



Strengthening Occupational Health and Safety Management Systems at a Gildan Factory

Prepared by Tamar Benzaken Koosed under the supervision of Dr. Richard Feinberg, Professor of International Political Economy, University of California, San Diego
September 2010

About BSR

A leader in corporate responsibility since 1992, BSR works with its global network of more than 250 member companies to develop sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. With offices in Asia, Europe, and North America, BSR uses its expertise in the environment, human rights, economic development, and governance and accountability to guide global companies toward creating a just and sustainable world. Visit www.bsr.org for more information.



FUNDAHRSE

About FUNDAHRSE

FUNDAHRSE is a private development organization aimed at promoting, training, researching, and implementing CSR in Honduras. FUNDAHRSE's membership includes 71 leading companies, both local and multinational. FUNDAHRSE is a member of FORUM EMPRESA, an organization that brings together companies from all over the Americas engaged in promoting CSR. Visit www.fundahrse.org for more information.

Executive Summary

In the global apparel industry, competition with highly efficient, large-scale Asian exporters is intense. While some Central American companies choose to ignore national laws and regulations to cut costs, others have recognized the competitive advantage of implementing responsible labor practices. Gildan Activewear saw an opportunity to differentiate itself in the region by moving away from a compliance model toward one of continuous improvement. For this effort, the company decided to join forces with BSR and the Fundación Hondureña de Responsabilidad Social Empresarial (FUNDAHRSE), or Honduran Foundation for Business Social Responsibility, with the goal of improving its occupational health and safety (OHS) practices in Gildan San Miguel, one of its apparel factories in Honduras. Together, they carried out a series of initiatives to evaluate the company's OHS management system. These initiatives assisted in the identification of existing gaps and the recommendations for improvements. The goal was to create corporate management systems that encourage preventive measures for occupational illnesses and on-the-job accidents and the continuous improvement of health and safety issues.

The project's immediate results included:

- 1 The incorporation of health and safety indicators into manager and supervisor evaluations at all levels
- 2 Improved manager and supervisor response time regarding the implementation of health and safety suggestions and taking corrective action to guarantee compliance
- 3 The inclusion of the project's recommendations in the OHS regional manager's annual implementation goals
- 4 The incorporation of the concerns identified during the employee interviews conducted by BSR and FUNDAHRSE into the OHS training program
- 5 A greater institutional-level focus on OHS preventive activities
- 6 A more dynamic worker involvement in the OHS programs

In addition to improving worker health and well-being, the project's expected long-term results include a higher rate of compliance with the company's health and safety policies, a decrease in health and safety risks as a result of preventive measures, and fewer absences and employee rotations. Likewise, it is expected that healthier workers will be more satisfied with their work—thus increasing productivity and reducing defect rates. These beneficial results can be guaranteed in the long term if the company's senior management remains committed to improving health and safety preventive controls and if they offer employees incentives to actively participate in OHS programs.

About Gildan

The company is a vertically integrated marketer and manufacturer of basic apparel. Its global net sales totaled US\$1.04 billion dollars in 2009. Gildan-San Miguel, one of the company's three sewing factories in Honduras, is the largest Gildan factory in Central America. Gildan also owns three textile factories in the country.

Opportunity

The Honduran assembly-manufacturing sector employs some 140,000 people, predominately in textiles and apparel.¹ Today, Honduras is the leading textile and apparel exporter to the United States among Central American and Caribbean countries.²

In seeking ways to differentiate themselves from low-cost Asian suppliers, some Central American companies have recognized the competitive advantages that can be gained from responsible labor practices. Within labor standards, certifications, and social audits, a prominent theme is the health and safety of workers.

Improving occupational health and safety practices (for example, improving workplace conditions and providing greater access to health services) has a direct impact on the quality of life of workers and collaterally benefits their families. These improvements also directly affect business productivity and profitability. A critical element to ensure that these benefits for workers and company are sustainable is a business model focused on responsible labor. Although some Honduran manufacturers have improved their compliance with specific health and safety requirements, few have implemented systems that lead to a corporate culture of risk prevention.

Should apparel companies decide to further improve their responsible labor practices—particularly as they relate to effective health and safety systems—they could benefit in many ways, including:

- » Better international competitiveness: More likely to obtain brand and auditory certifications while reducing compliance costs
- » Improved corporate profitability: Fewer health and safety risks and medical expenses and higher job quality as a result of improved worker health and satisfaction
- » Improved productivity: Fewer absences and reduced employee rotation because of work-related injuries, allowing workers to specialize and become more efficient

Gildan is a Canadian-based textile company with a significant presence in Honduras, where its largest operations are located. It presently employs 17,000 people in Honduras, which represents 18.7 percent of all employees working in member companies of the Honduran Maquila Association. Gildan has made significant efforts to improve its responsible labor practices and decided to join the DR-CAFTA Responsible Competitiveness Project, headed by BSR and FUNDAHRSE, to improve health and safety practices in one of their apparel factories in Honduras.

Strategy

To evaluate the occupational health and safety management system at the San Miguel apparel factory, BSR and FUNDAHRSE decided to conduct a series of activities to identify the factory's most pressing challenges and determine the root causes of OHS problems. Main activities included stakeholder mapping, internal and external stakeholder interviews, an OHS materiality analysis, and a gap analysis of the health and safety management systems at the Gildan San Miguel factory.

1 "Background Note: Honduras." U.S. Department of State. www.state.gov/r/pa/ei/bgn/1922.htm.

2 "2009 Country Commercial Guide." U.S. Commercial Service. www.buyusa.gov/honduras/en/ccg2009.html



Mapping of stakeholders at Gildan

BSR and FUNDAHRSE, together with Gildan, mapped the company’s internal and external stakeholders, using as criteria each stakeholder’s level of influence on and importance within the company. Later, the team conducted a series of stakeholder interviews to understand their perspectives and identify main health and safety issues and their general impact on production at the San Miguel factory.

Based on the information obtained in the stakeholder interviews, BSR and FUNDAHRSE performed a materiality analysis to identify the top OHS issues. The goal of this work was to ensure that company resources would be focused strategically on issues that most directly impact workers’ lives and company performance.

BSR and FUNDAHRSE also conducted a gap analysis of the OHS management system at the Gildan San Miguel factory to identify areas for improvement in OHS policies, as well as challenges for compliance with existing ones. To do this, BSR and FUNDAHRSE gathered existing documentation (practices and policies) and compared these to best international practices and standards. Later they conducted additional interviews to determine the effectiveness of current policies and procedures as they relate to actual on-the-ground implementation.

Implementation

As the first step in determining areas for improvement in OHS, BSR and FUNDAHRSE interviewed internal stakeholders to obtain factory-specific information and external stakeholders to obtain perceptions of industry-wide OHS trends.

External stakeholder interviews (see list in sidebar) revealed the following perceptions about the textile industry in Honduras and globally:

- » **Injuries caused by repetitive motion are common within the textile industry at a global level.** Some of the external stakeholders interviewed believe that the production system based on the legally-sanctioned “4 x 4” work week in Honduras and in other countries, where employees finish their work week in four days and rest four days, can cause additional OHS risks because workers are exposed to prolonged periods of task-related movement.
- » Some external stakeholders also remarked that **production goals in the textile industry can lead supervisors and coworkers to exert pressure on one another**, increasing the risk of work-related stress and injuries.
- » **Doctors and nurses in the textile sector rarely implement preventive programs** since they spend the majority of their time providing medical treatment to workers.

The most important results from interviews with internal stakeholders (see list in sidebar) were the following:

- » **Muscular pains and musculoskeletal injuries are perceived as the most important challenges.** The interviewees cited the following as potential causes: poor posture, repetitive motion, the need for additional equipment in some areas to reduce musculoskeletal impact, and worker noncompliance with work methods, internal controls, and company policies regarding the use of assigned personal protective equipment (PPE). Some of the reasons mentioned for workers’ noncompliance with controls established by Gildan were: not wanting to use PPE, not understanding the benefits of using them, and worker perception that the controls obstructed the fulfillment of production goals.

External Stakeholders Interviewed

Honduran Ministry of Labor
 Honduran Social Security
 Maquila Solidarity Network (MSN)
 Fair Labor Association (FLA)
 Worker Rights Consortium (WRC)
 Maquiladora Health and Safety Support Network
 CODEMUH (Women Factory Workers in Honduras)

Internal Stakeholders Interviewed

Corporate directors
 Corporate managers
 Factory management
 Factory medical staff
 OHS workers committee members
 Workers

- » **Respiratory problems and other common illnesses such as the flu, colds, and headaches were also cited as important issues.** The interviewees perceived that the work environment aggravated these illnesses. Most interviewees agreed that these health problems could often be avoided if employees were diligent about complying with company policies, for example, the proper use of PPE.
- » **Employees mentioned concerns about psychological problems,** such as depression and stress—both personal and work-related. They would like more information about these issues.
- » **The Honduran Social Security Institute is perceived as an entity that has limited capacity to provide adequate assistance** to employees who have been diagnosed with medical conditions. Also, they lack specialized human resources to properly diagnose illnesses and injuries as typical or occupational and to issue recommendations to the company concerning the relocation of injured employees.
- » **Reproductive health and sexually transmitted diseases are not of principal concern** to employees. However, for the company and other stakeholders, such as government entities and health workers, they are highly relevant issues because of employee demographics.

BSR and FUNDAHRSE used the information collected during stakeholder interviews to conduct a materiality analysis to identify the top OHS issues that the Gildan San Miguel factory should focus on. The findings and recommendations from this analysis were presented and discussed in a workshop attended by regional directors and several factory managers involved in the process.

Finally, to guarantee the appropriate implementation of their recommendations, BSR and FUNDAHRSE conducted an OHS management systems gap analysis. This analysis included a document review to compare existing policies and procedures to international standards and best practices, as well as additional interviews to determine the causes of lack of current policies.



Worker interviews at Gildan

The most pertinent positive findings of the gap analysis include the following:

- » **Robust OHS policies and procedures.** The San Miguel factory has very specific policies governing occupational health and safety. There is an OHS coordinator who is responsible for maintaining and enforcing defined policies and procedures and making sure that employees are aware of them.
- » **Strong OHS compliance metrics.** The company uses quantitative and qualitative indicators to gauge compliance with OHS policies.
- » **Availability of health services for factory OHS workers.** The San Miguel factory also employs a team of doctors and nurses to provide primary health care and preventive medicine for workers. This care includes first aid and treatment for occupational injuries, as well as diagnosis and treatment of common illnesses that are not necessarily work-related.
- » **Self-monitoring.** In addition to external audits required by social certifying organizations, the company, as part of internal controls, carries out weekly audits to identify noncompliances, as well as annual follow-up audits. The factory also undergoes quarterly corporate social responsibility (CSR) audits that contain OHS components.
- » **Ergonomics program.** Gildan, with the support of the North Carolina State University Ergonomics Center, is implementing a continuous improvement ergonomics program with the goal of institutionalizing preventive measures. Key components of this program include training employees in ergonomics and involving them in the elaboration and implementation of preventive measures. Currently almost 100 percent of the workers at the San Miguel factory have been trained in this area.



Gildan employees during an exercise break

Areas for improvement in the factory's OHS program include:

- » **Increasing worker participation.** Employees have limited participation in the development of OHS policies and preventive activities. There is a health and safety committee composed of both workers and company representatives, but it has served only as a communication channel for expressing complaints to the OHS coordinator and implementing policies established by management. Employees can play an important role in identifying risks, investigating accidents, and revising OHS policies and trainings.
- » **Aligning incentives.** Health and safety compliance affects the performance review of the health and safety coordinator and the manager of the factory but not the evaluations of area supervisors and department managers. This situation limits the OHS coordinator's ability to enforce company policies. It also creates a culture of reaction versus preventive action and continuous improvement. Aligning these incentives can lead to greater OHS compliance and continuous improvement.
- » **Demonstrating the value of preventive measures.** During periods of increased production demands, preventive measures such as training sessions can become less of a priority at a moment when they are most needed. A shared understanding of the benefits of preventive measures can demonstrate the impact that such initiatives have on the company's productivity.

BSR and FUNDAHRSE met with the OHS and CSR regional managers to review the results and recommendations and to consider steps for implementation.

To more actively engage workers in addressing health and safety issues, FUNDAHRSE and BSR also helped Gildan with a peer-to-peer training program, which is being implemented in addition to regular OHS trainings. Based on voluntary applications received from interested workers, leaders were chosen using objective criteria such as leadership, empathy, organizational and planning skills, and ability to communicate.

FUNDAHRSE also conducted an introductory workshop about the program, the peer training methodology and the OHS principles at the Gildan San Miguel factory (one of which was the ergonomics program being developed with the Ergonomics Center of the North Carolina State University). Later, these workers will serve as reliable resources for their colleagues seeking OHS information, as well as consultants for coworkers who do not feel comfortable asking their superiors or company doctors questions. The pilot program is being carried out in Gildan San Miguel to evaluate its replication potential for other factories.

Results

BSR and FUNDAHRSE staff members undertook follow-up site visits during the six months after the project ended and observed noticeable improvements to the company's health and safety program.

SHORT-TERM RESULTS

- 1 **Annual performance reviews for managers and supervisors at all levels now include a health and safety performance indicator.** This policy change means that each manager and supervisor is now accountable for the health and safety performance of his or her areas. Annual reviews are quantitative and evaluate performance against goals to determine pay raises. Progress is also evaluated during monthly management meetings, where continuous improvements can be discussed. The factory's health and safety

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- Claudia Sandoval,
Vice-President of Corporate
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and Caribbean
Gildan Activewear

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- José Amaya,
OHS Regional Manager
Gildan Activewear

coordinator confirmed improvements in the time it takes supervisors and managers to implement his suggestions and address noncompliances and attributed these improvements largely to the new incentive structures and the factory personnel's increased commitment.

- 2 **Implementation of recommendations resulting from the health and safety system gap analysis is included among the main goals** assigned to Gildan's regional health and safety manager and will be examined in his annual performance evaluation.
- 3 **Stakeholder mapping and the materiality analysis allowed the company to compare its priorities to those of its stakeholders and make appropriate adjustments.** As a result of the materiality analysis, the factory has modified health and safety training topics.
- 4 To strengthen OHS preventive measures, **Gildan has also contracted a specialist in occupational medicine to work at the corporate level to design and standardize medical procedures and preventive health programs**, which are being implemented in all of the company's sewing factories in Central America.
- 5 As part of its efforts to raise awareness of OHS issues, **Gildan engaged workers in preventive programs at the San Miguel factory.** For example, representatives from different areas have administered training sessions on ergonomics and workers themselves have helped create informational videos about PPE and correct postures to prevent occupational injuries and illnesses. These videos are shown in the factory cafeterias. By innovatively involving workers in the implementation of preventive programs, Gildan hopes to more efficiently improve workers' behavior regarding OHS.

In interviews, managers recognized that the health and safety of workers impacts business performance. They testified that healthy workers are more productive and are also better able to accumulate seniority in the company, thus becoming more specialized in and efficient at their activities. Senior managers also link a good health and safety program to reduced employee turnover and higher quality products. As Claudia Sandoval, the company's Vice-President of Corporate Citizenship for Central America and Caribbean, stated, “At the end of the day, what is good for the employee is good for the company.”

Gildan's regional managers and directors welcomed the project's initial results and, contingent on final outcomes, the company plans to replicate the projects in its other sewing factories in Honduras, the Dominican Republic and Nicaragua. Ultimately, Gildan's goal is to achieve a world-class management system in OHS within five years.

ANTICIPATED LONG-TERM OUTCOMES

Important long-term benefits from the changes implemented at the Gildan factory in San Miguel include improved worker health and well-being and improved working conditions. The OHS Regional Manager José Amaya assures that workers are “more aware of adopting correct postures at their work stations and are more open to reporting nonergonomic conditions to their immediate supervisors.” Workers' behavioral changes resulting from the company's efforts to implement continuous OHS improvement measures, in the long term, will result in fewer occupational injuries and an overall improvement in worker well-being.

Anticipated longer-term business benefits include higher compliance rates with health and safety policies, decreases in health and safety risks from implementing new preventive measures, reductions in medical costs, and decreases in absences and personnel rotation. Healthier workers are also expected to be more productive and satisfied with their work, thus increasing productivity and reducing turnover rates. Additionally, addressing health and

safety issues improves the company's image among stakeholders and international customers.

LESSONS LEARNED AND USEFUL TIPS

In replicating this project, useful tips based on the successes and challenges of the project include:

- 1 Companies should prioritize and incentivize continuous improvement to health and safety.** Rewarding employees based solely on productivity can lead them to ignore preventive measures meant to improve their health and safety. Companies must link health and safety compliance and continuous improvement to employees' performance reviews, salaries, and upward mobility within the company.
- 2 Companies should maintain health and safety programs even during heavy production periods.** The production capacity of a textile or apparel factory must allow for peaks in demand or additional production resulting from external factors. Additional production must be handled in a way that does not disrupt working conditions, essential for guaranteeing worker health and safety. If training programs must be postponed, they should be promptly rescheduled.
- 3 Corporate senior management support is essential for guaranteeing the successful implementation of health and safety projects.** In Gildan's case, the high priority that various levels of corporate senior and regional managers gave the project had an enormous impact on its progress. The visible buy-in of senior management is especially critical for the implementation of programs that require a longer time frame to display tangible results.
- 4 Active worker participation is crucial for a solid OHS program.** In addition to personally having the most at stake in OHS performance, people working on the factory floors bring on-the-ground knowledge of OHS practices and risks. Formal and informal channels of communication should be established to allow a fluid, two-way flow of information between workers and managers. The opinions of the workers working in the factories should also be routinely tapped, as their expertise is invaluable for the successful design and implementation of preventive health and safety practices.

About the DR-CAFTA Project

This case study was made possible by a grant from the U.S. Department of State to BSR for the "DR-CAFTA Responsible Competitiveness Project." This project works with producers, labor representatives, governments and international buyers to promote responsible labor practices in DR-CAFTA countries. For more information, visit www.drcafta.bsr.org.