LEVI STRAUSS FOUNDATION

IMPROVING BUSINESS PERFORMANCE THROUGH GENDER EQUALITY

STRATEGIES FOR THE APPAREL SUPPLY CHAIN

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IMPROVING BUSINESS PERFORMANCE THROUGH GENDER EQUALITY: STRATEGIES FOR THE APPAREL SUPPLY CHAIN

LEVI STRAUSS FOUNDATION

THE OPPORTUNITY GARMENT MANUFACTURERS WHO INVEST IN EQUALITY INCREASE ALL WORKERS' WELL-BEING, IMPROVE THEIR BUSINESS PERFORMANCE, AND ARE MORE COMPETITIVE.

LEVI STRAUSS & CO'S. COMMITMENT TO WORKER WELL-BEING

"Profits through principles". This ethos drives Levi Strauss & Co's. (LS&Co.) business decisions and its vision for the global supply chain. Twenty-five years after introducing the first Terms of Engagement to protect workers' rights and the environment, LS&Co. is leading the next wave of industry evolution. Through the Worker Well-being initiative, LS&Co. is partnering with global manufacturers to go beyond labor compliance and improve health, financial empowerment, and equality for the workers who make its products¹. LS&Co. defines well-being as a state of being happy, healthy and engaged, which is brought about when basic human needs are nurtured.² Research shows that optimizing workers' well-being also drives traditional business metrics.³ Therefore investing in workers' well-being is becoming a new baseline for doing business with LS&Co.

By 2025, LS&Co. will produce more than 80 percent of its product volume in Worker Well-being factories and incorporate all of its strategic vendors into the initiative.⁴ Chip Bergh, LS&Co. president and CEO, said in October 2016, "From here on out, it is simply what we expect and how we do business with our global suppliers."⁵ Liz O'Neill, LS&Co. senior vice president and chief supply chain officer, has challenged all manufacturers to answer "What can you do to improve the lives of workers?"⁶

IMPORTANCE OF GENDER EQUALITY

LS&Co. promotes gender equality because it understands that all workers benefit when the most vulnerable thrive. Across the international apparel supply chain, women are more vulnerable than the men they work with.⁷ On average, women make up 80 percent of apparel workers, and their basic human needs — safety, respect, fairness, and growth — are often unmet.⁸

Female workers in the supply chain are commonly paid lower wages, promoted less, face restrictive stereotypes and abuse, and juggle more responsibilities at home with longer working hours. Gender biases are entrenched and often undetected in business-as-usual attitudes, traditional work activities, and decision making. Very often gender inequalities are not the result of intentional actions, and yet they still exist in every country around the world.

To improve well-being for workers in the supply chain, brands and manufacturers must acknowledge that inlcusion and acceptance drives business success. When the most vulnerable groups in the supply chain are supported, including women, equal rights and opportunities are secured for all.

Worker's overlapping identities — including race, class, ethnicity, gender, age, religion, and sexual orientation — also impact their degree of vulnerability.⁹ Ultimately, LS&Co. wants all of its manufacturers to join it in creating workplaces driven on principles of inclusion and acceptance.

BUSINESS BENEFITS FOR MANUFACTURERS

Improving working conditions and opportunities for women — and all workers — is an investment, not a cost.¹⁰ Manufacturers can expect to increase outputs and reduce absenteeism, turnover, overtime, production errors, and return rates.¹¹ Manufacturers' investments in women's health education and care have yielded returns of 4:1.¹² Factories have increased production and reduced turnover to as low as 2 percent monthly by offering training, childcare, and paid time off.¹³ Manufacturers who achieve profits through gender equality principles also differentiate themselves in the marketplace and are more difficult to replace.

REPORT STRUCTURE

LS&Co. commissioned this report to identify and promote promising strategies to advance gender equality across the apparel supply chain while strengthening business operations. The report identifies five priority focus areas for investment — skill development, pregnancy & parenthood, menstruation, wages, work hours, harassment & gender based violence — and details ten strategies that are making the global apparel supply chain more fair, engaging, and productive for all.

Selected from business operations around the world, ten strategies are presented to stimulate creative thinking and planning specific to each manufacturers' environment. While the strategies offer new ideas to solve recurrent challenges, they must be considered in context to be successful. The report concludes with a Framework for Action to support strategic planning for investment.



TEN STRATEGIES TO IMPROVE WORKER WELL BEING AND BUSINESS PERFORMANCE DISCOVER NEW STRATEGIES TO ADDRESS VULNERABILITIES IN BUSINESS OPERATIONS. INVEST IN GENDER EQUALITY TO

DISCOVER NEW STRATEGIES TO ADDRESS VULNERABILITIES IN BUSINESS OPERATIONS, INVEST IN GENDER EQUALITY TO RAISE WORKERS' WELL-BEING, AND THRIVE BEYOND COMPLIANCE.



FOCUS AREAS FOR INVESTMENT SKILL DEVELOPMENT

Manufacturers who support cross-training increase accuracy, productivity, and satisfaction.¹⁴ Cross-training also makes businesses more resilient and flexible, while protecting workers from high illness and injury rates associated with extreme specialization.¹⁵ The ability to grow, overcome new challenges, and achieve recognition drives well-being for men and women alike.¹⁶ Job design that results in flexible work stations, skill training, and rotation benefits workers and manufacturers alike. Companies that value diversity, and are more gender equal, are more profitable.¹⁸ Yet gender gaps in education and training schedules that conflict with family responsibilities often prevent women from taking advantage of opportunities to develop skills they need to advance.¹⁹ This trend appears exacerbated as new employment opportunities related to technology and automation are going to a larger proportion of male workers.²⁰ Many women around the globe are also reluctant to negotiate for themselves.²¹ As a result, women are less likely to be promoted, and often the gender makeup of supervisors does not mirror workers.²²

STRATEGY

BENEFIT

GROW AND FLEX WORKFORCE STRENGTH THROUGH JOB DESIGN, SKILLS TRAINING, AND ROTATION

- Train workers on multiple stations and rotate assignments regularly
- Offer skills training during business hours to mitigate conflicts with family responsibilities
- Ensure that workers have opportunities to advance even if they do not ask for a promotion

CULTIVATE AND APPOINT QUALIFIED WOMEN TO LEAD AT ALL LEVELS OF THE COMPANY

- Create mentorship and sponsorship programs to encourage more women to be leaders
- Provide workers access to pursue formal education through eLearning programs and on-site computer centers
- Set specific targets for the number of females to be supervisors, managers, or board members

EXAMPLE

A manufacturer in China invested in a program to cross-train workers and help them to advance their careers. Now 46 percent of its management are women and it enjoys low turnover rates.¹⁷ In Bangladesh, a manufacturer made 80 percent of line supervisors female. This more accurately reflected the gender makeup of the workforce, decreased workers' concerns about harassment, and increased productivity.²³

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FOCUS AREAS FOR INVESTMENT PREGNANCY & PARENTHOOD

A factory clinic that meets women's health needs ensures workers get care that might otherwise be out of reach, and results in improved productivity.²⁴ It is particularly important to provide women with safe, reliable, and affordable birth control options. This helps with family planning and lowers rates of unintended pregnancies and unsafe abortions. Women who choose when to give birth are more likely to stay in the workforce.²⁵ Clinic staff can also help business performance with programs on prenatal and postnatal care, breastfeeding, and post-partum depression.

Working mothers are more productive, absent less often, and return to the job earlier from maternity leave when offered work-based childcare and support to continue breastfeeding.²⁷ Acceptable, and affordable options for childcare simply do not exist in many manufacturing areas and are a barrier to meeting women's long-term participation in work.²⁸ Meeting childcare needs is critically important to the well-being of all working parents. Work-based childcare and lactation rooms also enable employers to realize the unique health benefits of breastfeeding for both mother and child. Continued breastfeeding drives lower rates of absenteeism.²⁹

STRATEGY

USE THE FACTORY CLINIC TO DELIVER HEALTH EDUCATION AND SERVICES, ESPECIALLY REPRODUCTIVE HEALTH

- Develop and implement workplace health and peer education programs
- Provide preventative care and create a referral system with agencies for follow-up
- Subsidize the cost of safe, reliable birth control for workers at the factory clinic

- Share the start-up and operating costs for reliable, quality childcare near the factory

PROVIDE WORK-BASED CHILDCARE AND LACTATION ROOMS

- Ensure all caretakers are trained in early childhood development, nutrition, and hygiene
- Provide dependable, efficient breast pumps in a desirable location and refrigeration to store expressed milk at work

EXAMPLE

A manufacturer in China decreased their annual turnover rate from 15 percent to 3 percent by investing in a worker health initiative that included reproductive health.²⁶

Manufacturers in Bangladesh joined an initiative to increase breastfeeding rates. They set up lactation rooms, and workers received support and nutrition counseling. Absenteeism and turnover rates among working mothers dropped by 50 percent.³⁰

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FOCUS AREAS FOR INVESTMENT MENSTRUATION

Manufacturers who address health needs due to bleeding and pain during menstruation solve one of the leading causes of absenteeism for women.³¹ Some cultures do not recognize that menstruation is a sign of good health, which prevents women from learning how to properly manage it.³² This contributes to women missing work out of shame or fear that they will stain their clothes.³³ The fact that women workers often do not have enough money to buy adequate supplies, including pain medication, makes these challenges worse.³⁴ Productivity increases when workers are taught how to manage menstruation, and when supplies are provided.³⁶ Providing menstrual cloths or pads prevents women from using chemically tainted rags from the factory floor, or unhygienic supplies from other sources, which can cause serious health issues.³⁷ In addition to safe menstrual supplies, women need: clean water, private facilities to change and dispose of used supplies, or to dry supplies if they are reusable, and extra break time to complete these tasks.³⁸ Many women also need effective medication for menstrual pain, and education to dispel potentially harmful myths about what they can eat and if they should bathe while menstruating.

STRATEGY

TEACH WOMEN AND MEN THAT MENSTRUATION IS A SIGN OF GOOD HEALTH AND HOW TO MANAGE IT

- Create an environment where women can manage menstruation without embarrassment
- Educate both men and women about menstruation and how it relates to reproductive health
- Ensure women understand their choices for safe menstrual supplies and correct use

PROVIDE AFFORDABLE MENSTRUAL SUPPLIES AND PAIN MEDICINE IN THE FACTORY CLINIC

- Stock safe menstrual supplies and effective pain medication
- Subsidize the cost of menstrual supplies and pain medication for workers
- Ensure women can access the clinic and water, sanitation, and hygiene facilities as needed

EXAMPLE

Menstruation-related absenteeism dropped 72 percent at one factory in Bangladesh after health education increased the use of menstrual pads. Monthly plumber costs due to clogged pipes from cloths were also significantly lowered.³⁵

A nurse in a Pakistani factory recognized women needed easier access to menstrual pads and started stocking them for sale in the clinic at a fair price. The number of women who reported difficulty meeting their production targets while menstruating dropped by 12 percent.³⁹

FOCUS AREAS FOR INVESTMENT WAGES & WORK HOURS

When workers perceive wage determination as fair and transparent, business performance increases.⁴⁰ Workers care about how much they are paid and how their pay compares to others. While apparel manufacturing offers many women higher wages than they could obtain elsewhere, in most factories around the world women work longer hours for less pay than men.⁴¹ In some settings, they earn 50 percent less than the men they work with.⁴² Women are often concentrated in jobs that are undervalued relative to the business benefits they provide.⁴³

STRATEGY

MAKE CLEAR HOW PROMOTIONS AND WAGES ARE Structured and regularly analyze pay equity

- Establish and communicate objective criteria for pay and promotions
- Measure the difference between male and female workers' average earnings
- Review and update human resources policies that may result in unintended gender wage gaps

EXAMPLE

A manufacturer in China surveyed workers and found they wanted more transparency in the promotion process. Now all workers receive a career ladder that clearly explains the criteria for advancement, which has been received favorably.⁴⁴ Manufacturers who offer predictable work hours increase safety and outputs while supporting home-life balance and retention for all workers.⁴⁵ Excessive overtime has negative health consequences on workers, increases absenteeism, and ultimately reduces productivity.⁴⁶ Research shows that many workers, especially women, have to work very long hours to earn the legal minimum wage or keep their jobs.⁴⁷ Poor planning, supply chain delays, payment by piece rate, and production emergencies contribute to overtime and higher injury rates.⁴⁸ In this vicious cycle, low worker productivity is a result more often than a cause of excessive overtime.⁴⁹

SET PREDICTABLE SCHEDULES AND ELIMINATE EXCESSIVE OVERTIME

- Invest in production planning, flexible lines, and teamwork
- Find out how many hours workers prefer to work, establish limits, and support voluntary overtime
- Improve manufacturer-brand communication to reduce the impact of design and procurement decisions on overtime

Prompted by a brand's concerns, one manufacturer examined the cost of overtime and decided to reduce it. They invested in production planning and worked closely with the brand to reduce foreseeable overtime. For six months a year they operate without any overtime and pay those who want it by the hour when it is needed.⁵⁰

FOCUS AREAS FOR INVESTMENT & GENDER BASED VIOLENCE

Manufacturers who acknowledge worker concerns and supervisor challenges can reduce the impact of harassment and gender based violence on business performance.⁵¹ Despite codes of conduct harassment remains common in apparel factories, in transit to and from work, and in public spaces. ⁵² Failure to acknowledge violence and harassment, and to put effective grievance mechanisms in place, perpetuates it and drives turnover.⁵³ Supervisors trained to manage stressful situations and practice alternatives to motivationby-intimidation reduce workplace harassment.⁵⁴ When supervisors and workers have the same incentives to meet production goals, violence and harassment is lower and profits are higher.⁵⁶ In factories where supervisors receive a fixed salary, and the individual workers they manage are paid a piece rate, sexual favors are more frequently extorted for positive workeffort reports. Further, there is evidence that paying a piece rate decreases overall factory profits.⁵⁷ Manufacturers who provide wage bonuses linked to the same production targets for workers and supervisors experience reduced harassment.⁵⁸

STRATEGY

EXAMPLE

BENEFIT

RECOGNIZE VIOLENCE AND HARASSMENT, AND TEACH SUPERVISORS HOW TO EFFECTIVELY MOTIVATE WORKERS

- Ensure effective grievance mechanisms are in place and make visible the violence and harassment that workers face in the factory, on their commutes, and at home
- Train supervisors to behave professionally and foster teamwork by treating all workers with dignity and respect
- Partner with organizations that provide direct legal and health services to survivors of violence and harassment

In Better Work factories, supervisors are taught effective and humane strategies to manage workers. Productivity has increased by 22 percent, and both employee turnover and the number of unbalanced production lines have decreased.⁵⁵

COMPENSATE WORKERS AND SUPERVISORS USING THE SAME INCENTIVE STRUCTURES

- Adopt production-linked incentives for supervisors that protect workers from extortion and maximize profits
- Make sure supervisors know that receiving sexual favors from workers is not part of their compensation and will result in immediate termination
- Inform all workers that harassment and violence negatively impacts overall business performance and profitability, for everyone

Garment manufacturers in Cambodia partnered with CARE and UN Women to challenge the common belief that women in apparel factories must accept sexual harassment as a normal part of their job. These efforts helped to address harassment in factories as well as in the communities where workers live.⁵⁹

FRAMEWORK FOR ACTION Adopt a progressive investment approach, and prioritize one or two strategies for implementation to start.

The opportunity to improve business performance through gender equality is clear. To succeed, manufacturers must engage in an ongoing cycle of awareness building and improvement. Manufacturers can support success by actively engaging brands, workers, and community organizations throughout the investment cycle.

Implementing gender equality strategies requires business leaders to prioritize a manageable number of investments so that they can encourage innovative thinking, time to reflect, and discussion. Manufacturers can follow these four steps to adopt a progressive, iterative approach:

STEP 1: SELECT STRATEGIES THAT ALIGN WITH WORKER AND BUSINESS OPERATION NEEDS

Identify strategies that address workers' self-identified needs and vulnerabilities in manufacturers' business operations. The LS&Co. Worker Needs Assessment Survey Tool can be used to support this process.

STEP 2: RANK EACH SELECTED STRATEGY ACCORDING TO ITS RELATIVE MERITS, AND PRIORITIZE ONE OR TWO

Rank each strategy identified in Step 1 according to its anticipated costs and benefits, and prioritize one or two for implementation. Figure 1, on the next page, categorizes the ten practices in two broad areas — Essential Strategies and Notable Strategies — based on generic ranking results. Appendix A details the generic merits of each strategy (e.g., revenue potential, well-being benefit, complexity, time-horizon, resource requirement, and public perception). To complete Step 2, individual manufacturers are encouraged to validate the assumptions presented in Appendix A for their specific business environment.

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STEP 3: DEVELOP IMPLEMENTATION AND MEASUREMENT PLANS FOR PRIORITY STRATEGIES

Define investment goals, resources, community partners, desired outcomes, and time-lines. Establish metrics and an approach for tracking progress. Appendix B provides a list of gender equality metrics to support measurement planning.

Identify leaders throughout the company, and delegate responsibility for downward implementation. Ensure affected workers know changes are forthcoming and why.

In addition, employ tools to monitor workers' well-being as a key performance indicator of day-to-day business operations, alongside productivity and profitability metrics. The Worker Well-being Measurement Toolkit being developed by LS&Co. and Harvard's Sustainability and Health Initiative for NetPositive Enterprise (SHINE) program can be used to support this process.⁶⁰

STEP 4: COMMUNICATE PROGRESS TO INTERNAL AND EXTERNAL STAKEHOLDERS, AND REPEAT THE CYCLE

Magnify investment value by sharing advances with key stakeholders. Brands, workers, regulators, non-governmental organizations, board members, investors, and trade unions are all interested in progress and lessons learned.

Apply lessons learned to a second round of strategic investment. Repeat these four steps to complete another cycle of awareness building and improvement.



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FIGURE 1: RELATIVE MERITS OF THE TEN STRATEGIES

ESSENTIAL STRATEGIES

Provide sure returns for less cost over a shorter time-horizon

NOTABLE STRATEGIES

Offer vanguard results while requiring more complex inputs

Grow and flex workforce strength through job design, skills training, and rotation

Use the factory clinic to deliver health education and services, especially reproductive health

Teach women and men that menstruation is a sign of good health and how to manage it

Provide affordable menstrual supplies and pain medicine in the factory clinic

Recognize harassment, and teach supervisors how to effectively motivate workers

Cultivate and appoint qualified women to lead at all levels of the company

Provide work-based childcare and lactation rooms

Make clear how promotions and wages are structured and regularly analyze pay equity

Set predictable schedules and eliminate excessive overtime

Compensate workers and supervisors using the same incentive structure

CONCLUDING REMARKS

MANUFACTURERS WHO TREAT ALL WORKERS WITH RESPECT AND FAIRNESS DIFFERENTIATE THEMSELVES IN THE MARKETPLACE, REDUCE TURNOVER AND ABSENTEEISM, AND ENJOY LARGE COST SAVINGS.

Improving working conditions and opportunities for women — and all workers — is an investment, not a cost. In return, manufacturers can expect to increase outputs and reduce absenteeism, turnover, overtime, production errors, and return rates.

To gain these benefits, manufacturers must make a conscious effort to move beyond compliance with codes of conduct and systematically remove barriers to equality. To improve well-being and performance, workers must have a safe work environment, satisfactory wages, opportunities to learn and grow, and the ability to balance family responsibilities. Manufacturers who thrive beyond compliance also embrace new strategies to address vulnerabilities in business operations and will doubtless be attracted to many of the strategies in this report.

Companies who pursue profits through worker well-being and gender equality principles differentiate themselves in the marketplace and are harder to replace. Investing in the strategies outlined in this report aligns manufacturers with LS&Co. and makes the apparel supply chain more fair, engaging, and productive for all.



APPENDIX A: RELATIVE MERITS CALCULATION

• MORE • LESS

| | STRATEGY | INCREASED Revenue | INCREASED Well-Being | SOLUTION Simplicity | SHORT TIME Horizon | COST Effective | POSITIVE Perception | TOTAL |
|----------------------|---|----------------------|-------------------------|------------------------|-----------------------|-------------------|------------------------|------------|
| ESSENTIAL STRATEGIES | Grow and flex workforce strength through job design, skills training, and rotation | ٠ | ٠ | | O | | ٠ | e |
| | Use the factory clinic to deliver health education and services, especially reproductive health | • | • | • | C | G | ٠ | ¢ |
| | Teach women and men that menstruation is a sign of good health and how to manage it | • | ٠ | • | • | • | C | Ú |
| | Provide affordable menstrual supplies and pain medicine in the factory clinic | ٠ | ٠ | ٠ | ٠ | • | G | ų |
| | Recognize harassment and teach supervisors how to effectively motivate workers | • | • | • | ٠ | C | ٠ | ¢ |
| NOTABLE STRATEGIES | Cultivate and appoint qualified women to lead at all levels of the company | C | • | • | O | C | ٠ | 0 |
| | Provide work-based childcare and lactation rooms | • | ٠ | 0 | | | ٠ | \bigcirc |
| | Set predictable schedules and eliminate excessive overtime | • | • | O | | O | ٠ | 0 |
| | Make clear how promotions and wages are structured and regularly analyze pay equity | G | ٠ | | O | D | ٠ | |
| | Compensate workers and supervisors using the same incentive structures | | ٠ | O | O | O | C | Ð |

APPENDIX B: GENDER EQUALITY METRICS

| FOCUS AREA | METRIC (DISAGGREGATE FOR MEN AND WOMEN AND BY ROLE) | | | | | | | |
|------------------------|---|--|--|--|--|--|--|--|
| BUSINESS OPERATIONS | Productivity Performance Cycle time Overtime Absenteeism Tardiness | Profits Turnover (number leaving at all levels and why) Error rate (reject rate and redo rate) Well-being (perception of trust, respect, and satisfaction at work) Clinic costs over time Number of clinic visits by reason | | | | | | |
| SKILL DEVELOPMENT | Job skills training offered Job skills training completed Percent of workforce cross-trained | Percent of supervisors that are male or female Percent of workforce rotating jobs Promotion applications and rates Percent of total workforce that are male or female | | | | | | |
| WAGES & WORK HOURS | Average compensation Perception of wage equality Average hours worked | Percent of workers working more hours than they want to Percent of workers working fewer hours than they want to Percent of workers working overtime to obtain minimum wage or keep their job | | | | | | |
| PREGNANCY & PARENTHOOD | Number of pregnant workers Percent of women retained or lost after becoming pregnant Percent of women retained or lost after giving birth to a child Number of women workers interested in and actively breastfeeding Family planning counseling offered Health staff on site, qualified to provide reproductive and maternal health services | Number of workers referred to external reproductive and maternal health services Number of workers with children Number of children in school or daycare Perception of work-life balance Percent of eligible workers using the lactation room Educational materials and information on birth spacing and family planning methods made available Birth control made available | | | | | | |
| MENSTRUATION | Perception of ability to adequately manage menstrual hygiene Number of women absent due to menstrual pain or menstruation-related reasons | | | | | | | |
| HARASSMENT | Number of logged complaints by gender and by reason Percent of resolved complaints Average complaint resolution time | Number of men and women who have completed anti-harassment training Number of men and women concerned about harassment at the workplace Percent of supervisors with pay incentives aligned to workers | | | | | | |

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Annie S. O'Connor works with companies in the apparel supply chain to improve gender equality and business performance. As a seasoned management consultant and international development professional, she prevails over complex challenges with pragmatic optimism and a global view. Since 2016, Annie has worked with Levi Strauss & Co. to inform, shape, and help implement gender equality strategies that make the supply chain more fair, safe, and productive for all.

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MANAUS provides consulting services to companies and organizations working with corporate responsibility and international development projects. MANAUS combines expertise in the global apparel supply chain, the international development field, and gender mainstreaming to enable clients to achieve their strategic objectives through evidencebased decision making. MANAUS has worked with Levi Strauss & Co. since 2014 to set the framework and implementation tools for the Worker Well-being initiative.

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