



RETRENCHMENT

RESPONSIBLE DOWNSIZING & FACTORY CLOSURES: PROTECTING WORKERS' RIGHTS IN ECONOMIC CRISIS

The Challenge

A critical issue facing businesses, communities, workers and organizations in today's global economy is the circumstances and subsequent fallout surrounding supply chain consolidation and closure of factories. In addition to the loss of jobs and adverse impact on communities, downsizing and closures often undermine workers' rights.

The conditions of employment and dismissal at factories should be governed by written policies on equality of opportunity and treatment combined with written implementation procedures backed by training, communication and appropriate controls.

Retrenchments are "no fault" terminations – in other words, the worker is not responsible for the termination of the employment relationship. The effective cause of the retrenchment is one or more external or internal factors related to the employer's business situation.

The Solution

The FLA Retrenchment Guidelines (see www.fairlabor.org) outline actions employers should take to ensure a transparent, fair and objective retrenchment process.

The **FLA toolbox on Retrenchment** provides a range of assessment tools for factories to prepare them for worker redundancies, or to evaluate recent layoffs, both from a workers' and management's perspective. In addition, the FLA offers intensive face-to-face courses for factory managers to teach them how to deal with worker redundancies in a transparent and fair way and how to avoid subjectivity and discrimination.

The **Fair Labor Association (FLA)** is a collaborative effort to improve working conditions in factories around the world. By working cooperatively with forward-looking companies, NGOs and universities, the FLA developed a workplace code of conduct based on ILO standards, and created a practical system of monitoring, remediation and verification to achieve these standards. For more information on the FLA, our processes, or the participants, please visit our website at <http://www.fairlabor.org>.



3 Steps to ensure responsible downsizing & factory closures

Step 1 Evaluate your retrenchment system through:

- Management Self-Assessment on Retrenchment Prevention
- Workers' Survey on Retrenchment Prevention

Step 2 Conduct capacity building, via:

- Face-to-Face Courses
- Online toolkit on FLA Training Portal
- Consultation

Step 3 Evaluation after layoffs by:

- Management Self-Assessment on Retrenchment Evaluation
- Workers' Survey on Retrenchment Evaluation



TRAINING COURSE: RETRENCHMENT

Objective

Retrenchment is an action of last resort, after all other measures to maintain employment have failed. The objective of this training is to ensure that throughout the retrenchment process, workers' rights are respected, retrenchment decisions are based on objective criteria, and the factory remains transparent about its retrenchment actions with workers, clients and other stakeholders.

Approach

The course walks management through the different necessary decisions during a retrenchment process. For instance, are there alternative measures that could be taken to avoid retrenchment? With whom does management need to communicate about the retrenchment? What measures can be taken to assist laid-off workers, and to motivate workers who stay behind? The course provides managers concrete information and guidance to ensure that retrenchment processes are fair and nondiscriminatory, and that production is maintained in times of economic crisis.

Methodology

Through theoretical explanations, exercises, case studies, and analysis of ac-

tual retrenchment scenarios, participants gain a better understanding of the concepts and advantages of responsible retrenchment. Participants learn how such knowledge can be applied in practice within their organizations and how to design or revise their own procedures. Participants assess the effectiveness, viability, efficiency and transparency of their company's procedures according to the principles learned. The Sustainable Compliance Instructional Materials (SCIM) module on Retrenchment includes the FLA Guidelines on Retrenchment and training materials that users can access through the FLA Training Portal or during a live training session.

Audience

The intended audience for the course is the management of factories that want to prepare for possible worker redundancy and who wish to ensure that they have all the necessary systems in place. The course will also be helpful for managers whose factories recently went through a retrenchment process; the course helps them analyze their situation, better understand their successes and weaknesses, and raise awareness on the importance of communication before, during and after any layoff process.

ONLINE TOOLKIT: THE HIRING PROCESS

Objective

Similar to face to face training, the Retrenchment online toolkit shows a factory methods and strategies that lead to responsible downsizing and that contribute to the achievement of an organization's business objectives, both at the factory and institutional levels.

Content

The online toolkit covers the factory's retrenchment, redundancy and layoff procedures, policies and practices. It also outlines the important elements of the retrenchment process.

The Retrenchment online toolkit can be accessed by all FLA members on the training portal.

OUTLINE OF THE INSTRUCTIONAL MATERIAL

- ◆ What are my factory's options in dealing with excessive personnel?
- ◆ Are there alternatives to retrenchment?
- ◆ Whose rights need to be protected in a redundancy process?
- ◆ How can my factory deal with redundancy?
- ◆ Which principles should be upheld in a retrenchment process?
- ◆ Which elements should my factory's policy and procedures include?
- ◆ What are the steps in a redundancy procedure?
- ◆ With whom, when and on what should there be consultations?
- ◆ Which selection criteria can be used to make layoff decisions?
- ◆ How can the factory support those who leave and those who stay?

SUSTAINABLE COMPLIANCE ASSESSMENT TOOLS



Management Self-Assessment

The Management Self-Assessment tool on Retrenchment measures the level of transparency, objectivity and fairness in a factory's retrenchment procedure. To suit a factory's situation, the FLA has developed two different management self-assessment tools:

Management Self-Assessment on RETRENCHMENT PREVENTION:

Intended for factories that have not gone through a retrenchment process recently, but want to assess whether they are fully prepared for such a situation.

Management Self-Assessment on RETRENCHMENT EVALUATION:

Intended for factories that have gone through a retrenchment process recently and want to evaluate the process in order to create transparency to buyers and other stakeholders.

Methodology

The Management Self-Assessment on Retrenchment is a quantitative tool consisting of multiple-choice questions. The answers to the questions score either support or reveal the weaknesses of a factory's objectivity, transparency and fairness. The data generated by the Self-Assessment displays a factory's compliance score juxtaposed to Retrenchment at a glance. A score below 3 (on a 5-point scale) indicates substantive problems and serious risk of ambiguous and/or unfair procedures.

Sincerity, Transparency, Progress

Management Self-Assessments allow the factory to better understand its retrenchment situation regarding, and to strive for continuous improvement. The easily understandable results make it possible for the factory to communicate and be transparent about its retrenchment process. The results of the Self-Assessment can be compared to those of the workers survey in order to verify the integrity of the data.

SCOPE Workers' Survey:

Workers are most directly affected by layoffs associated with retrenchment. In order to assess whether a retrenchment was fair and objective it is critical to include workers' input. The FLA has adapted three different Sustainable Compliance Workers' Perspectives surveys (SCOPE) to fit different situations and groups of workers.

SCOPE Workers' Survey RETRENCHMENT PREVENTION:

For workers whose factory has not gone through a retrenchment process recently.

SCOPE Workers' Survey RETRENCHMENT EVALUATION:

For workers whose factory has recently gone through a retrenchment process - and who continue to work in the factory.

SCOPE Workers' Survey RETRENCHMENT EVALUATION for AFFECTED WORKERS

For workers who let go by their factory.

Method & Organization

SCOPE is a standardized quantitative survey. Workers answer a questionnaire comprised mainly of multiple-choice questions. All workers' interviews are anonymous, and the protection of workers participating in this survey is assured.

Sample

Workers participating in the SCOPE are chosen randomly from a list of factory workers. The sample size correlates with the size of the factory's workforce and is large enough to generate result representative of the factory's workforce.

Comprehensive Picture

Whenever possible, the SCOPE topics mirror the Management Self-Assessment tool (e.g., policy, procedure, training, etc.) in order to collect comparable data. The questions are adapted to gather workers' perspectives. Each of the factors below are measured through an average of 5 questions (items) which add up to a final score. The results are then directly compared to results from the Management Self-Assessment. The SCOPE survey and the Self-Assessment can be repeated after a period of time to assess a factory's progress.

Progress Tracking Charts

Indicators measure a factory's progress during the capacity building phase. They provide a picture on whether what was learned during capacity building is actually implemented on the factory floor. The indicators for hiring are turn over rates, vacancies to be filled and training for new employees. Factories collect the necessary indicator data monthly and thus allow the preparation of periodic reports on progress and issues during the project.

Measured Dimensions

- ◆ The existence, transparency, objectivity and fairness of retrenchment policy & procedure
- ◆ Communication on retrenchment
- ◆ Workers' integration into the retrenchment process
- ◆ The strategic measures taken to prevent retrenchment, and efforts to support laid-off workers
- ◆ Human and financial resources allocated to this process

For more information please visit the

[FLA TRAINING PORTAL](http://tp.fairlabor.org)

tp.fairlabor.org

[FLA ASSESSMENT PORTAL](http://ap.fairlabor.org)

ap.fairlabor.org

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