



International  
Labour  
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# Diagnosics of compliance with labour standards: A checklist for small enterprises



# **Diagnostics of compliance with labour standards: A checklist for small enterprises**

International Labour Organization  
Country Office for the Philippines  
May 2019



## Foreword

The “Diagnostics of compliance with labour standards: A checklist for small enterprises” resulted from the project collaboration between the International Labour Organization Country Office for the Philippines (ILO CO-Manila) and the Employers’ Confederation of the Philippines (ECOP) funded under the European Union Generalized Scheme of Preferences Plus (EU GSP+) project on supporting effective application of Freedom of Association and Collective Bargaining Conventions in the Philippines (ILO Conventions Nos. 87 and 98). This self-assessment toolkit form part of the ECOP-ILO project implementation agreement on “Promoting a Culture of Compliance to Labour Standards through Social Dialogue among Micro, Small and Medium Enterprises (MSMEs)” wherein ECOP identified specific outcomes to promote a culture of compliance among MSMEs on GSP+ international instruments.

This approach is ECOP’s response to its commitments under the Business and Human Rights strategy contributing to promote responsible business practices involving compliance to labour standards, but also strengthening social dialogue and proactive labour relations. The Diagnostics is the culmination of the series of workshops for employers in small industries to: (a) ascertain the level of awareness on international labour standards (ILS), EU GSP+ and social dialogue; (b) encourage companies to adopt policies and practices that promote compliance on ILS in relation to EU GSP+ requirements; and (c) develop self-assessment tools to train entrepreneurs in addressing gaps in compliance to labour standards and international instruments. A concrete application of the Diagnostics is expected in the second phase of the implementation agreement to promote and utilize the toolkit in selected MSMEs towards socially responsible business practices and strengthened social dialogue mechanisms.



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## Acknowledgement

Firstly, the Employers Confederation of the Philippines (ECOP) would like to thank the International Labour Organization (ILO) for its unwavering support to ECOP's advocacies of capacitating employers, particularly the micro and small enterprises, to comply with international and national labour standards and promoting social dialogue to advance a healthy and productive industrial relations in the Philippines. The ILO project entitled "Support for Generalized Scheme of Preference Plus (GSP+) Beneficiary Countries to Effectively Implement International Labour Standards and Comply with Reporting Obligations" is an added boost to the advocacies of ECOP. Special thanks to Ms Verna Dinah Viajar, ILO's Programme Manager, for her helpful insights and support to the Project Team.

Secondly, ECOP would like to thank the Department of Labor and Employment (DOLE) and the Department of Trade and Industry (DTI) for providing the resource persons in all the regional workshops ECOP conducted for this project. Their participation enabled ECOP to raise awareness on GSP+, on compliance to international and national labour standards and on the available support provided by DOLE and DTI to help small and micro enterprises comply with international and national labour standards.

Thirdly, ECOP would like to thank the Philippine Chamber of Commerce and Industry (PCCI) Regional Partners – PCCI-Iloilo Chapter, PCCI-Pampanga Chapter, Metro Naga Chamber of Commerce and Metro Davao Chamber of Commerce and Industry as well as ECOP Bicol who helped ECOP organize the regional workshops. In particular, they invited the participants and provided the administrative support to the workshops.

Finally, ECOP would like to thank the small and micro entrepreneurs who participated in the workshops. Their contribution in the workshops was important in the development of the assessment.





# Diagnosics of compliance with labour standards: A checklist for small enterprises

## A. Get to know and improve your labour standards performance a self-assessment tool for employers (MSMEs)

### 1. Employer's profile

Kindly fill up the spaces provided with information about your company.

1. Name of Company: \_\_\_\_\_
2. Year established: \_\_\_\_\_
3. Products/Services provided: \_\_\_\_\_
4. Average total number of workers: \_\_\_\_\_
5. Number of full-time workers: \_\_\_\_\_
6. Number of part-time workers: \_\_\_\_\_
7. Market (please choose and check):
  - a. Part of supply chain for domestic market
  - b. Part of supply chain for export market
  - c. Sells finished goods to domestic market
  - d. Sells finished goods to export market
  - e. Others: \_\_\_\_\_

## 2. Labour standards checklist

Below are statements with regards to current labour practices. Kindly check **Yes** or **No** if this is present in your workplace or **NA** if this is not applicable. For the column on Company practices, we would like to ask your current practices on each item.

	Question	Yes	No	N/A	Current company practices
1	The Company gives copies of employment contracts to all workers, regardless of status, and orients them to ensure that the contract is clearly understood.				
2	The Company observes the normal eight hours of work.				
3	The Company provides premium pay for work done beyond the normal eight hours in compliance with national laws.				
4	Overtime work is voluntary without any threat of wage deduction, disciplinary action or other sanctions.				
5	The Company has measures in place to validate that its business partners/suppliers do not use forced labour.				
6	The Company hires workers no less than 18 years of age for work considered as hazardous.				
7	The Company requires candidates to submit birth certificates or other official form of registration to verify age before hiring.				
8	In case of workers hired between ages 15 to 18, the Company ensures that work does not interfere with their studies.				
9	The Company has measures in place to validate that its business partners/suppliers do not use child labour.				

	<b>Question</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Current company practices</b>
10	The Company ensures that hiring, wages, training, promotion and disciplinary action are based on objective factors and not on differences based on gender, age, religion, marital status, sexual orientation, health status or physical disabilities.				
11	The Company ensures that all pay rates for different positions are based on objective factors and implemented in a non-discriminatory way.				
12	The Company has procedures in place that are accessible and understood by all workers where they can safely report and resolve complaints of discrimination.				
13	The Company allows workers to join groups within their organization of their own choice.				
14	The Company maintains open dialogue/communication with workers and/or their representative to discuss and address their concerns at the workplace.				
15	The Company pays wages at regular times and does not take deductions from wages as disciplinary action or other deductions which are not authorized by law without the freely given consent of the worker.				
16	Piece-rate payment system is monitored to ensure that wages are within those prescribed by law except for those with Certificate of Authority under Barangay Micro Business Enterprise Law. *				
17	The Company provides paid leaves per year.				
18	The Company provides maternity leave to its female workers as provided by law.				

	<b>Question</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Current company practices</b>
19	The Company provides reasonable breaks while working and reasonable rest period between shifts.				
20	The Company pays the statutory minimum wage rates for normal work hours rendered, except for small enterprises and those covered under Barangay Micro Business Enterprises.				
21	The Company has written rules and regulations that have been explained and understood by all workers.				
22	The Company has disciplinary process in place that is known and understood by all workers.				
23	The Company observes due process procedure in implementing its disciplinary process.				
24	The Company has mechanisms in place to receive all reports on workplace violence, harassment and threats and to competently address these concerns.				
25	The Company has detailed emergency procedures, prevention plans and training to protect against dangers and handle emergencies.				
26	The Company has established written Occupational Safety and Health (OSH) prevention and remediation policies and procedures that comply with industry standards.				
27	The Company informs all workers on OSH standards in a language they understand.				
28	The Company has a disciplinary plan which applies to all violations of the company's OSH standards.				
29	The Company documents accidents and adjust their processes to prevent recurring problems.				

	<b>Question</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Current company practices</b>
30	The Company regularly monitors its production processes, machines and equipment to ensure that they are safe and in good working condition.				
31	The Company has a Health and Safety Committee to receive and respond to OSH concerns of workers.				
32	Workers and managers are trained to respond to workplace emergencies and first aid kits are readily available.				
33	The Company has fully functional fire extinguishers and fire exits that are clearly marked and free from obstruction.				
34	Work premises and equipment are maintained and kept clean.				
35	The workplace has adequate ventilation, lighting and temperature appropriate for the industry of operation.				
36	The Company provides clean and safe drinking water.				
37	The Company provides sufficient and suitable washing facilities.				
38	The Company has designated eating area for all workers.				
39	The Company provides clean and sanitary toilet facilities appropriate for both genders.				
40	The Company provides free personal protective equipment and training to safely perform their work.				
41	The Company has a waste management system in place.				
42	The Company has procedures in place to store and discharge dangerous chemicals.				
43	The Company has a recycling programme in place.				

	Question	Yes	No	N/A	Current company practices
44	The Company pays its mandatory share contribution to social security fund (e.g., Social Security System [SSS], PhilHealth, Pag-Ibig).				
45	The Company deducts mandatory contribution to social security fund from wages of workers.				
46	The Company regularly remits contribution to social security fund.				
47	The Company conducts periodic performance audits of suppliers to validate compliance to labour standards.**				
48	The Company informs suppliers and business partners of the Company's commitment to comply with labour standards.**				
<p><b>Note:</b>  Enterprises employing nine workers and below are exempted from paying Holiday Pay, Service Incentive Leave and Retirement Pay by law.  Enterprises employing five workers and below are exempted from paying Holiday Pay, Night Differential Pay, Service Incentive Leave and Retirement Pay by law.  * Except for establishments registered under 'Barangay Micro Business Enterprise with Certificate of Authority pursuant to Republic Act No. 10644.  ** For Establishments engaged in job contracting or process outsourcing.</p>					

## II. Get to know and improve your labour standards performance improvement workplan for employers

At the end of the self-assessment, you will be able to identify the deviations from labour standards and should identify possible corrective action to improve your practice. In order to have a strong corrective action, it is suggested that you identify the start date, end date and person responsible. Some recommendations for your corrective action plans are presented below.

### 1. Proposed for a strong corrective action

Findings	Proposed corrective action
	Start date: End date: Responsible:
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	Start date: End date: Responsible:
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	Start date: End date: Responsible:
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	Start date: End date: Responsible:
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	Start date: End date: Responsible:
<b>Findings</b>	<b>Proposed corrective action</b>
	Start date: End date: Responsible:
<b>Findings</b>	<b>Proposed corrective action</b>
	Start date: End date: Responsible:



## 2. Some recommended corrective action to support good practice

S1-S5
<ul style="list-style-type: none"><li>● Provide employment contracts, clearly understood and signed by employees.</li></ul>
<ul style="list-style-type: none"><li>● Require contracts with business partners/suppliers to provide contracts to their employees.</li></ul>
<ul style="list-style-type: none"><li>● Maintain records of wage payments and deductions.</li></ul>
S6-S9
<ul style="list-style-type: none"><li>● Establish policy and procedure on hiring including minimum age requirements of applicants and process to validate legal age for hiring.</li></ul>
<ul style="list-style-type: none"><li>● Require contracts with business partners/suppliers to implement and validate legal age for hiring. Identify areas/functions considered hazardous for young workers.</li></ul>
<ul style="list-style-type: none"><li>● Identify areas/functions considered hazardous for young workers.</li></ul>
<ul style="list-style-type: none"><li>● Establish policy and procedure for hiring and protection in case of employment of minors.</li></ul>
S10-S12
<ul style="list-style-type: none"><li>● Establish Equal Employment Opportunity policy and procedures in all HR processes.</li></ul>
<ul style="list-style-type: none"><li>● Ensure hiring advertisements and procedures are non-discriminatory in accordance with law.</li></ul>
<ul style="list-style-type: none"><li>● Establish procedure where employees can safely report discrimination issues.</li></ul>
<ul style="list-style-type: none"><li>● Establish procedures to address discrimination issues.</li></ul>

#### S13-S14

- Establish venue or mechanism for regular dialogue with employees to address concerns.

#### S15-S20

- Hire or appoint trained HR officer to implement people policies and procedures.
- Establish written salary and benefits policy and procedures consistent with law.

#### S21-S23

- Establish written company rules and regulations.
- Establish policy and procedures in disciplinary action consistent with national laws.
- Orient employees and supervisors on company rules and regulations and disciplinary process.
- Train managers and supervisors on proper management of discipline.
- Establish policy and procedure in engaging in subcontracting consistent with Department Order No. 174.

#### S24-S43

- Register establishment with DOLE (Rule 1020).
- Hire or appoint trained Safety Officer to lead OSH policies and programmes, (at least Safety Officer 1).
- Establish OSH policies appropriate for the company.

#### S44-S46

- Register all employees, regardless of status, with SSS, PhilHealth, Pag-Ibig.
- Remit all government-mandated contributions on a regular monthly basis.
- Inform employees of remittance made to SSS, PhilHealth, Pag-Ibig.

#### S47-S48 (for establishments engaged in contracting or process outsourcing)

- Conduct periodic audits of contractors to ensure compliance with labour standards.
- Include compliance to labour standards in performance audits of contractors/subcontractors.
- Orient contractors/subcontractors on labour and OSH standards as part of performance expectations.

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