

Complaint – LK International AG – China

Status: Closed

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

The responsibility of FWF includes investigating the complaint, verifying whether the agreed corrective action plan is implemented and public reporting.

This complaint report gives an overview of a complaint filed to FWF, the investigation and agreed corrective action plan as well as how the outcome is verified.

For more information on the complaints procedure see the FWF website. FWF also publishes an overview of complaints received in its annual reports.

1. Affiliate involved

LK International AG (Switzerland), hereafter Kjus.

2. Accused party

The complaint was filed against a factory in China which is a supplier of FWF affiliate Kjus.

3. Date of receipt complaint

The complaint was formally received by FWF through its local complaints handler in China on 24 November 2013.

4. Filing party

The complaint was filed by a worker of the factory whose contact details are known to FWF but will be kept confidential.

5. The case

On 24 November, two workers indicated rumour at the factory was the contract fulfilment bonus of 20% of their monthly wage will be cancelled.

On 26 November, one of the plaintiffs informed FWF the contract fulfilment bonus had in fact been cancelled. According to the plaintiff this was partly because they complained to FWF (the same workers filed an earlier complaint in October 2013).



(The contract fulfilment bonus is 20% of workers monthly wage, which is distributed to workers twice a year. If workers do not follow the contract, they are not able to get the contract fulfilment bonus. The contract fulfilment bonus is not mandatory by law).

In addition, the workers complain the factory starts to use monetary fine as disciplinary practices. For example, they are fined 5 RMB if they do not cut/trim the thread well on the garments; they are fined 20 RMB if they do not open the pocket on the garment properly, etc. The workers from the packing workshop are fined 2 RMB when workers do not flatten the garment before putting it into a plastic bag.

6. Admissibility

On 25 November 2013 FWF decided that the complaint was admissible.

At the time of receiving the complaint the factory is an active supplier of LK International, an affiliate of FWF.

The case is relevant to the following labour standards of FWF's Code of Labour Practices:

- Payment of a living wage.

7. Investigation

On 26 November 2013 FWF informed Kjus that the complaint had been filed through its complaints procedure. The suppliers confirmed they cancelled the year-end bonus because the employee breached the contract.

In the meantime, FWF's complaints investigated the legislation that refers to the payment of bonuses. The contract fulfilment bonus is not mandatory by law. However, if the workers are counting on the bonus as a big contributor to their income to meet basic needs, it can have a big impact.

FWF's complaints handler spoke to one of the plaintiffs again who could not confirm whether the bonus had been cancelled. The worker believed the monetary fine policy was still intact, but so far she is not aware of any of the fines had been implemented.

On initiative of Kjus, a personal meeting was held with FWF's complaints handler in Shenzhen to discuss practical solutions for the complaint.

A follow up meeting was held between Kjus and the owners of the supplier in Hong Kong in June 2014 where all issues from this complaint and earlier complaints were discussed.

8. Findings and conclusions

The contract fulfilment bonus is not mandatory by law. Management indicated the bonus is only paid in case workers complete their one year labour contract; this internal bonus system is accepted as it is no law violation.



9. Corrective action

Given that there is no legal ground for requiring a bonus payment, remediation is not applicable in this context. Kjus will work with the factory on improving its payment system, starting with improving the labour contracts to reflect the actual wage of workers. This will form the bases on paying the premiums based on the piece rate of workers which will be a good effort to work towards payment of living wages.

Remediation must take place to abolish the monetary fine policy of the factory.

Effective worker representation is needed for workers to be able to negotiate their piece price. It is suggested to organize a meeting between workers and management to find a solution acceptable to both parties.

A training as part of FWF's Workplace Education Programme took place on 14 March 2014.

10. Verification

On 26 June 2014, Kjus management had a meeting with the supplier to discuss the details of the complaint. The supplier indicated to consider working on the premium payment based on the piece rate instead of the minimum wage.

At the next Performance Checks FWF will review Kjus' efforts to implement steps towards payment of a living wage.

Unfortunately FWF was unable to contact the plaintiffs again in June/July 2014. Several messages were sent through QQ without response.

FWF suggests conducting a verification audit in 2015 to verify the bonus system and monetary fine practices.

11. Evaluation

N/A