

*A study of Social Compliance policy
activity and its impact*



“AARONG”

“The fusion of Tradition and Innovation”



Submitted To

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Letter of Transmittal

May 18th 2010

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Dear Sir,

This is the report is on study of Aarong's social compliance policies activities and its impact, which I have been assigned to work on. I found my work experience quite interesting, beneficial & insightful. I have tried my level best to prepare an effective & creditable report.

I honestly hope that my analysis will help you to give an idea of my work experience and knowledge.

Sincerely Yours,

Abu Fardous Md. Abdullah Choudhury.....



Acknowledgements

I got the chance to work on Aarong and it is a very good learning experience for me. It was a lifetime opportunity for me to get real life experience in the field of social compliance through such a big company.

We would like to take this opportunity to express sincere thanks to the following people for their contributions and assistance. Without their help and support my internship would have more obstacles. First of all, I would like to thank and express my gratitude to Naushaba chowdhury, senior manager social compliance and producer relations, Aarong, my supervisor in Aarong for her invaluable support and supervision. Without her help, I would never have been able to complete my internship and learning through it in the real job field.

Also, I would like to express my heartfelt thanks, in particular, to Mr suman paul chowdhury my honorable faculty for supervising me to complete this report.



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Executive Summary

“Aarong”, formed in 1978, had established themselves one of the biggest cooperative groupings in the fair trade sector in Bangladesh. It’s vision to help the artisans to help themselves by restoring their pride and self-esteem, reviving Bangladesh’s traditional Art and Craft. Another aim was to confirm the women right and to establish them as a valuable asset in the society.

The primary objective of this report is to discuss Aarong’s compliance policies activities and its impact on the society. So all the things that I actually tried to construct here is totally based on my work experience and my knowledge.

Since the social compliance and producer relation department is very new and I was the only employee to work with the department head, I was involved in making policies for Aarong. Here I discuss environmental policy, wage deduction policy, penalty policy along with other compliance related activities and their impact on the society. I have made the first draft of those policies. In the end of this report I give recommendation of some problem that I observe during my three month of internship contract.



1. Introduction:

With the vision of enlightened, healthy and democratic societies free from hunger, poverty environmental degradation & forms of exploitation BRAC started its journey in 1972 after the liberation war. Aarong established 1978; Aarong is a fair trade organization. Aarong dedicated to bring about positive changes in the lives of disadvantage artisans and underprivileged rural women by reviving and promoting their handicraft. Reaching out to weavers, potters, brass workers, jewelers, jute workers, basket weavers, wood carvers, leather workers & more. Aarong embraces and nurtures 65,000 artisans, 85% of whom are women. Today, Aarong has become the foundation upon which dependent cooperative groups and family-based artisans market their craft, in an effort to position the nation's handicraft industry on a world patron of appreciation and acknowledgement.

Today few urban consumers will argue that Aarong is the local Mecca for DESHI handicraft. Aarong product designs has bought consumer attention back to the products and style that are indigenous to Bangladesh, its designers blending the traditional with the contemporary in a manner that has won instant consumer appeal, starting a revolution intent that has now been taken up by countless boutiques and stores. Aarong's present design focus on the diverse types and textures of crafts and patterns that have been played along from generation to generation among weavers and artisans in craft hubs around the country.

Aarong means a village fair – it symbolizes fairness in the global village. Aarong works as the marketing arm of **BRAC**. Its objective is to provide a stable and gainful source of employment for the poor rural people. Aarong established in a vision to help the artisans to help themselves by restoring their pride and self-esteem, reviving Bangladesh's traditional Art and Craft.

Another aim was to confirm the women right and to establish them as a valuable asset in the society. In the process Aarong contributes greatly to **BRAC's** goal of poverty alleviation and empowerment of the poor..



Methodology:

- ❖ To prepare this report I have collected data from different job that I accomplished.
- ❖ I have collected information from several websites.
- ❖ My knowledge and experience working with Aarong give me idea for making this report

Limitations:

- i) Lack of information from the other department
- ii) Communication problem with the officials.
- iii) Time limitation.



2. Relationship between BRAC & Aarong

The women Aarong employs are among the country's most disadvantaged. Through Aarong they have been offered a way out of destitution and degradation where before they had none. And the benefits that they received extend well beyond simply the wages they earn of their products, since every single woman who works in Aarong- owned product facilities is also a beneficiary of BRAC's multifaceted development programs. As a support entity of BRAC, a significant portion of Aarong earnings go directly into financing the NGOs development programs in healthcare, education as well as economic and social development.

3. Aarong Retail Outlets:

- Aarong Center (Head office)
- Aarong at Gulsan
- Aarong at Uttara
- Aarong in Nasirabad , Chittagong.
- Aarong in Sylhet
- Aarong in London (Buyer)
- Aarong at Dhanmondi
- Aarong at Moghbazar
- Aarong at Wari
- Aarong in Haliashahar, Chittagong.
- Aarong in Khulna.



4. Aarong Products:

Aarong the leading fashion and craft retail of Bangladesh has been playing role in energizing the traditional Arts and crafts of Bangladesh. By using the goods and of the country Aarong offers a huge range of exciting products from traditional to western attire o house hold goods to shoe bags , jewelry and leather accessories and has become the Mecca of Deshi products. The creativity and quality of the products has promoted it to the leading position in the fashion and craft industry of this country. The range of product offered by Aarong is as follows:

- **Men garments:**

1. Punjabi
2. shirts
3. Short kurtas
4. Lungi
5. Shawls
6. Sleeping suit

- **Women/ Ladies Garments:**

1. Sharee
2. Shalwar
3. Tops, pants
4. Kameez
5. Dopatta
6. Skirts
7. 3 pieces
8. Kamiz
9. Fabrics
10. scarves
11. Shawls
12. Night wear.



- **Children garments:**

1. Girls: Pant tops, Skirts, Lehenga sets.
2. Boys: Pant shirts, Fatua, Panjabee- pajama
3. New born Baby: Nima, panty, Dry paper, Baby sets.

- **Nakshi katha:**

The word “Kantha” originally suggests a light quilt of mild winter and cool monsoon nights. Through the concepts exist in almost all parts of the world, the form of quilting that’s prevail;s in Bengal is unique and not only serves as functional article but also represents the culturel identity and folk arts of this land. The colorful patterns and designs hat are embroidered on these articles results in the name “ Nakshi Kantha”. Each of this kanthas represents the contents of a woman’s mind and fields with romance, sentiment and philosophy. Cushion covers, Bed covers, tapestry, jewelry boxes, ladies parts etc.

- **Toys:**

1. Staff toy
2. Traditional toy

- **Paper:**

Wrapping paper, Greeting cards, Boxes etc.

- **Home textiles/ Home accessories:**

There are many types of home accessories. These are block print, woven, jackard, Nakshi kantha, batick, screen print, tie dye etc.



Table cloth, napkins, Tablemats, Aprons, Gloves, Bed cove, Pillow cover, curtains, Cushion cover, cushion, Pot holder etc.

Aarong is the name of differentiation. Its cloth lines are different in design from any other shops of the country. More than 3000 weavers across the country are involved with the production of Aarong clothing lines. Each and every dress has its own significance as they are made by the talented craftsmen which are contributing to the locally manufactured handloom fabric. Every clothing line is exclusive with a variety of shade, textures drawing, and trimmings. Aarong paper products consists stationery, card books, wrapping papers which have their own significance.

- **Jewelry:**

Aarong is sold silver, Gold, pearl, Beads, Clay & Jute Jewelry. Gold Jewelry of Aarong is guaranteed to be 21 karat. Aarong is the foirst silver jewelry selling outlets in Bangladesh. Silver jewelry from Tangail, Savar , Dhaka, Mymensingh, Rangpur. Some jewelry products are Bangles/ Bracelets, Ear rings, Necklace, Anklets, Nosepins, Rings and newly Diamond jewelry.

- **Metal/ Brass:**

The metal products are also available for exclusive home decoration and used Candle stands, Photo frames, Lamps, CD racks Napkins Holder, Flower Vases, Ashtrays, Wall mirror, showpieces & Decorative Wall hanging re the metal and brass items.

- **Leather:**



Aarong offers the finest quality of leather produced in Bangladesh. It is to be noted that everything is hand done by the artisans. Aarong's leather product includes all kinds of desk, home, gift and personal accessories. The leather is made by small leather workshop situated in and around Dhaka 10 to 15 worker and some trainees are employed. Sheep and calf leather is generally used, sheep leather can be embossed, embroidered, printed and hand printed. Calf leather is stronger and harder than that of sheep. However, it can only be screen printed. Some products like Ladies sandal, ladies bag, Gents sandals, Jewelry box, Belts, Wallet, Key rings, Optical cases, jackets, executive bags, Folder/ Files.

- **Terracotta/ Ceramics? Clay:**

Clay items are produced by family based groups all over Bangladesh. It is traditional skill handed down through generations. Once upon a time all cooking vessels, storage vessels, many toys are made with clay. Clay products are of two types:

1. Wheel based
2. Dice based.

Some products are- Dinning ware, Mugs, Glasses, Pitchers, Plates, Bpwl, Vases, Lamps, cups, hot plates. Aarong also provides a huge range of ceramic accessories in different designs and collection to its customers.

- **Bamboo/ Cane/Leaf:**

Cane and bamboo abundantly found raw gave rise to traditional industry who are using this as raw materials. Traditional items include furniture. Aarong makes oother products for day to day use decorations, gifts etc. Bamboo such as trays, racks, baskets, toys etc.



- **Candles:**

The types of candle design which are offered by Aarong are: Floating candles, birthday Candles, Pyramid, Pillar, Valentine, Circle etc

- **Jute/ wood:**

Banladsh produces 80% of the world's jute. Once famous for jute industry. Some of the modern products alongside traditional items are: Bags, Show pieces, Wall hang, Carpets, hammock etc.

- **Tapestry:**

Tapestry is the nontraditional item developed from ideas of Naksi kantha to frame and hang on wall. The themes are either scene from everyday life or of the mughal court. The designs are nontraditional and fabrics used for silk. Tapestry is also called **Bhorat kantha**.



Aarong Production Centre (Ayesha Abed Foundation)

Ayesha Abed Foundation (AAF) is an organization that aims to provide avenues for employment and income generation for under privileged rural women. It is an enclave for women, formed to uplift them economically, through their work as producers, and also socially, through their development into entrepreneurs. The foundation provides an appropriate working environment, financial and technical assistance, and training to develop the women skills in various crafts. The foundation was established to commemorate the memory and work for late Mrs. Ayesha Abed, a co-worker and wife of the Founder and Chairperson of BRAC. The work that is done in the foundation is a testament to her commitment to the issues of education, training and employment opportunities for deprived women, It was she who in 1976 initiated all the present major activities of AAF in Manikgonj.

The AAF aims to work with the most underprivileged women in the society. These women are often the most neglected and are in need of much assistance and support. The AAF plays the role of a facilitator. The women are placed in an enabling environment, with other women of similar socio-economic backgrounds. They are trained and then given the opportunity to generate income. One of the major challenges that these women have to face is that they are marginalized and they, on their own, have no way of becoming part of the economic system. This is where the AAF steps in, helping such marginalized women out of their peripheral existence in society, and giving them the opportunity to become involved in sustainable enterprise.

The AAF is closely interrelated with other programs especially BRAC Development Program (BDP) and Aarong. The women workers of the AAF come from the BDP organized village organizations. Working at the AAF thus gives the women access to other BRAC programs. All of the AAF's finished products are sold through Aarong, which additionally provides designs, raw materials and financial support to AAF. Since AAF supplies exclusively to Aarong, it is teemed as Aarong Production Centers.



Vision:

Aarong has a vision to establish them as world's one of the famous fair trade fashion house. Aarong's vision is to remain market leader throughout its business. Aarong expand its business in international arena. Aarong has a dream to develop more artisans of Bangladesh and make them dependent and attract more and more international customers toward Bangladeshi Culture.

Mission:

To make Aarong best in the world in providing Bangladeshi life style, experience to empower people and promote Bangladesh while protecting our environment.

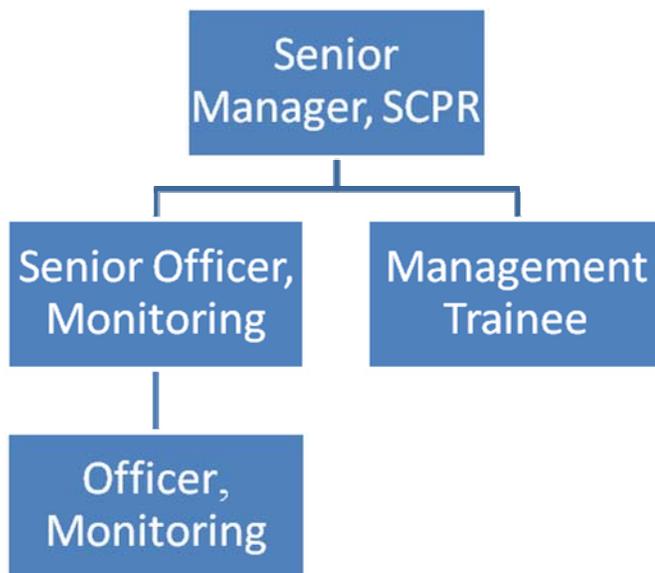


5. Social compliance and producer relations

From a customer focus, the main idea of having a social compliance department is to ensure that our Customers can shop at Aarong with a clean conscience. The department is to ensure that the production centers where manufacturing takes place are operating in standards that are acceptable to society without exploitation taking place. The working environment, terms and conditions, wage levels, worker benefits, health and safety facilities, working hours and worker development are all standardized and implemented by our Producers.

Producer Relations is a very important function to the organization and gives the Producers a place to express their views and grievances of how to improve the working relationship between Aarong and its Producers. Complaints and grievances are filed to this department directly by the Producers which are then taken up with the necessary departments at Aarong for resolution. Similarly, a complaint or investigation raised about a Producer is also looked at by SCPR department for fact finding and then coming to a resolution with the relevant people involved.

Organogram for SCPR



Senior Officer, Monitoring

1. Responsible for implementing social compliance in the field level at both AAF and Individual Producer.
2. Address issues / complaints and recommend solution for the problems from the producers.
3. Work closely with AAF Monitoring Officer to implement solutions and monitor progress made.
4. Work closely with Junior Officer to implement solutions and monitor progress made by individual producers.
5. Responsible for implementing social compliance at Aarong Head Office.
6. Proactively contribute to the current development process, compliance monitoring procedure and other compliance operational practices.
7. Ensure that identified key issue in relation to the monitoring are reported to the management.
8. Facilitate to undertake social audits for producers.

Management Trainee Officer

1. Support Senior Manager to making policies.
2. Prepare Monthly Reporting on department progress and activities.
3. Research on best practices for Aarong.
4. Full time support to achieve accreditations such as SA 8000 and ISO.
5. Prepare Social Audit documents for producers.
6. Help Senior Manager to accomplish day to day activity.
7. Initial grievance handling for individual producers.



Junior Officer Monitoring

1. Assist Senior Officer, Monitoring with implementing and monitoring social compliance for individual producers.
2. Assist Senior Officer, Monitoring with implementing and monitoring social compliance for AAF.
3. Establish and maintain a strong relationship with AAF and individual producer.
4. Provide guidance and advice to producers when required to his selected business area on compliance related issue after discussion with Senior Officer.
5. Facilitate to undertake social audits for producers.
6. Follow up on non conformances identified in audits.



Task and activity

This department is created five months before I joined in Aarong. This department shows the commitment of the top level management to ensure compliance in every section of its production.

Below the task and the activity for those SCPR is held responsible.

	Task	Activity
Social Compliance	Write up an official Compliance Policy, penalty policy, deduction policy, producer enlistment policy and environmental policy for Aarong	research best practices
		format own policies
	Orientation manual for new producers	processes and policies of Aarong in a booklet
	Research and implement environmental initiatives at Aarong	research new ideas and upcoming environmental and sustainable strategies
		introduce and implement in Aarong, AAF and producers
	Conduct social audits for all producer, AAF and individual producers	structure the criterion a producer needs to have to comply with Aarong's compliance policy
		conduct social audits
		reporting and recording audit results
follow up on non conformances		
Producer Relations	Grievance handling	list the grievances Aarong will entertain.
		listening to producers
		recording
		communicating to relevant departments to resolve
	Offer continuous support / benefits / training for producers development	research on support / benefits / training that needs to be provided to producer's for their development.
		Organize and implement various training/events for our producers.



6. Social compliance policies and its impact

Before implementing any task our duty was to make the policy. As the department is very new and I was the only employee so my work was to help the head of the department (senior manager) for make those policies. I have made the first draft wage deduction policy, penalty policy and environment policy for Aarong.

6.1 Environmental policy

Aarong is committed to the society for maintaining sound environment and meet all the environmental rules and regulation. Aarong needs an environmental policy to established proper inside and outside environment. Environmental policy includes the Aarong's future plan regarding environmental development. I have made the outline for that policy. Environmental policy is given in the appendix.

Necessity and objective

Recently Aarong confronted with few global challenges these are, depletion of natural resources, waste management, environmental degradation (water and air pollution) and pollution prevention. Aarong try to make and implement policy to overcome those challenges. Aarong management thinks to make product which are environmentally compatible. They think of making policy for ensure safe and healthy environment.

Impacts

Aarong manufacturing process generates enormous chemical waste. Those basically flow through low laying land beside the production center. That directly affect the local community and also harmful for the worker. Aarong use water treatment plant in few of its production centers. Rest of its production center are still pollute environment. As a social enterprise it is a pressure for Aarong to ensure safe environment and make its manufacturing process environmentally compatible. Since the pollution prevention procedure is expensive Aarong seeks help from international community for their technical and financial support. International community gives their hand for developing ETP in every production center. Recently Aarong get 1 million dollar from bill gates foundation for developing ETP in all production centers. Aarong now require an extensive policy for the future environmental development. If we look in to the first draft of the policy we can see Aarong commitment towards to the employee and the society. Draft of the policy is design considering three dimensions



Ecological dimension

Aarong is developing its policy to ensure ecological balance. Including the plan for set up ETP and reduces waste material in to the policy, clearly indicate Aarong determination for creating eco friendly production process. There will be a great positive impact on the ecology after making final policy and implement it in to the production process.

Social dimension (quality of life)

Sound environment is a must needed criterion to ensure quality life of the worker. Safe and healthy environment will have an impact on the workers family as well. In every production center Aarong has Aarong 5000 employee along with their family. Aarong has a day care center enclosed in every production center. Any unhealthy environmental situation will have an adverse effect on those people. Aarong is making environmental policy by considering those facts and to overcome the entire problem. Aarong's aim to work with its supplier, contractor, producer and other stake holders in developing knowledge regarding environmental safety will definitely have great positive impact to the society.

Economic dimension

Proper waste management and effective use of raw material have both environmental and economic effect. Any waste material recycles in production process will reduce the production cost. Aarong commitment to minimize the use of raw material will make Aarong to become efficient and cost leader in the industry.

Successful environmental policy will have good positive impact on the society. It will also show the commitment of Aarong towards to the society. Aarong image and value to the international community will be brighter.



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6.2 Penalty policy

It is an assigned responsibility to SCPR to develop a penalty policy. This policy basically includes the rate of penalty for different fault in manufacturing process done by both Aarong production center and individual producer. It also includes the rate of penalty for late delivery. Penalty imposed by quality control and merchandise order department. Currently there is no specific policy. Penalty imposed by the decision based on the judgment of the department head. So the individual producer and the production center don not know the specific rate for fault that they may do in manufacturing process. I have done the first draft of that policy. I have applied my knowledge that I acquire form the course industrial relationship .I have studied national labor law in that course and it was the guide line for making penalty policy. Draft of the policy is given in to the appendix.

Necessity and objective

Aarong want a clear penalty system where penalty will be specified for every single fault. Now the current situation is in most of the cases producer does not know amount of penalty for the different mistake. Though the verity of mistake is enormous but we try to make a policy where we can include at list common and frequently done mistake and the rate of penalty for those mistakes.

Because of not having proper penalty policy Aarong now facing following problems

- Misunderstanding between the penalty decider and the victim
- For the same problem different producer suffer different rate of penalties
- Question of favoritism always arise
- Producers are always in confusion about quality product.
- Bargaining take place when the rate of penalty decides it consume time and hamper productivity

Aarong objective is to overcome those problems and make transparent system for penalty.



Impacts

Aarong individual producers are not allowed to sell their product outside to the market. So even if the finish product is sub standard and below standard Aarong has to accept it. Low quality product then goes to sub standard section or go for annual reduction sell. Penalty is there by introduced to help the producer. If Aarong reject the product they have no choice left but to make it dump. So that Aarong imposed penalty and accept the product.

Social impact

With the new policy producer will not suffer loss. Producer got the price even for the fault product. They will at list get their production cost. We proposed 10 percent penalty for product which is below standard which is very low compare to other company in the industry. This policy will also allow the producer to take the product and remove fault if it is removable and in that case no penalty will be charged. That will ensure social justice and producer will enjoy more benefit.

We are following national labor law as a guideline and in many extent policy is relax in the favor of producer. It will remove extra mental pressure from the producer and they will be enthusiastic to the production.

Years of experience and number of production might consider in to the new policy. Producer who has been working for Aarong for long time and the number of production is high, rate of penalty might be little low for him. This idea can promote long term business relationship between Aarong and its producer. Emphasize on number of production increase the productivity as well as generate more revenue.

Aarong always believe in social impartiality, fare and spot payment is an example of that.

Transparent penalty policy will add a new dimension to that believes.

A transparent policy will attract other poor unemployed people to become producer. It will encourage the entrepreneurship. As a social enterprise it is Aarong's sense of duty to the society to encourage entrepreneurship and remove poverty.



6.3 Wage deduction policy

Wage deduction policy will state the circumstances in which deduction from the wage salary can be made. It will follow the nation rule as guide line and ensure that deduction is lawful. For ensuring corporate and social justice it is really necessary to have proper wage deduction policy it will also ensure those employees are treated fairly under any circumstances. As a part of my internship I was responsible for making draft of wage deduction policy. Policy outline is given in to the appendix.

Necessity and objective

Currently Aarong depend on the judgment of the manager or on the weekly team meeting for deciding deduction. If a person or team decides the deduction then it is not always consistent and it does not reflect the image that Aarong wants have. Aarong as a social enterprise always look for fair and equal behavior in every aspects of its decision making.

Sometimes situation arise that authority has to take some action against the worker or the employee. The problem might be not big enough to fire him; wage deduction can be instituted on such case for taking some corrective action. Deduction can be work as warning for some minor offense. Root level worker's fault can be controlled with proper wage deduction policy. For having sound discipline and maintain worker its is really important have a proper wage deduction policy

Impacts

Root level worker usually cannot save for their future even in a festival like eid they don't have enough to spend. Aarong deduct some money from the monthly wage of the worker and give it back with bonus in the festival time. Beside that Aarong have plan to make welfare scheme for the workers future plan. Workers wage will be deducted for that scheme.

Wage deductions have some more positive effects. It will allow the worker to learn from the mistake and make them conscious about the rules and regulation.

It will remove the confusion from the worker and they will know the purpose of the deduction.

Aarong aim of the fair judgment will be enable with a proper wage deduction policy.

Clearly communicated policy elimination unacceptable deductions, which includes a complaint mechanism

In the policy we include repay if there any improper deduction it will makes a good faith commitment to comply in the future.



6.4 Social audit

I have visited different production centers (both individual and AAF) for conducting audit. I have collected the data regarding following aspects.

Child and force labor

Health and safety

Remuneration

Working environment

Working hour and overtime

I observe the field situation and interviewed the workers for collecting data. I recommend the solution to the problem that I have seen on those production centers I have visited the individual producers workshop and give them feedback to overcome from problem and maintain fair trade standard. As we know Aarong is a fair trade organization and fair trade has its own set of standards that Aarong must fulfill. I have developed an audit questionnaire for interviewing workers and I am glad to say that this questionnaire is now the key material for conducting social audit. Questionnaire is given in to the appendix for further study.

Necessity and objective

Aarong is committed for not hiring children and stop employing children in of their supply chain. Social audit focus deeply into the child and force labor. Whenever we found any children in any production center Aarong take action against the producer.

Questionnaire surveys also find out the problem regarding health and safety and remuneration. I directly interviewed the worker and try measure the level of satisfaction and identify the non conformance. Audit ensures the check and balance of Aarong supply chain and gives confidence to the worker in the root level. It is also work as a good communicating process between top management and the root level worker.

Impacts

Involve children in physical work is a common phenomenon in Bangladesh. BRAC works seriously to reduce child labor. As an enterprise of BRAC Aarong is committed to work against the child labor. The first aspect that Aarong give importance in its audit is child labor most of its



production center are now free from child labor. Audit ensures the necessary check for identifying child labor.

According to the labor law age of 14 allow employer to hire. It is not possible to complete secondary school education within the age of fourteen. Aarong encourage part time work for the children with the age above 14. Poor children can earn as well as study at the same time. It will have positive impact on the society.

Clear drinking water, first aid box, clean toilet, fire extinguisher, and other aspects come under the investigation in questionnaire survey. Audit identify those the condition of those aspects in production center. These are the key element for ensuring safe and healthy working environment. Safe worker can lead a safe life. And this will enable his/her family to become safe and secure.

Proper remuneration, standard working hour and over time are must need factor for ensuring social justice. Audit compares the wage with the relevant industry also with the minimum wage set by the government. It also checks the time tracing register for identifying workers over time. Audit give reliance to the worker that top management are conscious about their activity. And management will not allow any sort of unfairness. It motivates the worker and ensures social justice.

Discrimination regarding individual's social and personal status (Race, social origin, religion, gender, sexual orientation, political opinion, marital status etc) is keenly checked in the audit. Aarong promise to for working as a social enterprise and help o create a fair society is being promoted by social audit.

Fare trade recommendation

Fare trade have visited Aarong production center to observe the situation. Fare trade compare Aarong production centers overall environment with their set of standard. After that fare trade give feedback and some recommendation with dead line .as a fare trade organization Aarong must need to fulfill those recommendation. One of my key job responsibilities was to work with fare trade recommendation. As part of that I did health and safety risk assessment, calculating living wage

Risk assessment

I have visited many AAF and individual production center in different location in Bangladesh to assess the health and safety condition have done the assessment based on the hazardous material and the risk related to use those hazardous material or machine. Aarong management is very keen to maintain safe and sound working environment. Details of the assessment is given in to the appendix



6.5 Living wage

As a social enterprise Aarong always conscious about its workers basic needs. Aarong aim is to give living wage to its worker. Aarong hire foreign consultancy for calculating living wage. Wage is calculated considering the basic needs of the worker. I have worked to ensure social compliance in different production center. I collect the data and calculate living wage for the worker according to the instruction of the foreign consultancy group MCG.

Objective and necessity

Aarong is a fare trade organization. Aarong become fare trade not for the business purpose but to ensure global standard for its worker and the producer. For example one of the fare trade rules that Aarong follows is spot payment. Worker and producer get justice to their work. It also helps them to get rid out of poverty and make an efficient plan for their professional and personal life.

By providing living wage Aarong not only help the worker but also help the family of the worker. Living wage calculated by considering every worker and their family. Aarong aim is to provide wage in such way that every worker along with 3 others member of his or her family can live with that wage by fulfilling all the basic needs. While we calculate living wage we consider following cost. Food Nonfood (clothes) House rent, Education, Health care etc

Impacts

Providing living wage is very new concept for modern social enterprise. This concept differs from the minimum wage in that the minimum wage set by low and most of the time fails to meet the basic requirement. And living wage is calculated based on the measurement of consumption rather than the level of income. If a worker receives a wage adequately large he will be enable lead comfortable life for himself, his wife and his children.

Families who work for low wages often face impossible choices, buy clothes or heat the house, feed the children or pay the rent. The consequence can be increase debt, constant worry and long-term health problems. In many cases it means parents are working extremely long hours, often at two or three jobs, just to pay for basic necessities. They have little time to spend with their family, much less to help their kids in learning or participate in community activities.

Aarong would like to encourage two interrelated causes, one educational and the other economic: to make certain that every child in this country gets a high-quality public education, and to ensure



that every worker has got the capability to fulfill basic needs. More than the minimum wage, a living wage is one that allows workers to obtain the basics of food, shelter, health care and transportation for themselves and their families.

Based on the genuine expenditure of living and raising children in a specific area Aarong calculated living wage. Aarong believe it would allow families to: escape poverty and severe financial pressure, ensure healthy child development; and participate fully in their communities.

Living wage is not just about employee Aarong found some of the benefit of becoming living wage employer. Here are some benefits that Aarong recon they will enjoy after put into practice of proper living wage.

- Momentous advantages in recruitment and retention,
- Living wage will help to reduced absenteeism
- Living wage will ensure higher productivity and morale
- The benefits of being able to market Aarong as a living wage employer



7. Producer relations

Grievance handling

Producers come out with different social and production related problem. SCPR listen to that problem if it is social problem then SCPR resolve the problem but for the production related problem SCPR take those problem it weakly meeting and try to resolve those problem with the respective authority. I have attended few meeting with the producer and listed the problem that they are suffering .I also give suggestion to the department head for taking initiative to resolve the problem. i have made the list of grievance on the both social and production issue that SCPR should listen.

Business management training and Orientation manual

Aarong does not have new orientation manual for its potential and existing producers. it is another key responsibility to SCPR to make orientation and give business management training to its producer. Orientation manual includes the topics that producers should know before he makes the final agreement with Aarong. I made the outline of the orientation manual.

Aarong has near about 1000 individual producer who are involved in manufacturing textile and mainly the handicrafts. Those producers most in most of the case do not have enough knowledge about modern business management. Proper business management training can increase their efficiency and effectiveness. It is also a requirement of fare trade to Aarong. I have visited the factory of individual producers and conduct training need analysis. Then I suggest the few subjects in which producers needs training.

Others

Budget of the department

SCPR department is very new and SCPR does not have any specific budget for running its operation. I have been asked to make a forecasted budget for the department. after working one month I got the idea of expenses that may occur in next fiscal year. I have developed the budget for next year. Budget is included in to the appendix.



8. Recommendation

I have worked for three months and on that time found some of the problem that Aarong suffering. I address those problems in recommendation and also give some suggestion to overcome those problems.

- Interdepartmental miscommunication: to work with making policies I had to work with other department. Especially with the quality control and merchandise order department. I found lack of communication between those departments with other departments. For example a product approved by the design section and also It is urgently needed for the merchandise order department but the quality department is reluctant to pass it out. May be the product have little problem but as it is approved by design section QC should approved it.
- I worked closely with the producer for conducting social audit. Most of them has problem with the costing. With the current costing system they cannot afford to produce quality product. In some cases costing has not been review for last five or six years. Increase the price of the raw material makes it difficult to make the quality product. so my suggestion is to review the costing with the current market price of the raw materials
- Foundation manager are always in production pressure. That's why they are reluctant to implement the compliance activity in the field level. Without any representative it is really difficult to implement compliance activity in field level. Foundation manager should have that willingness to work as representative of compliance department and should have good hand in implementing compliance activities.
- SCPR department needs manpower.
- Slow procedure and bureaucracy: For ensuring internal control organization needs to become centralize but at the same time each department should have some flexibility for implementing minor activities. Regular office activity procedure should be simple and not time consuming.
- Other department and the stakeholders should be included in making policy.



Conclusion

Aarong has celebrated 32 years of its success. Over the year it has brought positive change in the life style of disadvantaged people. To continue this successful journey Aarong established social compliance and producer relation department. I strongly believe that compliance policy and its implementation will help Aarong to become a leader of the social enterprise in Bangladesh.

Working with Aarong especially in this department has been a great experience for me. I got to learn about the basic compliance related activity and that will help me built my carrier in this section.



Appendix

(1)

Environmental policy outline

1. We are committed to meet all the environmental rules and regulation set by national body.
2. We established procedures that ensure every employee are knowledgeable to the environmental rule and regulation.
3. Develop and increase technology (ETP) to minimize pollution and mitigate health and safety risk.
4. Incorporate the environmental factor in the business decision.
5. Minimize the use of raw material to reduce the waste.
6. Work with supplier contractor and sub contractor to improve the environmental performance.
7. Monitor and record the environmental data and publish report
8. Assess the impact of the environment for any new product development.
9. Increase stakeholder's involvement for implementing environmental issue.

(2)

Penalty policy

- No fine shall be imposed at the rate of more than 10 % As we are guided by national labor law
- Worker who is new and is not aware about the system shall not come under any sort of fine .Worker will be considered new up to 12 month of his joining.
- The department which imposed fine shall be held responsible for workers lack of awareness regarding penalty policy.
- Producer should know the percentage of fine before they do any mistake.
- If quality rejection of an order is up to 2% then no penalty should be imposed.
- The following reasons may be considered by Aarong when imposing penalty on a producer
 -
 - 1. Years of experience,
 - 2. number of production (monthly),
 - 3. Distance from production centre.

Policy suggestion (order delivery)

- Fine should not be charged for two weeks delay
- If it is more than two weeks, 3% of wage will be deducted from that particular order
- If it is more than four weeks, 5% of wage will be deducted from that particular order
- If it is more than six weeks, 8% of wage will be deducted from that particular order
- Delivery date can be amended by the producer before the final delivery date; any time after the delivery date will mean Aarong is allowed to impose the above penalties.

Policy suggestion (quality)

- Problem arise with any part of the manufacturing procedure (tailoring, value addition, use of low quality fabric/raw material or any other aspect) will make the entire product nonqualified. If one part of manufacturing process is problematic, Producer can not claim actual wage for doing other parts better.
- Problem arise with any part of the manufacturing procedure (tailoring, value addition, use of low quality fabric or any other aspect) that made the product non qualified will be consider as a problem of that particular product only. In such case fine will be imposed on that particular defected product. And fine will be charged based on the total wage receivable for that particular defected product.
- Fine should be charged only when more then 2 percent product is problematic.
- If value addition is done by the designer to make a product saleable then this increase in cost is to be shared by Aarong and the producer. 50%-50% share.
- If there is a quality problem in the raw material supplied by Aarong logistics then the raw material is to be replaced by Aarong Logistics and the producer is not to be penalized.
- Raw material purchased by producer and if it is below standard and product become non qualified then utmost (10%) fine can be imposed.
- Problem while attaching lace or other embellishments if the problem is removable then QC dept should consider the problem and allow the producer to make it again. But the cost of re attaching will be borne by the producer.
- If the defect is not removable then it will come under the following penalties
 1. Dirty ness, spot which is fixed must needed further value addition fine should be imposed along with value addition cost. (2 -5 %) fine can be imposed.
 2. Problem with tailoring and miss match product with the sample should be considered as major mistake. On such case up to 7% fine can be imposed.
 3. Fabric given by the Aarong damage while value addition or tailoring maximum 7% fine can be imposed.
- Fine will not be imposed for the product which ones reach to the store after doing all the quality check and no further deduction will be made for the product which has been accepted.

(3)

Deduction of wage policy and principal

Principles

Wage deduction is instituted only when it is lawful to do so.

The stuffs will be treated fairly when deduction is necessary.

Employee will know the cause and time before making any deduction.

Policy

Fine imposed under section 25 of Bangladesh labour law 2006.

- Not more than 10% of total wage for specific product or specific wage period
- Fine shall not be imposed on worker who is under age of fifteen
- Fine will not charge or taken away by installment or after the expiry of sixty days from the day which it was imposed
- Every fine shall be deemed to have been imposed on the day of the act or omission in respect of which it was imposed.

All fine will be recorded in the working register

If a worker receives an overpayment of wage for any reason; deduction can be made for the adjustment of those overpaid amount.

Deduction of wages that made for any scheme (return in festival) for the welfare of the worker and their families

Cost for repairing and replacing any company supplies and materials or equipment money or other property damage by the employee.

(4)

Self audit questionnaire

For the supplier/producer

Name and address

Number of workers

Gender ration

Child and forced labour

How old is the youngest worker at the production center?

How long does he work in a day?

Are the young workers protected in terms of hazardous material and heavy work load?

Is attendance at School mandatory for them?

Does the organization follow any policy for not hiring children? Any written policy?

Are they forced or compelled (punishment threat etc) by any situation to join the work?

Does the org withhold Salary, benefits, property or documents in order to force the worker to work?

Do the workers have the right to leave the workplace after completing the daily work?

Can they leave job without prior notice? Health and safety

Does the company provide health and safety instructions?

Is there any first aid box?

Are there any first aid officers?

Is clean drinking water available?

Are toilets available for workers?

Are the production centers generally clean and tidy?

Are the production centers providing easy entrance and emergency exits?

Are there any fire extinguisher

Does the company take action to take care of a new and expected mother?

Is there any management representative who is responsible for ensuring safe and healthy workplace environment?

Discrimination

Is there any written policy re discrimination regarding individuals social and personal status? (Race, social origin, religion, gender, sexual orientation, political opinion, marital status etc)

Does above factors get in the way to hire, fire, promotion or to resolve any problem? (Ask questions to understand.)

Does the company allow any behavior that is threatening abusive sexually coercive including gesture language and physical contact? Observe on your own and ask workers.

Disciplinary practice

Do they get corporal mental or physical punishment?

Do they suffer with the problem of inaccurate deduction of wages? (national law or disciplinary purpose)

Working hours

Do they follow the standard working hour set by the government? (Mention the time for start and finish)

Do they get a day off and holiday as per the standard? (48 hrs work and a day off)

How many hours over time does a worker do per day?

In case of overtime, how much does the company pay to the worker? Is it negotiable?

Remuneration

Do they get living wages? Take a breakdown.

Are they paid at least minimum wage?

How is the office timing tracked (register maintained)?

How are the wages paid? Cash? Cheque? Option?

Does overtime meet the national or industry standard?

Does the company follow consecutive short term contract or false apprenticeship to avoid fulfilling its obligation to its regular employee? Any clue or sign of this?

(5)

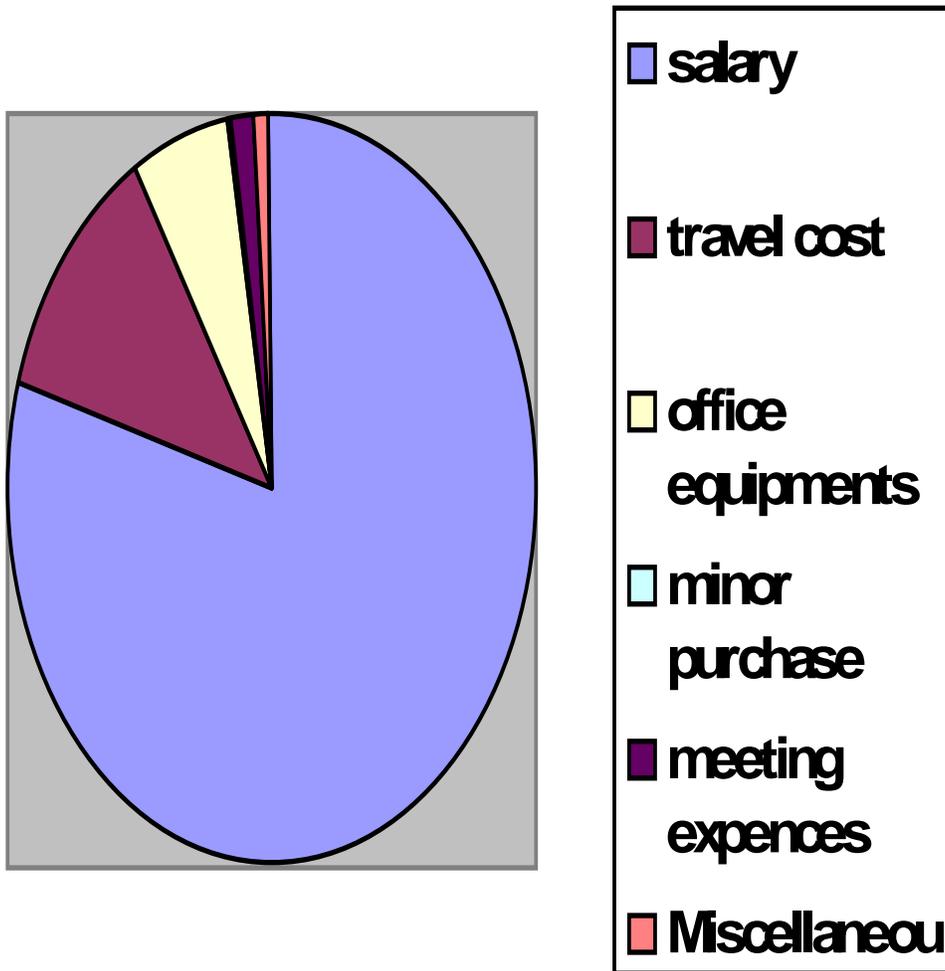
Risk assessment

Hazard	Hazard type	People affected	Risk	Worst case	Present condition
Chemical	Coloring and dyeing chemical. Processing chemicals	Worker/and the people lives beside production center	Possible	fatal	Reasonably good. chemical are well maintained in the aaf but individual production centers are in worst situation
machinery	Dyeing machine Dryer And other processing machine Eg: leather cutting machine and metal processing machine	Worker in both AAF and individual production center	possible	fatal	Local management is reluctant. Though the head office always keep eyes on those aspects.
Disease	Tetanus flu And other communicable disease Blind ness Water born disease	Worker and employee especially who use the water from the pond near AAF. Hand embroidery workers are in the serious threat of blindness	Possible	fatal	Management are conscious And take action when needed. set up etp. ones again uses depend on the local management. and in most of the case management willingness come under question. Regular eye check up is going on
falls	Cleaning and maintains work from ladder	Cleaning and maintaining staff	possible	Major injury	Lack of aware ness from the management and the employee
Impact	Heavy hand tools.	Worker	Possible	Injury	Management is aware and first aid

					is there to support and treatment facility is available.
Manual handling	Lifting, carrying heavy weights, knife etc	All worker	probable	injury	Management is aware and first aid is there to support
Fire	Burner, electric and machinery equipment, or from out side	Every body present at the time of occurrence	possible	fatal	Consciousness found in the AAF but not in IPC
Electric equipment	Hitter, dryer and others generator and power supply center. High risk power supply room. Electric board and wearing.	Every body present at the time of occurrence	possible	fatal	Every one is conscious.
Noise	From the machine.	Every body present at the time of occurrence	possible	Major injury	No consciousness seen
Waste material. Solid waste and spill	Solid waste that come after processing. Spare chemical and clothing waste in AAF, Leather and metal from individual producer.	Worker and the people lives beside the production center	Possible	fatal	

(6)

Annual budget for the department of social compliance and producer relation



Category	Cost per month	Cost per item	Number of item	Annual total	note
Salary expanses	58000*1			1020000	Salary for the sr. manager MT and sr. officer
	15000*1				
	12000*1				
	850000				
Travel cost		1000	50	50000	50 trip for jr. officer
		1000	25	25000	25 trip for sr. officer
		5000	15	75000	15 trip for sr. manager
				150000	
Office equipments		35000	2	70000	2 personal computer
		15000	1	15000	executive printer
		75000	1	75000	laptop
			160000		
Meeting arrange		1000	15	15000	Meeting with the producers. Estimated cost for their foodstuff
Miscellaneous expences	1000			12000	
Minor purchase				5000	Any supplies that needs to purchase at urgent situation.
Total				<u>1362000</u>	



