



BetterWork

HIGHLIGHTS

Progress and Potential

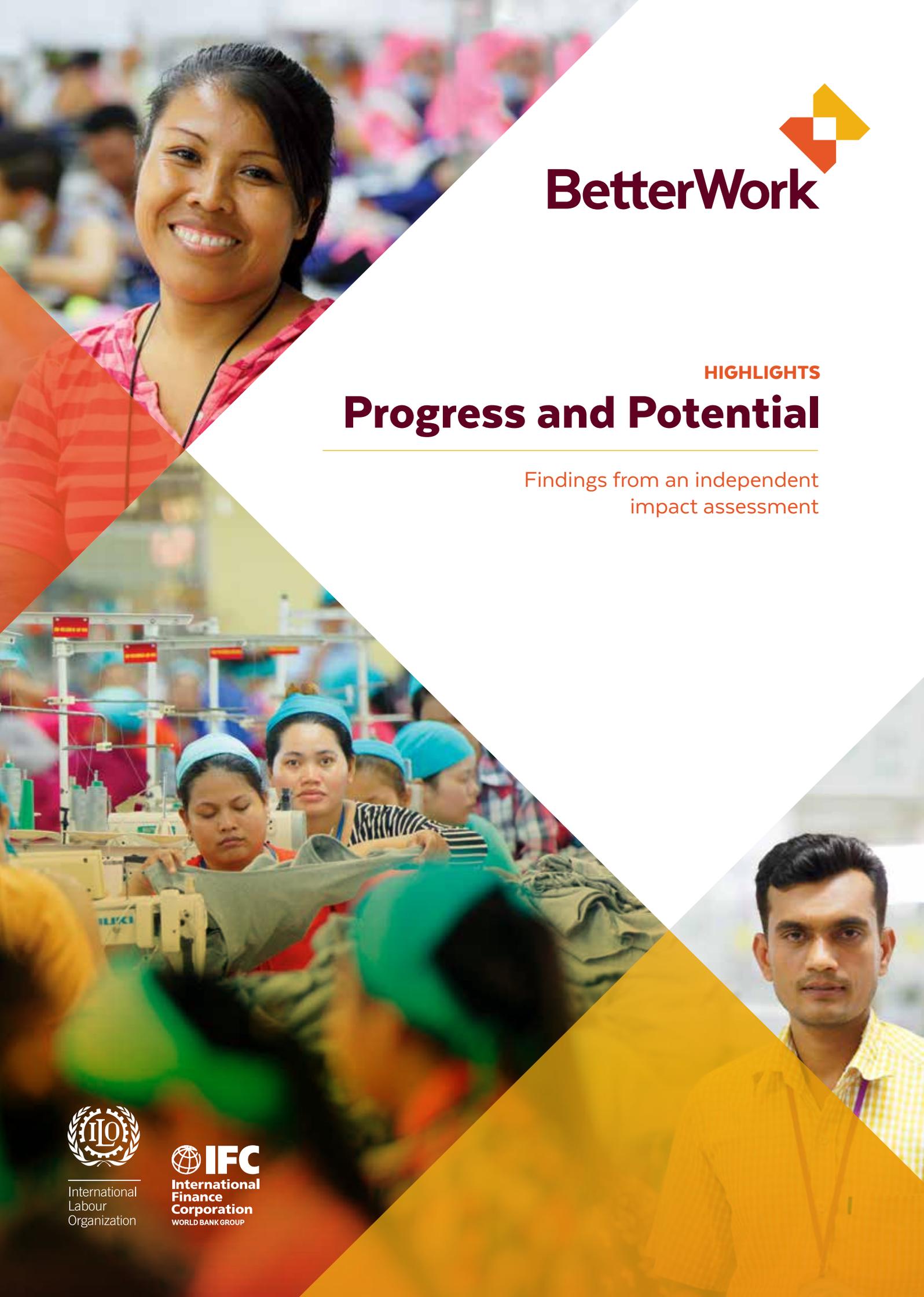
Findings from an independent
impact assessment



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Labour
Organization



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This paper highlights the main findings of *Impact evaluation of Better Work: A Report from Tufts University*. A detailed summary of the report's main findings, titled *Progress and Potential: How Better Work is Improving Garment Workers' Lives and Boosting Competitiveness*, and the Tufts University report can be found at www.betterwork.org



The Better Work programme, a joint initiative of the International Labour Organization (ILO) and the International Finance Corporation (IFC), a member of the World Bank Group, has been working since 2007 to improve working conditions and promote competitiveness in global garment supply chains. As a result of their participation in Better Work, factories have steadily improved compliance with ILO core labour standards and national legislation covering compensation, contracts, occupational safety and health and working time. This has significantly improved working conditions while enhancing factory productivity and profitability.

To further understand the impact of its work, Better Work commissioned Tufts University to conduct an independent impact assessment. Since the programme's inception, Tufts' interdisciplinary research team has gathered and analysed nearly 15,000 survey responses from garment workers and 2,000 responses from factory managers in Haiti, Indonesia, Jordan, Nicaragua and Vietnam. The analysis of these responses represents an in-depth evaluation of Better Work's effectiveness in changing workers' lives and boosting factory competitiveness.

The researchers used different evaluation strategies to measure the impact of the programme. These included a strategy to isolate the impact of the programme using randomized intervals of time – reflecting factories' different periods of exposure to Better Work services – as well as a randomized controlled trial to evaluate the impact of training supervisors.

By capturing this unique set of data and by establishing a rigorous analytical framework and methodology, the researchers were able to test – often for the first time – hypotheses on multiple issues including human resource management strategies, firm organization and global supply chain dynamics. Their assessment is an invaluable contribution to the world's understanding of labour in global supply chains.

BETTER WORK'S IMPACT ON

Working conditions

The impact assessment demonstrates the causal effect of the Better Work programme on a wide range of working conditions in garment factories. Summary findings are illustrated below.

Preventing abusive practices (forced labour, verbal abuse, sexual harassment)

Better Work is helping to prevent factories from using certain tactics associated with forced labour. In Jordan, Tufts' research shows that the longer a factory is enrolled in the Better Work Programme, the less likely it is to resort to coercive labour tactics. The percentage of workers who report that their passport, residency permit or worker permit is held by the factory decreases. Importantly, workers also experience less distress linked to coercive environments, with Better Work Jordan leading to a decline in the incidence of workers reporting crying and feeling fearful.

In Jordan, there is also strong evidence of Better Work's impact on reducing verbal abuse, with workers steadily reporting fewer concerns on this issue. Moreover, this is particularly the case when their factories engage with the programme's advisory services.

Similarly, participating in Better Work has led to a decrease in sexual harassment concerns. The researchers concluded that the improvements were directly attributable to the programme, rather than the result of external factors. The impact of Better Work is clearest in Jordan, where workers are now approximately 18 percentage points less likely to raise sexual harassment concerns. This is largely due to the programme's sexual harassment prevention training. Similar trends – both in terms of declining sexual harassment concerns and workers feeling empowered to seek help – are also apparent in Indonesia, Nicaragua and Vietnam.

Curbing excessive overtime

There is strong evidence that Better Work is positively influencing firm strategies regarding hours of work. Factories use multiple strategies to encourage workers to work long hours to meet production targets and retail delivery deadlines. Researchers hypothesized that, unimpeded by regulations, fac-

tories would opt for either forced labour tactics or very low base pay to ensure long hours. Once constrained by compliance with forced labour and minimum wage regulations, a firm would potentially threaten to fire workers to incentivize overtime (which could take the form of excessive or improper use of probationary contracts).

Focusing on Vietnam, the Tufts research reveals that participating factories are not resorting to forced labour tactics. Additionally, they are increasingly moving away from low base pay strategies, thereby boosting workers' weekly pay. By assessing and advising factories on best practices in contract use, Better Work is also preventing the use of poorly paid, insecure or unprotected contracts that leave the worker in a precarious employment situation. The longer a factory participates in the programme, the less frequent their abuse of probationary contracts. Workers' responses also show fewer concerns on excessive overtime and low pay.

Closing the gender pay gap

Better Work is also playing an important role in promoting gender equality, with factories in Haiti, Nicaragua and Vietnam seeing a substantial reduction in the gender pay gap due to their participation in the programme.

BETTER WORK'S DIRECT IMPACT ON WORKING CONDITIONS

NEXT STEPS Addressing persistent problems

While Better Work is catalysing positive impacts for garment workers, Better Work factories must still make significant improvements on labour conditions.

Despite falling levels of concern in Haiti, Jordan and Nicaragua, sexual harassment remains a pressing issue for workers in many factories, with many workers still not answering the question about sexual harassment. This suggests that they are reluctant to fully express their concerns, and that reports may underestimate the scale of the problem.

Given the characteristics and pressures of the global garment supply chain, factories are still tending to push overtime hours on workers. For example, despite a reduction of 40 percentage points from the baseline, half of the firms in Vietnam persist in their non-compliance with overtime limits through their fifth year of participation in the programme. Researchers conclude this could be caused by deceptive pay practices that prevent workers from fully understanding the calculations of their actual pay and hours, as well as by supply chain pressures driven by brand and retailer purchasing practices.



Gender pay gap

Concerns with low pay

Coercive practices including withholding of passports

Workers' reports of crying and feeling fearful over time

Long working hours

Verbal abuse

Weekly pay

Abuse of probationary contracts

Sexual harassment concerns

BETTER WORK'S IMPACT ON

Firm performance

Tufts researchers explored the impact of Better Work on firm performance from multiple angles: productivity, profitability, position in the supply chain and order sizes. They also analysed global supply chain dynamics as exemplified by buyer sourcing practices, and frequency of buyer audits.

Productivity

Supervisory Skills Training (SST), particularly among female supervisors, increases productivity by 22 per cent. SST also helps to lower employee turnover and reduces the occurrence of unbalanced production lines (where work piles up on one line while other workers are sitting idle).

Profitability

Factories experience a rise in profitability (measured as the ratio of total revenue versus total costs) due to their participation in the programme. After four years in Better Work Vietnam, this measure of profitability increases by 25 per cent.

Position in the supply chain

Across all firms, factory managers reported achieving better business terms with buyers. Managers at 'Free on Board' firms reported the most significant improvements, as well as those at subcontractor firms, and firms with initially low compliance rates. Firms with low initial compliance are most likely to see more favourable business terms, having made the largest strides in improving their reputations.

Order size

Firms that make progress on key issues, such as pay and working hours, typically see an increase in order sizes from buyers. This highlights the importance of firms making continuous improvements, rather than enrolling in Better Work solely for reputational purposes. With consistent good performance, participating factories tend to experience a sharp increase in order size.

Supply chain dynamics

The sourcing practices of global buyers put factories under pressure to deliver within short lead times, respond to frequent order changes and operate with high levels of flexibility. This has a direct knock-on effect on a factory's ability to comply with key elements of decent work, and in turn, influences workers' perceptions of working conditions and of life satisfaction. Rush orders and late penalties from customers are associated with higher rates of non-compliance with working hours and with workplace safety and health, as well as with higher supervisor stress. In turn, this is associated with increases in verbal abuse in the workplace. This suggests that changes to the management of sourcing practices are an important aspect of improving working conditions in the factory.

Frequency of buyer audits

Managers in Vietnam increasingly report fewer social compliance audits from their main customer. This is clear by the second year of participation in Better Work, and suggests Better Work is helping to reduce duplicative audits in the industry.



**SUMMARY FINDINGS ON
BETTER WORK'S DIRECT IMPACT
ON FIRM PERFORMANCE**



**Productivity
and profitability**

associated with a reduction
in verbal abuse and sexual
harassment, driven
by Better
Work

+22%

Productivity
through Supervisory
Skills Training



**Turnover, injury rates,
unbalanced lines**
through Supervisory
Skills Training

+25%

Profitability
(revenue-cost ratio)



Order sizes
when holding compliance
constant



Duplicative audits
from buyers

IMPACT OF BETTER WORK

Assessments, advisory and training services

Tufts researchers evaluated the impact of Better Work's assessments, advisory services and training at the factory level.

Assessments

Factories often make progress, as documented by assessments, but struggle to maintain these gains over time, highlighting the importance of reviewing their performance on key human rights issues on a regular basis. They tend to respond directly to Better Work's assessment feedback, particularly on issues such as forced labour, verbal abuse and sexual harassment.

Advisory services

The researchers examined the impact of Better Work's advisory services finding that in some cases, these services enable factories to build on the improvements made following assessments, while in others, the performance gains lessen over time. The researchers also investigated whether the cornerstone of Better Work's advisory services, Performance Improvement Consultative Committees (PICCs), comprised of worker representatives (including trade unions, where present) and managers, lead to improvements in working conditions, and whether they change worker and manager perceptions of social dialogue.¹

Workers typically benefit when factories establish a PICC, however, simply creating these committees does not necessarily influence managers' perceptions of social dialogue. The quality of the committee's work is integral to its ability to spark change. In particular, it is important to ensure that the number of women committee members is reflective of the overall workforce, and that members are freely chosen. These aspects are correlated with reduced verbal abuse and sexual harassment concerns among workers.

Where effective PICCs are in place, workers are likely to be more satisfied with the outcome of any complaints, and to see real improvements as a result of making their voices heard. They are more willing to seek help from trade union representatives, and experience improved physical and mental health. Similarly, managers are more likely to perceive worker committees positively, and supervisors are less likely to be stressed.

The Tufts researchers also found that where factories have robust collective bargaining agreements (agreements that formalize pay and working conditions negotiated between the factory management and workers and their representatives) in place, the impact of the PICC is magnified.

Training

In evaluating Better Work's Supervisory Skills Training programme, Tufts studied the first group of supervisors to participate in Better Work training, comparing their performance with a group not initially trained (which served as a 'control' group). In this way, they were able to highlight the impact of the training on supervisor confidence, workplace relations and productivity.

Researchers found the training resulted in:

- Lower injury rates among workers.
- Greater productivity – up to a 22 per cent increase – driven by training female supervisors.
- Fewer instances of unbalanced lines, where work piles up at some stations while other workers are idle.
- Supervisors with more confidence in their ability to do their job.
- Supervisors more likely to listen to workers' concerns regularly.

The positive effects of the SST occurred only when supervisors felt they had the buy-in and support of their managers, and among supervisors who believed from the outset that they could benefit and learn new skills from training. Specialized training on sensitive issues can also benefit workers. For example, the sexual harassment prevention training piloted by Better Work Jordan in 2013 likely contributed to the sharp and significant decline observed in the level of concern with sexual harassment in factories.



BETTER WORK'S IMPACT

Beyond the workplace

Tufts researchers sought to understand the effects of Better Work on workers' lives, and the indirect impacts on their families and communities.

Remittances

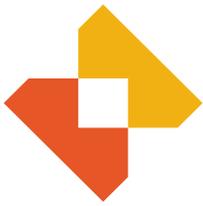
Researchers studied patterns in pay among workers across all countries, confirming that significant majorities of workers are sending their wages to their families. Trends in Jordan suggest that over time, families put the money they receive to more productive use, such as healthcare or education for children as opposed to debt repayment.

Education

In Vietnam, workers in Better Work factories are better able to fund schooling for their daughters after their factory has participated in Better Work for one year. Similar patterns are observed for workers' sons in Indonesia. While there is no discernible programme effect in Nicaragua and Haiti, there is a decline in the number of workers reporting that their children are not in school due to financial constraints.

Health

Workers in Better Work factories also experience improvements to their health. Researchers uncovered a direct link between the programme and decreasing worker reports of severe hunger, particularly after the second year of operation in Nicaragua and Jordan. Better Work programmes in Haiti, Jordan and Vietnam have all helped to expand access to pregnancy-related healthcare. Additionally, where parents (particularly mothers) achieved better working hours and pay, their children's health also improved. In Vietnam, Better Work has significantly reduced excessive hours and increased pay (particularly for women) by ensuring compliance with minimum wage regulations, which has had a positive indirect effect on child health.



Lessons learnt from this study will help inform Better Work's operations and policy influence at the factory, industry and global supply chain levels.

Better Work works

Factory-level evidence across all countries shows that the Better Work programme is having a significant and positive impact on working conditions. This includes reducing the prevalence of abusive workplace practices, increasing pay and reducing excessive working hours, and creating positive effects outside the factory for workers and their families. These effects occur while increasing the competitiveness of firms. The combination of services that Better Work provides to factories is critical in achieving its objectives. It is also clear that **monitoring compliance matters**. The researchers demonstrated that factories make improvements around the time of assessments, but these improvements may not increase indefinitely. Better Work's regular monitoring of compliance with ILO standards and national legislation therefore plays a pivotal role. Furthermore, there is initial indication that **social dialogue plays an important part** in improving workers' outcomes, provided that certain conditions are in place. In particular, having women representatives and fair elections for worker representatives are fundamental to ensuring effective social dialogue.

Empowering women is critical

Having female representatives on the PICCs and training female supervisors are key strategies for achieving better working conditions and improving productivity.

Improving working conditions is an investment, not a cost

There is strong evidence demonstrating that improving working conditions is not a financial burden for a factory; on the contrary, it is a critical component of its success. Factories where workers report better working conditions, where compliance is higher, and where supervisors are well equipped for their jobs are more productive and more profitable. Abusive treatment such as verbal abuse or sexual harassment are not only morally deplorable but also associated with poor business performance.

A holistic approach is needed to address global supply chain pressures

Sourcing pressures create inherent challenges in achieving decent work in supplier factories. They affect worker wellbeing directly by adversely impacting working hours and pay. They also influence supervisor stress and behaviour by creating unpredictability in production schedules. When managers and supervisors are under pressure, they are unable to act upon the information and evidence they receive, including the observations that exploitative working conditions are bad for business. Establishing a 'business case' for high quality jobs therefore requires all stakeholders – brands, retailers, factories, policymakers, NGOs and workers and their representatives – to develop a holistic approach to finding solutions across the global supply chain.

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NOTES

- 1 According to the ILO, social dialogue includes all types of negotiation, consultation or simply exchange of information between, or among, representatives of governments, employers and workers, on issues of common interest relating to economic and social policy. Social dialogue is the ILO's best mechanism in promoting better living and working conditions as well as social justice.



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