



International
Labour
Organization

Corporate Social Responsibility in the Chinese Textile Industry - Compendium of case studies with good practices



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Background

Small and Medium Sized Enterprises (SMEs) make up 99% of all private registered enterprises in China. Furthermore, SMEs are the largest employers for both women and men and therefore are key to achieving sustainable economic development and poverty reduction. Current research shows that innovations in work organization, continuous workplace learning, environmentally responsible production, good labour-management relations, safe working conditions and respect for workers' rights are all important methods to raise productivity in SMEs while also promoting decent work.

There are significant long and short-term drivers pushing for more sustainable enterprises:

- Internal drivers: global competition and best practice is pushing companies to establish good industrial relations, improve work conditions and human resource development as well as the application of the principles enshrined in the International Labour Standards.
- Supply chain drivers: leading companies are addressing environmental, labour and social conditions and monitor these as part of their supply chain management and outsourcing practices and put in place codes of conduct. However, these efforts seldom progress beyond the first tier, and invariably miss SMEs suppliers.
- Financial drivers: major lending institutions and investors are adopting performance standards on environmental and social issues.
- Government drivers: the Government is increasingly asking companies to look at improved health and safety, welfare and other standards in procurement contracts.

Involvement of the Swiss State Secretariat of Economic Affairs

Switzerland, being an open trade dependent economy with a large number of multinational enterprises, has long supported developing countries' participation in the global business community, in part through innovative trade-related technical cooperation projects that facilitate access to services in the field of standards, norms and certification. This has included support for programmes building businesses' capacity to meet international standards and national regulations – in both the labour and environmental areas.

The Swiss support for the ILO in the area of workplace improvements started in 2002 following the World Summit on Sustainable Development, in Johannesburg, South Africa. The Summit brought together three UN programmes or agencies, including the International Labour Organization (ILO), The United Nations Industrial Development Organization (UNIDO) and United Nations Environment Programme (UNEP) in a Swiss-supported collaboration. This collaboration has continued and deepened in particular between the ILO and UNIDO through the following years of project implementation.

This brochure gives some highlights of the impact the SECO funded project “CSR in the Chinese Textile Industry” had on the participating factories. The project has been scaled up in a global project called SCORE, Sustaining Competitive and Responsible Enterprises. More info can be found at the back of this brochure.

5S Management in Zhejiang Jinda New Materials

Background

Zhejiang Jinda New Materials Co. Ltd. Is a company with four branches specializing in the development, production, and distribution of various warp-knitted geo-technical synthetic materials, warp-knitted fabrics, waterproof cloths, artificial leather, synthetic leathers and high-end surface coating materials. The company has around 560 employees, and one of its branch Haining Jiema Hi-tech Coating Fabrics Co., Ltd (Hereafter as Jiema) has taken the lead to management improvement initiatives through the implementation of 5S.

Initial situation

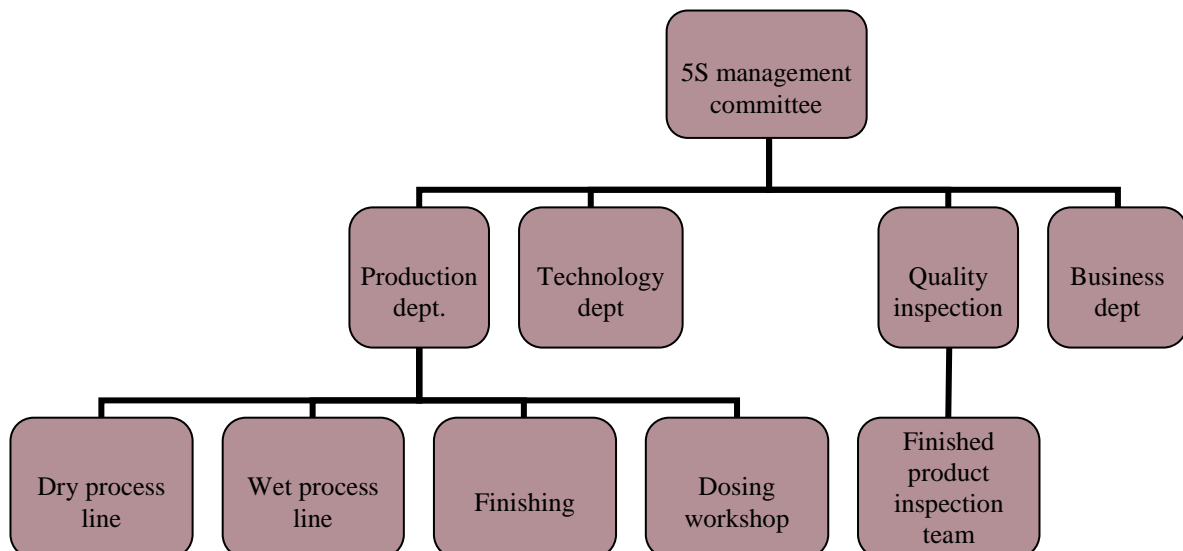
During an inspection tour of Jiema's premises, project consultants found that the factory was dirty and disorderly in general. The company's senior management has been aware of these problems for several years and in fact in 2004, a field management evaluation team was set up to address the issue. However, due to lack of a comprehensive management system, all actions were fragmented and superficial missing the essence of 5S.

Recommendations made by consultants

- ❑ Formulating the company's management policy and objectives
- ❑ Raising employees' awareness of the importance of 5S management
- ❑ Establishing 5S management system for continuous improvement

Actions taken by the factory

A 5S management committee comprising top management was established, to be responsible for formulating 5S implementation objectives, and provides resources, evaluate implementation results, and guide company-wide implementation of 5S activities. Another task team comprising workshop directors was also established, responsible for formulating specific action plans and projects in accordance to management objectives and continuous improvement. Each department manager was primarily held accountable for promoting 5S practice, whereas an employee was appointed as field manager or contact person. In addition, three-level 5S management structure was designed to include management committee, relevant functional departments and all production lines.



A new 5S management guide was prepared by modifying the original management guide to incorporate the above mentioned 5S management structure. 5S was also integrated into the existing ISO9001/ISO14001 quality and environmental systems.



5S policy and objectives were formulated, which has been instrumental in motivating employees to adhere to 5S practices of sorting and systematizing constantly and form a working habit of sweeping, standardizing and self-discipline. In addition, objectives were broken down into several items and corresponding measurement indicators were formulated to measure progress.

Staff training was planned, and responsibility was given to the task team to deliver the specific training and guidance on implementation to all employees, to enhance 5S awareness and knowledge throughout the company.

Detailed action plans for 5S system implementation timetable were developed, and divided into five parts or phases namely, sorting, systematizing, sweeping, standardizing and self-discipline. To-Do list covering all elements of 5S was distributed to each employee for recording daily work performance with checklists (diagnostic list) for production and office areas, including detailed rules and

requirements for standardized operations, etc.

Plan for internal reviews were developed and incorporated into regular management review meetings. Self-examination mechanism was also designed to identify problems encountered in a timely manner and inquire into the possibility of continuous improvement.

Results and impact

Jiema has essentially established a 5S management system and incorporated the system into ISO9001 and ISO14001 management systems and several positive effects have taken initial shape, including the elimination of unnecessary materials and tools, and reduction in the time it took to look for tools and materials, improvement in working efficiency, an increase in workplace safety, clearer aisles, consistency in product quality, substantially improved workshop and warehouse environment. All this has also contributed in the development of a strong sense of accomplishment among employees, hence promoting an enabling environment for effective 5S implementation.

According to the company's office manager Ms. Wang Juanchun

“After implementing 5S actions, the field management performance has been improved substantially compared to what it was half a year ago. The workshops are clean and orderly; materials are being well maintained and more importantly, the morale of employees has been greatly raised”.

Human Resource Management in Chaoda Warp Knitting Co. Ltd

Background

Chaoda Warp Knitting Co. Ltd., a company with 230 employees, and had no specialized human resource department but instead has a full-time person assigned for personnel matters.

Initial situation

During the initial assessment, it was apparent that the person responsible for personnel matters was occupied with trivial recruitment routines, induction and separation formalities. The management's perception of HR planning activities was over simplified. Therefore, there was no specific HR plans, and the HR regulations in use were full of disciplinary measures including pecuniary penalty. There was no systematic internal training plan and the personnel turnover rate in 2007 was 18%, higher than the industry average.

Recommendations made by consultants

- Setting up key performance indicators at all levels
- Formulating HR development plan
- Establishing HR management system

Actions taken by the factory

The company-level HR management objectives were formulated, defined, and broken down into several sub-level objectives, such as post-festival rate of returned employees (>95%), annual employee turnover (<5%), coverage of social insurance (=100%), rate of pay rise (>CPI), increase in training time (>10%), employee satisfaction rate (>90%), etc.

In addition, each objective was required to be measurable by using specific calculation method or formula. The target value for each objective was predefined based on industry experience.

As a mechanism to further improvement of HR practices, employee satisfaction questionnaire and separation interview were undertaken. The questionnaire survey was planned twice per year and was conducted on a regular basis. The first satisfaction survey was conducted anonymously in May 2008 whereas separation interview with any outgoing employee was conducted at the time, and was used to identify the causes of employee dissatisfaction and separation.

After analysis of the survey, major problems were identified, and among them included low level of wage and benefit, poor working environment, long working hours, poor meals, etc.

Based on the abovementioned objectives and survey findings, the company identified the problems with its HR practice and established a task team led by the General Manager. The task teams' responsibilities were to improve the

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company's HR practice with the help of consultants.

To meet these HR improvement objectives, a specialized HR department was set up to directly report to the General Manager. At the same time, operational systems were established; HR management routines were streamlined and standardized.

In addition, performance appraisal system was introduced at weaving and warp knitting workshops. The evaluation and rewarding activities were open and transparent ensuring rules and regulations on evaluation activities were made available to each employee.

The mechanism of dialogue between managers and workers was established in which regular meetings between senior management, middle management and employees were held at regular or irregular intervals. The manager-worker dialogue among other things covered the responsibilities of employees, performance review and analysis of failure to meet expectations.

Adopted in the changes were also, more human-oriented welfare policies such as education allowance for self-study. Other changes established were, a competition-based selection and recruitment system inside the company (for job promotion to foremen and team leaders). The chance to these promotions was presented to every employee regardless of department, area and gender.

Job-specific training programs were designed and plans are in place so that they are updated every year on a regular basis. The training covers not only technical expertise but also occupational safety.

Management also intensified efforts to build corporate culture through various methods where Chaoda delivered message

of its corporate culture including corporate song, business philosophy and trade union activities to employees through bulletin boards, banners and electronic displays in workshops.

Results and impact

Due to these changes, the general HR management practice has been drastically improved. The new HR policy has effectively improved the working conditions and quality of life for its

employees. This made employees to be more motivated and committed to sustainable improvement of the company's objectives.

When comparison was made between 2006 and 2008 after implementing the project; among the twelve sub-level objectives, seven indicators in 2006 were below the target value and this figure was lowered to one in 2008. Of the three indicators for employee satisfaction in 2006, two have made remarkable improvement in 2008.

A major outcome was that participants recognized that they have benefited a lot from this project and realized that HR management is not the sole responsibility of HR department but the responsibility of all managers.

As the General Manager said,

“Comprehensive employee welfare is just like a thoughtful messenger who connects the hearts of employees closely with that of the company and enables the company to attract and retain a large pool of talents and transform the employees' sense of belonging into cohesion and morale to keep the company highly viable.”

Workplace Protection in Winpower Headwear

Background

Winpower Headwear Manufacturer has 200 employees and produces a wide variety of headwear products. As an export-oriented business, it faces demanding requirements of CSR, in particular for a better workplace environment.

Initial situation

After the field examination with a focus on working conditions and labor safety measures, consultants found the company had certain basic OHS rules and regulations. However these regulations did not take effect in the factory. It was obvious the workshops had several OHS risks and hazards and there was no systematic solution to deal with this problem.

Recommendations made by consultants

- ❑ Raising employee awareness regarding the importance of OHS and workplace hazards and risks
- ❑ Establishing of an improvement team to address the fire safety, electrical safety, machine guarding, and housekeeping issues
- ❑ Make use of checklist to do a thorough examination and locate risks and hazards and solutions
- ❑ Developing and implementing of OHS policy to realize continuous improvement

Actions taken by the factory

An improvement team composed of department managers, supervisors and workers was established with a task to propose improvement plans and supervise the implementation. It was reflected in the team the balance between workers and managers as well as males and females as required by the project.

Using a checklist that covered 166 inspection items in 15 categories, the team conducted an examination of the whole factory and proposed action plans. As the OHS improvement is a systematic and time-consuming process, the implementation was divided into two steps. The first step involved formulating 10 specific improvement plans that are operable and improvable within short term, assigning responsible persons, and completing these plans within three months. The second step concerns with the continuous improvement of various incomplete plans. The first-step actions include:

- ❑ A thorough examination of warehouses to check and replace fire equipments and mark the warehouses properly
- ❑ A thorough cleaning of the workplace to eliminate fire hazards
- ❑ Natural ventilation for discharge of steam
- ❑ Better positioned lamps to minimize the incidence of head injury
- ❑ Replaced worn electric wires, exposed connectors and damaged insulating layers of electrical wires
- ❑ Relocated drinking area originally close to toilet to prevent cross-contamination etc.

Results and impact

A follow-up examination of the workplace revealed that the general situation at the workplace has been improved significantly. Fire safety management was improved through the provision of reasonable planning, identification and ensuring that fire service passages are obstacle-free. The workplace environment itself was clean and free from fire hazards and greatly improved air circulation etc.

Both workers and managers have become aware that safety and health is a top priority for all workplaces and proactive approaches and preventive measures, if adopted by the company, can help effectively protect the safety and health of employees, otherwise accidents would become a commonplace or even cause fatal consequence.

In addition, management has also realized that improvements to health and safety conditions of employees are not

necessarily an act of investment without returns but indeed conducive to improving the productivity and product quality of the company.

The improvement team has become the backbone of the company and has been enabled to flexibly apply acquired knowledge from the training, and understand the effects of different facilities, equipments, activities and environment on safety, health and well being of employees. The team analyzes safety and health conditions, identify practical solutions, and take the responsibility for formulating and implementing action plans for continuous improvement to their working environment.

Factory improvement is a systematic project. So far the company has undertaken the first-step actions, and more

complicated tasks still need to be dealt with, such as developing OHS policy. The great teamwork and effective communication built up in the first phase have laid a solid base for further improvement.



Environmental management plan in Wujiang Fuhua Weaving Co., Ltd.

Background

Wujiang Fuhua Weaving Co., Ltd. deals with research, development and production of chemical fiber cloth, printing and dyeing, and treatment of high-end textile fabrics. Fuhua employs over 2,500 people, operates two large weaving centers, and produces over 250 million meters of high-end chemical fiber cloths each year. While enlarging business scale, Fuhua is challenged with balancing their substantial output with environmental sustainability.

Initial situation

The project experts helped Fuhua to see that their managerial organization and environmental planning were lacking in some areas. Inspections and discussions revealed that older equipment like light bulbs, cleaning supplies, leaky valves, exposed steam pipes, and other machines could be replaced and updated to improve energy efficiency. Noise pollution and heat emission were also excessive in their workshops. In addition, the management's understanding of cleaner production was concentrated on simple solutions instead of a holistic approach to action.

There was also a lack of effective support and cooperation from supervisors and managers, as they misinterpreted the concept of cleaner production and took it to mean sufficient cleaning work and implementation of a 5S program, instead of a forward-thinking environmental strategy. Moreover, the company lacked employees with technical expertise in cleaner production/ environmental management.

Recommendations made by consultants

After the training on cleaner production and environmental management as well as discussions with the company representatives, the following improvement measures were proposed:

- Establishing an environmental management team
- Developing specific objectives of the improvement plans
- Coordinating responsibilities and tasks of relevant departments
- Revising current provisions to ensure better protection of employees

Actions taken by the factory

An environmental management team consisting of deputy general manager in charge of production, senior management, and relevant functional personnel was established to carry out the above improvement measures. The team was to be responsible for formulating and implementing continuous improvement plans.

Specific objectives of the improvement plans were devised for example, specifying percentage decrease in energy consumption is now required for each hundred meters of cloth produced.

Additionally, information meetings were planned and held regularly between relevant departments to coordinate the responsibilities and tasks of those

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departments concerned with achieving specified objectives.

Furthermore, workers were required to wear earplugs at work. Provisions were to be made to ensure every operator entering the workshop wears protective earplugs for the sake of his or her own health and safety.

In terms of energy conservation, all illuminating lamps in the workshop were replaced by energy-saving luminous tubes, steam valves were equipped with thermal shrouds where necessary, and all leaky parts of steam pipes were examined and repaired on a regular basis.

The factory-wide education program was conducted to disseminate the knowledge about environmental management and cleaner production. A written proposal was distributed to all employees to educate them about resource conservation and energy saving for every activity they engage in.

Results and impact

Actions taken in the environmental improvement have brought the company considerable monetary, environmental, and worker efficiency benefits, for example:

- ❑ Replacing fluorescent tubes by energy-saving fluorescent tubes has led to electricity savings of 59,000 Yuan every year
- ❑ Waxing shop floors of workshops has increased production rate by 0.26%
- ❑ Purchasing a special vacuum cleaner and a floor cleaner have increased cleanliness, and therefore efficiency
- ❑ Supplying workers with new earplugs to maintain health and safety.

Thanks to the training and guidance offered by the CSR project for Chinese

textile enterprises, Fuhua's management has developed a deeper understanding of environmental management, cleaner production, safety in production and occupational safety and health, thereby paying much more attention to these issues. Many effective solutions and measures have been proposed, some of which either have even been further improved or are in the process of improvement.

Although some medium or high-cost solutions, or relatively complicated projects are pending, plans to implement them have been included in the business strategy of the company because they now know that cleaner production can effectively improve the working conditions for operators, mitigate the effect of production process on employees' health, build a favorable corporate image, boost customer loyalty, and improve business competitiveness.



Environmental performance and productivity improvement in Shenzhen Evershine Apparel Co. Ltd

Background

Shenzhen Evershine Apparel Co. Ltd is a specialized fashion business dealing with development, design, manufacturing, marketing and agency service of garments and personal adornments, with about 150 employees at present. As an export processing-oriented garment maker, the company is currently facing daunting challenges of how to reduce production cost and generation of wastes during the production process in order to achieve the objectives of energy saving, reduced material consumption and environmental impact, and improved efficiency.

Initial situation

The project's environmental management and cleaner production trainers first worked with the employees to conduct a cleaner production assessment of the site. The raw materials used in the production activities at the company were cashmere yarns, which were all outsourced, so there was no raw material dyeing process at the company. Solid emissions from the production processes such as thrums and yarn paper cartridges were simply disposed. The wet processing stage consumed a large amount of water and was primarily responsible for generating wastewater. Moreover, the two other processes of drying and ironing consumed a considerable amount of energy. A tracking and statistical analysis of utility supplies and material use across the company revealed that there was considerable room for improvement to energy and material saving.

Recommendations made by consultants

- ❑ Four measures of saving dyestuff and chemicals
- ❑ Three power saving measures
- ❑ Four energy saving measures
- ❑ Six water saving measures
- ❑ Seven organizational management improvement measures

Actions taken by the factory

Evershine's environmental team adhered to a principle of implementing the cleaner production plan by progressing through increasingly difficult tasks. This allowed the team to first fix the simple problems and take advantage of the new efficiency before concentrating on greater challenges. Evershine applied this formula to two areas of the company: the equipment and processes side, and the managerial principles.

The Evershine environmental team first used the process flow diagram to determine which equipment could be improved in order to increase the efficiency of their processes. Using the abovementioned methodology, Evershine first improved commonly used, and therefore well-understood, machinery before they proceeded to fix their more complicated equipment.

To improve company organization, the team established a clear plan of how these equipment improvements would be overseen by the management and established a system of delegation in which easy tasks were followed by more time-consuming jobs. Twenty zero-cost or low-cost cleaner production plans were implemented based on the philosophy of starting simple. The following list outlines some of the main cleaner production and environmental management improvement actions that Evershine took:

- ❑ Wastes in the workshop were classified and used yarn cartridges were collected and recycled in a centralized manner, thus leading to cost reduction
- ❑ The bleaching water container at the sewage treatment center was protected from sunlight, which not only ensures effectiveness of the chemical, but also reduces consumption and indirectly reduces pollutant discharge
- ❑ Small-sized washing machines were bought for water washing of small samples
- ❑ Old boilers were replaced with new, more efficient boilers
- ❑ A drape was attached onto the yarn racks in the workshop to prevent cross-contamination by dust and to reduce material consumption
- ❑ Sewing method for marks was improved, which not only simplifies the work process but also reduces damage to cashmere sweaters

Results and impact

The CSR project's experts taught Evershine the methodology of cleaner production and helped them to create an environmental management plan, which has not only improved its product quality and reduced its production cost, but has also increased energy efficiency and lowered pollutant emission. Factors contributing to success of Evershine include effective management, participation and support of employees, implementation of zero- or low-cost, yet highly effective plans, training, and information sharing.

The policy of cleaner production and environmental management will continue to be implemented, and both Evershine's management and the environmental team will work to sustain a greener approach in the company's processes.

After implementation of many low cost cleaner production plans, the factory leadership found that the product quality improved and utilities were less expensive to maintain. This success can be attributed to employees who embraced the challenges and the cleaner production principle, and also to the management and environmental team for this project, as they were the ones who asked the employees to commit to finding the solution to cleaner production.

The programme

SCoRE is a programme of the International Labour Organization that supports small and medium sized enterprise to grow and create more and better jobs by improving their competitiveness through better quality, productivity and workplace practices. Short training sessions for workers and managers are followed by enterprise visits and counseling to meet the specific needs of individual enterprises. The programme is particularly relevant for enterprises that face internal problems relating to quality, productivity, pollution and waste, workplace health & safety or human resources management.

The modules

Workplace Cooperation – A foundation for business success

In today's fast changing world people are at the heart of competitiveness. In order to gear the enterprise towards a continuous cycle of improvements everybody in the enterprise has to play an active role. By the end of the module, the enterprise managers and workers will have set the strategic direction of the enterprise and identified a number of practical workplace cooperation projects and put in place systems to measure improvements.

Quality Management

The main reason to improve quality is to ensure that customers are satisfied and will continue to buy from your company. To stay ahead of the competition through better overall quality performance, this module provides tools that will help you identify your customer needs and improve product and service quality through the creation of a quality assurance culture and procedures to deal with quality problems as a team.

Productivity and cleaner production

Productivity is the efficient and effective use of resources such as labour, machines, energy, materials, etc. in the production and distribution of goods and services that meet customers' needs and requirements. This module provides tools for workers and managers to measure and improve productivity with a particular focus on strategies to improve energy and material productivity.

Organize your workplace to be safe and healthy

Injuries occur due to insufficient health and safety standards and procedures in the workplace. This module is designed to help workers and managers identify the various types of health and safety risks that exist in the workplace and then consider how to eliminate, isolate or minimize the risks as well as protect workers from harmful substances or situations.

Organize your people to be motivated and productive

Fundamental to the effectiveness of the enterprise are its human assets. Good HRM systems are built upon many of the basic principles enshrined in International Labour Standards. This manual will show, through concrete guidelines and examples, how the enterprise can develop suitable HR strategies and systems to recruit, motivate and develop the right people for the right job.

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