they are recorded
  - Close
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. 50% 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 unun solve 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.
- Leadership mentality and style has a significant impact on communication quality/effectiveness of cooperation and relationships with two unions.

CASE STUDY

Synthite Industries, a spice ingredient provider in Kerala, India, believes that employee engagement is essential to building a stable workforce. The site engages and has good relationships with two unions.

Synthite’s HR Manager Raeez K.A says “it is vital to use meetings and committees to ensure good two-way communication and to foster inter-level engagement.”

My Voice, launched in 2009, is a formal employee engagement programme initiated by the workers themselves. It is a monthly opportunity for employees to feedback confidentially on anything work-related. “The results have been positive, with many minor issues being brought to attention of management that might not have been noticed otherwise.”

How ‘My Voice’ works:
- Formal guidelines were produced to ensure workers and staff understood the objective and process.
- The monthly session is chaired by representatives from the HR department and workers and cooperation from them, which is essential to the productivity and growth of your business.

Synthite’s Hr manager raeez k.a says “it is vital to use meetings and committees to ensure good two-way communication and to foster inter-level engagement.”

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 select/answer, with space to write a comment if they wish.

What do you do with results?
- Data needs to be collated, analysed and statistics produced for each question.
- The top issues can be identified from the responses (H&S, 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.

Practical Tool:

Worker Engagement Survey

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.

- Is the money you earn enough to cover your basic expenses?
- Are you able to get to the end of the month without borrowing money?
- Are you able to save 10% of your total income each month?
- I feel that management takes my concerns and complaints seriously.
- How would you rate your relationship with your supervisor / manager? (Positive / Neutral / Negative / Not applicable)
- Have you noticed any health and safety 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)

What do you do with results?
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- 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 employees’ 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 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

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 (COCLSBA) 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, disciplinary, 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
**PRACTICAL TIPS AND TOOLS FOR IMPROVEMENT**

**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://globalcompact.org/](https://globalcompact.org/)
- 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)

**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.

**THINK**

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 NEXT?**

- 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.

**WHY 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.

**THINK**

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

**WHAT NEXT?**

- 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.

**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.

**THINK**

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 NEXT?**

- 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.

**WHY DO YOU NOTICE?**

**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.
- A 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 recognized and rewarded for good suggestions and never penalized 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.
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 and retention 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 and 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

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 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 108).

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.

There are a number of factors that can be drawn out from this diagram, that impact the motivation of employees at work, some of which are dealt with in this ‘Workforce Management’ chapter and others are dealt with in other chapters.

- Basic biological and physiological needs met: wages and benefits
  - Feeling safe and secure: health and safety, not working excessive hours, job security/regular employment, a culture of respect – with no discrimination or harassment
  - Belonging: Teamwork
  - Feeling valued: Teamwork, regular feedback and appraisals, able to contribute ideas for improvements, grievance mechanism
  - Self-actualization: Training, opportunities for promotion

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) is provided for you to do that in
6.1 WAGES AND BENEFITS

WHY THIS IS IMPORTANT TO YOUR BUSINESS

WAGES

Paying decent wages

Increased job satisfaction, worker morale and loyalty

Lower absenteeism

Improved productivity & performance

Stronger recruitment opportunities

Improved reputation

Stronger more resilient workers / fewer health issues

Value to business

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

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 benefits 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, timescards, production records, piece rate records for all workers

The connections illustrated in this diagram have been evidenced by various studies reported in Forbes Magazine and Harvard Business Review. 67

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 saves significant costs of employee turnover (recruitment and training). 44

The company’s more stable and productive workforce has been shown to more than offset the costs. Costco has a employee turnover of 17% overall (just 6% after one year’s employment) compared to 44% at Walmart, close to the industry average. 61

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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 benefits 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, timescards, production records, piece rate records for all workers

* 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 line 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 establishes a standard level of nutrition, housing, transport, energy, healthcare, childcare, education and savings within regulated working hours (e.g without overtime hours). For more information: Base Code Guidance: Living wages. Ethical Trading Initiative http://www.ethicaltrade.org/resources/base-code-guidance-living-wages

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’) 44

CASE STUDY

Pay wages according to at least the legal minimum standards or appropriate industry standards, whichever is higher.
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 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 for 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 and some discretionary income) you may be interested to carry out a ‘living wage study’ at your facility using the International Labour Organisation’s methodology: [link](https://www.iadb.org/en/water-management/whatnext).

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TACKLING TOUGH SITUATIONS

WHY THIS IS IMPORTANT TO YOUR BUSINESS

Your business must be legal for 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 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.

If you find workers in the supply chain that are below the minimum age or are unable to work full-time, you need to develop a system to check official documentation and require an appropriate government organisation, if required in your country.

Employment agencies and 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 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 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, dates 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.

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.

- 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).
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- Keep a copy of this document and ensure the original is returned to the worker.
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- 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).
CASE STUDY
APPLE SUPPORTS SUPPLIERS TO TACKLE CHILD LABOUR IN CHINA

Apple operates a ‘Prevention of Underage Labour’ training programme aimed at helping its suppliers identify and prevent underage labour, in provinces of China that represent a high risk on this issue.

The training addresses effective age verification methods, as well as the steps to be taken if underage employees are identified during auditing. It also introduced a guidebook to assist with the verification of legal identification documents and the assessment of the recruitment practices of third-party labour agents.

Following training, the selected suppliers assess their internal and external child labour risks – and create action plans to address any concerns. These are then reviewed by Apple. Where necessary, suppliers are assisted in the implementation of their action plans by industry consultants. In addition, higher risk suppliers are given the names of labour agents to avoid, as well as guidance as to how to work with labour agents, including advice around:

• Ensuring the labour agents have all necessary licences and permits
• Conducting regular audits of labour agents’ recruitment practices
• Reporting violations, both to Apple and to the local authorities

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.

Acceptable and unacceptable forms of work for children and young people

The table below gives a few examples.

In some circumstances it is acceptable...

• For adolescents to help a parent who is a home worker (if the work is not hazardous)
• To work part-time in the evenings or at weekends while also continuing with their studies
• For adolescents to help out with the harvest during school holidays

As long as such work is not hazardous or excessive

It is unacceptable...

• For a ten-year-old child to be sent away to work full-time as a live-in domestic servant or in a factory
• 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

EVIDENCE OF AGE

• Getting 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 generally 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 ‘Code of Guidance: Child Labour’, published by the Ethical Trading Initiative.

www.ethicaltrading.org/issue/child-labour

• 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.

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/yag6bd4z
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 doesn’t 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.

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 x 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).

□ All employment is entirely voluntarily
□ Workers are not indebted to the facility or recruitment agency
□ Government-issued identification, passports or work permits are not withheld from workers. COPIES can be taken and originals returned to the 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 at any time
□ 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)

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

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 being not 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 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 R1,500 a month and maximum repayment period is 6 months, 10% of R1,500 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

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 in any way, holding them in employment.

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 owing 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 swarm unclear about their work/employment conditions/wages etc
Workers who feel safe and respected, participate in the work with more motivation. Divided teams don’t function effectively but teamwork, respect and good communication improves productivity and quality.

**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 teamwork, 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 discriminatory-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 on an action for every ✗

  **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 fired? 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 if it is used it should only be what is strictly necessary. (This includes contact 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 (e.g. 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 (e.g. 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)
  - 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. 15
- Tackling discrimination and promoting equality? produced by Acas (Advisory, Conciliation and Arbitration Service) in the UK. Link in the endnote references. 15
- Practical guide on disciplinary processes and appeals, which includes sample templates of written warnings etc. 16
https://www.icas.co.uk/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 treated with dignity and respect.
- Workers who feel threatened and scared won’t offer their best work, with more motivation, performance and higher turnover.
- Your policy is on these issues.
- Allow discussion on what are acceptable and unacceptable behaviors so that employees at all levels can identify when a situation is not in line with the policy.
- Roles and responsibilities.
- How situations/issues should be resolved.
- Ensure everyone knows what to do if they experience or see behavior which is not acceptable.
- It should be clear that no recriminations will occur for raising a genuinely felt concern.
- Special input into teams responsible for recruitment, selection, appraisal, supervision etc.

Mapping the issues
Although the basic level of training above is beneficial, this factual type of training will not be sufficient to shift the culture in your workplace. People will only start treating people equally?

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 each 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 everyone 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 each person to be treated with dignity and respect?
- Are there particular people who are worse at this behavior? Have they been spoken to/disciplined?
- Is the management leading by example by eliminating any shouting, bullying or harsh treatment in their own behavior?

Changing mindsets
Once you have an idea as a team about what the key issues are in your workplace 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

TACKLING TOUGH SITUATIONS

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

CASE STUDY: GENDER EQUALITY IN THE WORKFORCE IN INDIA

Tata Steel is an equal opportunities employer, has 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: inducting 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 is addressed through a special committee.

The result is that the number of applications from women has been steadily rising each year. 77
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

JOBS REGULAR EMPLOYMENT
Rather than over-use of temporary or casual labour

LESS RECRUITMENT, HIRING AND TRAINING

BUILD SKILLS AND EXPERIENCE IN YOUR WORKFORCE

INCREASED PRODUCTIVITY

REDUCES QUALITY ISSUES

REDUCES LIKELIHOOD OF ACCIDENTS AND INJURIES

VALUE TO BUSINESS

Higher output

Reduced costs of remaking products

Reduced costs of lost work

Reduced costs of recruitment and training

THE EXPECTATIONS

- 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
- 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

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 on an action for every ✗ (sample action plans are given at the back of the toolkit).

- 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 TOUGH SITUATIONS

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.

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.

What do you now?

1. STOP
2. WHAT
3. TALK
4. TACTLE
5. REVIEW

WHAT DO YOU NOW?

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.
7. ENVIRONMENT

**WHY THIS IS IMPORTANT TO YOUR BUSINESS**

- Reduce costs of potential lawsuits
- Reduce environmental / health damage through pollution
- Reduce costs of waste removal
- Reduce costs of utility bills and other expenses
- Costs savings

**VALUE TO BUSINESS**

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

**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.

**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**

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.

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).

**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), Sewerage 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 usage 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
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 on 'How to develop an effective waste management and disposal strategy' and you can access the link in the endnote references. Although it refers to UK legislation, it contains some very helpful guidance and tips that are applicable elsewhere.

ENVIRONMENT PRACTICAL TIPS

ENERGY EFFICIENCY

In the ‘Better business guide to energy saving’, 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 Motor’s 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.

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 or 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.

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.
8. BUSINESS INTEGRITY

WHY IS IT IMPORTANT TO YOUR BUSINESS?
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.

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). Bribery 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)

*Dixieo give the following definitions. A bribe is the offer or receipt of anything of value or other advantage to or from any person, where there is an intention of improperly influencing a business decision, or where the person may not be permitted by their employer or local law to receive it, or where the thing of value is to encourage someone to do something which is dishonest, illegal or a breach of trust in the performance of their role. Corruption is the abuse of entrusted power for private gain, which can take many forms that vary from the minor use of influence to institutionalised bribery.*
PRACTICAL TIPS AND 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 serious 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, so without retaliation and receive a financial reward for the tip

You may choose to make whistle-blowing part of your grievance procedure, which is covered in Section 5.3 (page 70). However, it may be appropriate for there to be a separate system. If that’s the case, here are some steps you can take to set up a system for whistle-blowing.

- 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, 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
- Reporting mechanism: Set up a variety of channels that are easily and cheaply accessible 24 hours a day, 365 days a year. This might include a telephone hotline, in-person reporting, online forms, a dedicated email address or postal address
- Intake operators: Those who receive the information must be trained to handle sensitive reports appropriately, in workers’ first languages, including gaining sufficient relevant information even if the person is hesitant, emotional or anxious
- Internal or external: If the system is internal, the costs of training, operators, technology and perception of trustworthiness need to be considered. A third-party hotline provider may be the best solution
- Anonymity: This can build confidence to report concerns. However, if the report is anonymous it is important to get specific and credible information to support the complaint e.g. alleged perpetrators, location and type of incident, names of other people aware of the incident etc
- System for review and action on complaints: A team should be formed to regularly review any complaints/ reports and gain further evidence if necessary and to make a conclusion and recommended action to resolve the situation. Investigation procedures may be different for different issues, eg harassment claims should be referred to human resources; employee theft or external fraud might be referred to a different department. Each of these functions might operate differently, but the investigation and reporting protocols should be formalised
- Record keeping: must be effective and consistent with appropriate data security measures
- Provide support to the whistle-blowers: including an open, communicated and fully enforced anti-retaliation policy. Some companies offer financial rewards for accurate reports
- Communicate the outcome: This must be done in a timely manner
- Training and communication: Ensure every employee is aware of the system and how it works, what can be reported, how to access it, what the process will be and their right to anonymity and confidentiality. If there is a hotline/ helpline number, details can be displayed on posters in the facility, in multiple languages if necessary. It also needs to be communicated to vendors, contractors, customers and other third-parties

Ensure you are aware of your customers’ requirements and mechanisms/services available for whistle blowing by checking their supplier code and website.

TAKE THE NEXT STEPS

What do you do next?

- Report it: If you have evidence of bribery or corruption, report it to the relevant authorities. If the report is anonymous, you may want to review the connections of all senior staff to ensure there are no conflicts of interest.
- Communicate: Inform your employees about the bribery and corruption policies, including the reporting mechanisms.
- Follow-up: After receiving a report, take appropriate action to investigate and resolve the issue.
- Review: Regularly review the effectiveness of your bribery and corruption policies and mechanisms.

TAKE THE NEXT STEPS

What do you do next?

- Report it: If you suspect bribery or corruption, report it to the relevant authorities. If the report is anonymous, you may want to review the connections of all senior staff to ensure there are no conflicts of interest.
- Communicate: Inform your employees about the bribery and corruption policies, including the reporting mechanisms.
- Follow-up: After receiving a report, take appropriate action to investigate and resolve the issue.
- Review: Regularly review the effectiveness of your bribery and corruption policies and mechanisms.
9. LAND RIGHTS

WHY THIS IS IMPORTANT TO YOUR BUSINESS

For your business to be viable and have social and legal license to operate in a country and region, land acquisitions need to be done in a way that is legal and respects rather than antagonizes local communities or threatens natural resources.

COST TO BUSINESS

- Legal costs
- Loss of sales
- Productivity losses
- Cost of senior management time

THE EXPECTATIONS

- Follow all applicable national laws relating to the rights of land and natural resources
- Ensure land acquisitions and changes of use are made respecting the rights of individuals and communities impacted
- Conduct due diligence around land rights and title during the development of new business opportunities and seek free, informed, prior consent
- Have a grievance mechanism in place to resolve disputes over land titles

WHO

Who needs to be involved and informed?

Senior management, owners of the business, financial manager, those responsible for negotiating purchase of property/land

CASE STUDY

A study evaluating the cost of insecure land tenure estimated that social conflict could increase operating costs as much as 29 times over a normal baseline scenario.

“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.

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
- Online resource for information, data and knowledge-exchange on land governance issues: www.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
- The Coca-Cola Company has produced a ‘Responsible Land Acquisition Guide’ (link in endnotes).
- Oakland Institute: https://oaklandinst.org
- 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).

96 97 98 99
**APPENDIX 1**

**CALCULATING THE COSTS OF STAFF TURNOVER**

It’s important to know the business value of committed workers and retention. 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) filing-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></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 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 | |

| 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) | |

| Total Cost: | |

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


**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](http://www.worksafebc.com/en/resources/health-safety/books-guides/templates-resources-joint-health-safety-committees).

<table>
<thead>
<tr>
<th>Meeting date:</th>
<th>Committee members: present include name + indicate worker or employer rep</th>
<th>Last committee evaluation:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Next meeting:</td>
<td>Next committee evaluation:</td>
<td></td>
</tr>
<tr>
<td>Previous meeting:</td>
<td>Days without time-loss injury:</td>
<td></td>
</tr>
</tbody>
</table>

### 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>

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

#### Reports

- **First aid**
  - Incidents requiring investigation
  - Incidents requiring investigation (resulting in worker injury or near misses)
  - Optional: property damage incidents, environmental impact incidents, threats of violence

- **Inspections**
  - e.g. Equipment, Facilities, Work Practices, H&S Association inspections

- **Other OHS reports**

#### Other activities

- **Training and education**
  - New and young worker training
  - Equipment and work procedures training
  - First Aid training

### 3. DISCUSSING ITEMS THAT NEED ACTION

#### Old business

- Number of items for ease of reference
- Issues raised at previous meetings - status on actions and whether they are complete.

#### 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)

Referred to as the “temporary employment service” in the Agreement

And ____________________________

(insert name of client company)

Referred to as the “Client” in the Agreement

The temporary employment service_____________________________ agrees to:

(i)   employ and supply suitable employees to the Client.
(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 conduct of the employee unsatisfactory. in this regard the client undertakes to advise the temporary employment service in writing the temporary employment service reasonable opportunity to rectify the situation should the Client find the work performance or client’s property or business interests caused by or arising from any act or omission by any employee of the temporary employment service.

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 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.

(iii) 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.

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

(iii) In cases where the Employee was previously employed by the Client, the years of service worked for the Client will be acknowledged by the temporary employment service with the proviso that the Client shall be responsible for any payments or bonuses payable to the Employee up to and including the date on which the contract of employment was transferred to the temporary employment service. This shall include a pro rata share of any retirement package if applicable.

(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.

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 …………………………………………

The temporary employment service for the Temporary employment service

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>Date completed</th>
<th>Details / Trends</th>
<th>Who did?</th>
<th>How much?</th>
<th>When will it be done?</th>
<th>Who needs to be involved?</th>
<th>Who is responsible?</th>
<th>Update / Details date</th>
<th>Completed</th>
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</tr>
</tbody>
</table>

ACTION PLAN TEMPLATES
REFERENCES


4) Tesco: Disciplinary and Appeal policy and procedure shared on Sustainable Agriculture South Africa’s website https://www.siza.co.za/documents/Ethical_Disciplinary_and_Appeals.pdf


28) Example of a service agreement. Adapted from a sample provided by Sustainable Agriculture in South Africa. https://www.siza.co.za/documents-library/documents-templates/