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How the Better Work Program Improves Job and Life Quality in the Apparel Sector

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Abbreviations

AGOA	African Growth and Opportunity Act
BFC	Better Factories Cambodia
BSR	Business for Social Responsibility (HERproject)
BTTA	Bilateral Textile Trade Agreement
BW	Better Work
CCC	Clean Clothes Campaign
CP	compliance point
CPI	consumer price index
CSR	corporate social responsibility
CSES	Cambodia Socio-Economic Survey
DOL	(U.S.) Department of Labor
DPF	Development Policy Financing
EA	enterprise advisor
EICC	Electronic Industry Citizenship Coalition
EPZ	Export Processing Zone
ETI	Ethical Trading Initiative
FACB	freedom of association and collective bargaining
FDI	foreign direct investment
FGD	focus group discussion
FLA	Fair Labor Association
FTA	free trade agreement
FWF	Fair Wear Foundation
GAP	Global Action Program on Child Labor Issues
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
GMAC	Garment Manufacturers' Association of Cambodia
GSCP	Global Social Compliance Programme
GTSF	Global Trade Supplier Finance
IFC	International Finance Corporation
IFI	International Financial Institution
ILO	International Labour Organization
IMS	Information Management System
HRM	human resource management
LNDC	Lesotho National Development Corporation
MCC	Millennium Challenge Corporation
MFA	Multi-Fibre Arrangement
MI	multiple-imputation
MOLISA	Ministry of Labour—Invalids and Social Affairs (Vietnam)
MNC	multinational corporation
NGO	nongovernmental organization
OSH	occupational safety and health
PAC	project advisory committee
PICC	Performance Improvement Consultative Committee
PPE	personal protective equipment
PPP	public-private partnership
R&D	research and development
SHRM	strategic human resource management
SWIFT	Survey of Well-being via Instant and Frequent Tracking
TFP	total-factor productivity
TTWU	Tailors and Textile Workers Union
TUBWME	Tufts University Better Work Monitoring and Evaluation
UN	United Nations
VCCI	Vietnam Chamber of Commerce and Industries
VGCL	Vietnam General Confederation of Labour
WDR	World Development Report
WRAP	Worldwide Responsible Accredited Production
WTO	World Trade Organization

Foreword

Our 2013 *World Development Report* shed new light on the transformational role of jobs in raising living standards, boosting productivity, and promoting social cohesion. Jobs, it argued, are thus "what we earn, what we do, and even who we are." At this juncture, the world faces a jobs crisis. More than a billion people of working age—mostly women—are absent from the labor force, while another 200 million are unemployed, most of them young. Some 600 million new jobs are needed by 2030 simply to keep employment rates constant. But as the 2013 WDR made clear, not every job helps lift people out of poverty, improves wellbeing, and benefits the broader community. Not every job raises aspirations along with living standards, spurring meaningful investment in the next generation. Yet what the world needs most is "good jobs," defined by a worker in this study as "a job that makes me want to go to work every morning when I wake up."

Creating more good jobs for millions of predominantly female garment workers in developing countries is the mission of Better Work, an IFC-ILO-industry partnership launched in 2001. While the garment industry often provides a vital first step out of poverty—and an alternative to low-skilled agriculture and service work—it has long been associated with low wages, long hours, discrimination, abuse, and a variety of conditions that put workers' health and safety at risk. Better Work trains local monitors to make unannounced inspections and bring factories into compliance with national laws and international standards through auditing and advisory and training services. As of 2014, according to Better Work, the program had helped improve working conditions for more than 1 million workers in more than 1,000 factories across eight countries.

This study set out to understand how exactly such improvements occur, whether better working conditions help empower female garment workers in factories and beyond, and whether and how improved conditions affect profits. Its findings are encouraging. Qualitative and quantitative study shows a correlation between better working conditions and improved performance, reduced turnover, and a more robust bottom line. For example, Nalt Enterprise, a Better Work factory in Vietnam, estimates that it takes up to three months for a new textile worker to reach full productivity—and that a 10 percent reduction in staff turnover would save 8.5 percent of total annual wage costs. Workers also reported a significant spillover outside factory walls: Trained in communication, nondiscrimination, and dispute resolution at work, they were better at managing stress and overcoming traditional gender biases at home—with spouses reporting that they now shared not just household chores and responsibilities but planning and decision-making as well.

Creating more good jobs and tackling persistent gender gaps are development imperatives if we are to achieve our overarching goals: ending extreme poverty and boosting shared growth. A progressive, efficient tax system benefits no one without jobs to produce revenue and growth, just as public services and state-of-the-art infrastructure fall short if they are accessible and useful to only half the population. This report highlights important links between better work and better lives for women and men, and better, more inclusive and sustainable growth. We hope and expect it will spur further study and informed action.

Nigel Twose, Senior Director, Jobs

Caren Grown, Senior Director, Gender

Executive Summary

The World Needs More—and Better—Jobs

One of the first steps that many countries have taken in the past hundred years to begin their development process is to produce apparel. The apparel sector is labor-intensive, which makes it an appealing industry for many countries as they seek to create jobs for their citizens. At the same time, this is a global industry, and buyers have become increasingly concerned about the working conditions of apparel workers. The sector has a reputation for low quality jobs. Low wages, long hours, high temperatures, excessive noise, poor air quality, unsanitary environments, and abuse (both verbal and physical) often characterize working conditions in apparel factories in many developing countries.

Despite these risks, the apparel sector has an unusually high development potential because apparel workers tend to be women whose alternative options for employment are likely to be in the low-skilled agriculture and service sectors. Working in apparel can provide women with greater economic opportunities that enhance their agency. Therefore, for millions of poor unskilled workers, jobs in apparel manufacturing can be a first step toward escaping poverty. The challenge is to improve job quality in the apparel sector and thereby increase the chances that these jobs will both advance gender equality and reduce poverty. Drawing on a wide literature and some field studies conducted by our research team, we seek to answer three questions: (1) How can working conditions in the apparel sector be improved? (2) Do improvements in job quality affect gender inequality, improve worker welfare, and help alleviate poverty? and (3) Do improvements in job quality boost firm performance?

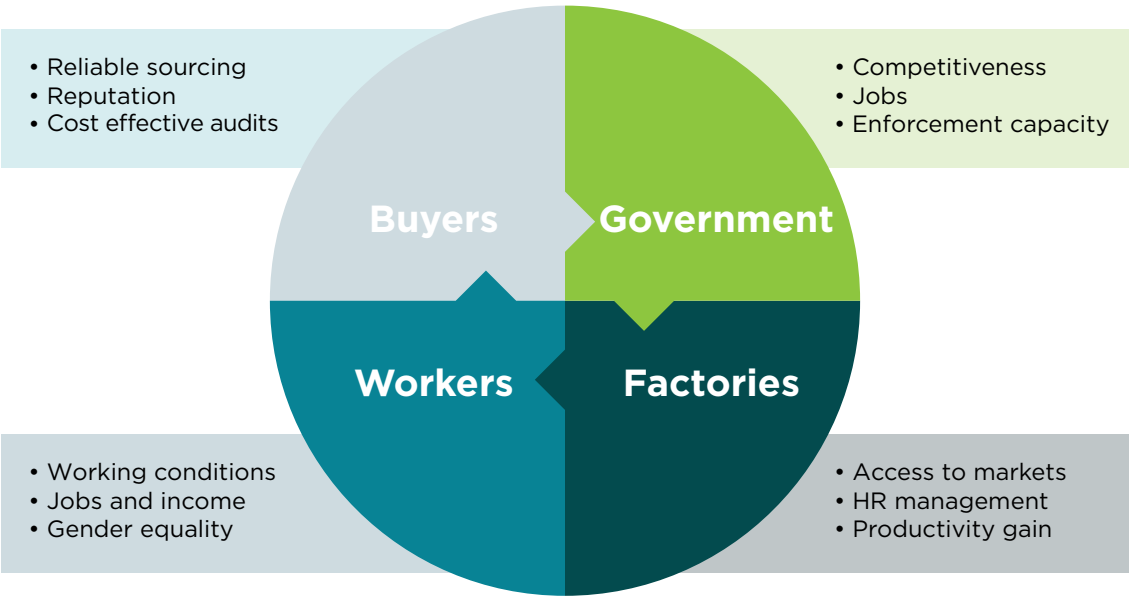
How the Global Apparel Value Chain Works

The current structure of the global apparel trade involves many stakeholders (see Figure ES.1), all of whom have some stake in both improving

How Workers Describe Job Quality

Defining job quality is important but difficult because jobs have many different characteristics like pay and working conditions. This study aims to understand how workers themselves see the key characteristics that shape job quality. Our field research in four countries (Cambodia, Kenya, Lesotho, and Vietnam) finds that job quality means largely the same thing. Certain economic characteristics such as good pay and benefits are prominent in workers' minds, but so too are social dimensions such as respectful relations with managers and supervisors and work-life balance (facilitated by having reasonable work hours).

Figure ES.1: All stakeholders in the apparel value chain stand to gain from Better Work (BW)



working conditions in factories and improving the performance of factories.

- *Buyers* design products and bring them to markets. Maximizing profits is their priority criterion when choosing suppliers to produce their products. However, they also consider many other factors such as reliability, timeliness, and quality of products. In addition, buyers also have an incentive to improve working conditions in developing countries when they face reputation risk.
- *Factory management* or producers in developing countries may resist improving working conditions due to concerns about costs. If, however, such improvements lead to an increase in workers' productivity, management may consider making the necessary changes. If the value of worker productivity increases more than the cost of the investment aimed at improving working conditions, then improving working conditions can increase factory profits.
- *Workers* have a clear stake in improving working conditions—both improvements in ambient conditions, such as temperature, air quality, and so on, and in workplace

communication. Better working conditions improve workers' quality of life and may also increase their productivity and learning.

- *Governments* and the international community have an incentive to improve working conditions. Aside from the concern that governments might have for their working population, governments also benefit by attracting foreign investment and boosting exports.

Better Work: Stakeholders Working Together to Improve Job Quality

In the past, people have tried to address concerns about working conditions in a confrontational way by pitting producers against workers or pitting buyers against governments. In this regard, one of the innovations of the Better Work (BW) Program is to find common ground where all of the stakeholders can build upon their common values and goals in order to improve working conditions.

The Better Work Program has its roots in the Better Factories Cambodia (BFC) program, established in 2001 as a follow-on from the 1999 U.S.-Cambodia Bilateral Trade Agreement. The free trade agreement (FTA) was the first to link improved labor conditions with greater market access. The BFC program benefitted all the key stakeholders by improving work conditions, supporting the growth of the apparel sector in Cambodia (benefitting all local stakeholders), and boosting developed world buyers' reputation by sourcing from ethical workplaces. BFC has also helped to cushion the negative effects of external changes to the trading environment in the apparel sector (the end of the Multi-Fibre Arrangement quota system in 2005 and the global financial crisis in 2008–09). The program has grown substantially; as of December 2014, BW has reached over a million workers in more than 1,000 factories across eight countries (Bangladesh, Cambodia, Haiti, Indonesia, Jordan, Lesotho, Nicaragua, and Vietnam).

How the Better Work Program Works

The very first step of the Better Work program when it starts working with an apparel factory is the assessment stage. The Better Work program trains local monitors to go into the factories on unannounced visits and assess working conditions. One of the goals of the Better Work Program is to bring the factories into compliance, not only with national laws, but also with international labor standards. BW is unique because its model not only entails auditing, but also advisory and training services. While different training modules are offered across different BW countries, they all aim to build the capacity of key stakeholders to improve working conditions and factory productivity.

Starting in 2015, BW is piloting a new operating model by offering advisory and training services prior to carrying out assessments. This change seeks to foster engagement with factories first and to help them initiate reforms prior to the formal assessment process. It also should help to feature BW's advisory and training services more prominently and ensure that BW is known as more than simply an auditing exercise.

Working Conditions Inside Factories: Safer, Healthier, and More Collegial Work Environments

Factories in BW programs have seen improvement in working conditions. Over time, BW factories exhibit improved compliance with key national and international standards. These standards include safety, fire prevention, protective gears, accurate compensation, discrimination, and so forth. Workers themselves also report that factories are safer. In a follow-up survey after the introduction of the BW Program in Lesotho, workers reported occupational health and safety (OSH) as the area with the most improvement and attributed such an improvement to changes in workers' awareness and factory policies. In addition, improved working conditions benefit male and female workers equally.

The BW Program promotes behavioral change of workers and factory management through training and advisory services. The BW advisory services help to create Performance Improvement Consultative Committees (PICCs) in factories. Data from Cambodia, Lesotho, and Vietnam suggest that the creation of PICCs is particularly valuable (see box entitled "New Tool" below). In terms of training, the workers and managers we surveyed often expressed how they were able to use the knowledge gained through BW training

New Tool: Performance Improvement Consultative Committees (PICCs)

One of the innovations of the BW Program has been the formulation of Performance Improvement Consultative Committees (PICC). PICCs are groups made up of an equal number of both management and union/worker representatives who meet regularly to help resolve disputes within the factory and also try and improve performance of the factory in a collaborative way. In Lesotho, workers can raise their specific health and safety concerns through PICCs, which are heard by union and non-union worker representatives, management representatives, and an enterprise adviser from Better Work.

Success of PICCs:

- The PICCs proved to be useful avenues in which to bring up problems, and to resolve them more effectively than previous mechanisms.
- The PICCs not only helped improve industrial relations, but also helped to strengthen trade unions overall.
- In the case of Vietnam, the success of the PICC model was such that it compelled the government to introduce a new labor code that obligated employers to conduct social dialogue in the workplace.

to create safer, healthier, and more collaborative work environments.

But Will These Improvements in Working Conditions Last?

Research in Cambodia suggests that such improvements are sustainable. A more detailed look into the data shows that (1) once investments are made to improve work conditions they are rarely reversed; (2) reputation-sensitive buyers make a difference as reflected by the fact that the factories they source from tend to be in greater compliance with national and international labor standards; and (3) important limitations still exist and the BW program has not proven to be a panacea for all of the garment sector's problems.

Firms Are More Productive

Apparel factories may be hesitant to improve working conditions due to the initial investment required. However, research from this study has shown that improvements in working conditions can actually contribute to factory performance. As communication improves, workers and the management are better able to resolve disputes and therefore improve the performance of the factories. Profits, productivity, and survival all tend to move in a positive direction when working conditions improve as staff turnover and absenteeism decrease. In Vietnam, Better Work factories, which pay higher wages and invested in improving working conditions and complying with labor standards, have comparable profits to non-BW factories.

The benefits of involvement with the Better Work program extend beyond the factory level to the country level. In this regard, the impacts on the economies of apparel-producing countries can be substantial. Comparing export data across the world, participating in the Better Work program is associated with significant increases in apparel exports—both to the world generally and to the United States in particular. This relationship holds true after controlling for relevant factors that may affect apparel trade.

Beyond Factory Walls: Workers Live Better Lives

For workers, the benefits of working in the apparel sector in general and to participate in the BW

Program in particular, extend beyond factory walls. Participants are gaining lessons from the Better Work experience and training. And they are taking those lessons back home, improving the lives of their families as well. In Lesotho, workers often attributed BW training in financial literacy to improving their lives. Workers from Cambodia, Vietnam, and Lesotho reported that improved communication at home and decreased stress levels at work have contributed to their higher level of satisfaction with their family lives. Better communication in the households also enables families to make better decisions. In Cambodia, children whose mothers work in the apparel sector are more likely to attend school.

Implications for Gender Equality

Apparel jobs can help women gain more equality. Working in urban areas, in the formal sector, and in fast-paced and demanding work in garment industries can act as an agent of change in breaking old norms, such as the norm of women bearing the burden of household chores. In Vietnam and Cambodia—men and women alike—mention that the division of labor at home is equal. These norms have evolved; workers acknowledge that the equal arrangement they are experiencing now is different from their parents' generation. Another measurement of gender equality is women's agency in household decision-making, whether women take part in household decision-making or whether major decisions in the households are made jointly. In Cambodia, most married workers report that they make major decisions (such as about children's schooling and finances) with their spouses. Interestingly, the longer they work in the apparel industry, the more likely they are to share joint decision-making power within their households.

While working in the apparel sector can help women exercise greater agency, programs such as BW also have a role to play in promoting greater gender equality. In this regard, communication skills learned through BW training can be key in changing parochial norms. Equipped with communication skills, women in the apparel sector negotiate new roles inside their home and in society.

In most cases, quantitative results (in Cambodia) and qualitative findings (in Cambodia, Lesotho, and Vietnam) confirm that women and men receive equal pay for equal work. In this regard, the use of productivity targets and piece-rate remunerations may help explain the wage equality. Data from Cambodia also suggest that women earn more, but accumulate less wealth. In Cambodia, on average, women earn more than men; this difference can be explained in part by the fact that women tend to work longer hours than men (56 versus 54 hours per week). However, female workers do not appear to own more assets. This may be explained by the fact that female workers often mention using extra money to support relatives or children's education.

Moving Forward

The BW program is not without flaws. However, it is a step forward and it has contributed significantly to improve working conditions in BW factories. It provides a quadruple win: to workers in terms of working conditions and overall welfare, to factory management in terms of factory performance, to countries in terms of increased exports, and to buyers, in terms of reputational gains.

How can workers in other parts of the world experience better job quality? The issues raised by workers in other countries, such as Kenya, are concerns that a program such as BW is well equipped to address. In addition, improvements in working conditions may spread to other factories, either endogenously (on their own) or exogenously (being mandated or incentivized from other actors).

How Can Programs Such as BW Be Expanded?

One might wonder why factories have not implemented such human resource management (HRM) techniques on their own, if there are so many benefits to factories' productivity. Evidence of spillover effects—that factories will learn from other factories about HRM due to incentives related to improve productivity—has been mixed. Instead, active and creative policies are needed to scale up the scope of BW programs. Evidence has shown that incentives to governments of apparel-exporting countries can improve working conditions in textile and garment factories. A prime example is the creation of the Better

Factories Cambodia Program. Finally, in order to ensure the sustainability of BW programs, local stakeholders need to gradually take ownership of program implementation.

How Can Programs Such as BW Be Improved?

While Better Work is not a panacea for all of the problems in developing countries or the apparel sector in particular, several lessons can be learned from the program's experience.

- First, the relationship between workers and management is a crucial aspect of working conditions and improving this relationship is not costly to implement. Across the sample of workers surveyed for this study, workers universally valued having a "good relationship with management." Improving the relationship between workers and management therefore represents a cost-effective way to improve job quality and motivate workers. In particular, training courses for managers can be designed with experience from countries that have been exposed to foreign direct investment (FDI) for some time. This can help prevent entrenched animosity between foreign managers and local workers, which can be difficult to remedy at a later stage. Mechanisms designed to promote healthy worker-management relations, such as the PICCs established by BW, have proven to be effective and can be used as a model for future programming.
- Second, one of the key findings from the mechanism design literature is that transparency tends to improve behavior. This not only encourages the employer and potential clients to address key areas in which they are failing their workers, but also empowers workers in that they can see that their concerns are being heard.
- Third, actively involving workers at all stages of the program cycle (development, implementation, and monitoring) is critical. As they are on the frontlines, their conceptions of job quality should ultimately be driving program aims. Data reviewed in our study finds that workers consistently cite occupational safety and health (OSH) as a significant area of concern. Although programs such as BW have contributed to making improvements in this area, more work remains to be done to ensure that basic health and safety standards are achieved for workers. Clearly, changes in working conditions, especially with respect to safety and health, cannot come from efforts by factory management alone. It also needs cooperation from workers to change their behaviors. In this regard, advisory and training services can help to shift the mindset away from "compliance for audits" to "self-improvement."
- Fourth, the benefits of certain program features may extend beyond improving job quality to positively impacting workers' quality of life. Thus, future programming needs to carefully consider the needs of workers beyond their immediate workplaces. In this way, programs can expand their reach and tailor the content of training modules to help improve workplace productivity and enable workers to live healthier, happier, and more fulfilling personal lives. Stakeholders can also capitalize on life skills training to advance social change, particularly concerning gender equality. Our primary data revealed a particular area of concern that future efforts would do well to address: the lack of access to finance for apparel workers. Financial products need to be adapted to better meet the specific needs and circumstances of apparel workers.
- Fifth, convincing employers that improving job quality benefits their bottom lines as much as it does their reputations is critical. While this evidence exists to some extent, further business-related research demonstrating the positive effects that improved HR policies can have on productivity would be

of great value. In this regard, collecting better data for monitoring working conditions should be a priority.

- Finally, in the case of the BW Program, proactive efforts are needed to expand its reach. Specifically, programs may need to publicize key success stories and come up with creative incentives to increase participation. Two possible avenues for promoting better job quality are: (1) to link improvements in working conditions with trade agreements and (2) to leverage development finance in support of initiatives to improve working conditions. Although the BW program is focused on the apparel sector, our findings suggest that many other labor-intensive manufacturing sectors can also benefit from similar interventions. In any program seeking to improve job quality, program sustainability needs to be carefully planned to ensure sustained success in achieving program goals.

Chapter 1: Introduction

Highlights

- Job quality matters. Exports, especially of apparel, can improve welfare and reduce poverty. While traditionally, policy makers have focused on promoting jobs as a development strategy, the number of jobs alone may not be sufficient to alleviate poverty. The challenge lies in improving job quality in the apparel sector, thereby increasing the likelihood that these jobs will both boost gender equality and reduce poverty.
- The apparel industry is known for being labor intensive with low barriers to entry for women relative to other global manufacturing sectors.
- The apparel industry is organized in a global value chain comprised of four main stakeholders: buyers, governments, workers, and factory managers. These stakeholders play a role in and stand to gain from improving working conditions in the global apparel industry.
- This study focuses on the Better Work program as it is perhaps the most comprehensive attempt to improve working conditions in the apparel sector. The aim of the study is to understand how job quality can be improved and how improved job quality contributes to development outcomes.

Globalization and Job Quality

In developing countries, globalization is often experienced as, and therefore effectively defined as, foreign direct investment (FDI) entering countries to expand the export sector (Robertson et al. 2009). FDI, especially in manufacturing, can promote development (Moran 2006). In this regard,

it is common, if not the norm, for developing countries entering global markets to concentrate in apparel manufacturing. Consequently, apparel manufacturing lies at the nexus of globalization, jobs, and poverty (Lòpez-Acevedo and Robertson 2012). FDI in apparel manufacturing and exports have an unusually high development potential because apparel manufacturing workers tend to be women whose alternative options are likely to be in low-skilled agriculture and service sectors. Working in apparel manufacturing can also provide women with greater economic opportunities that enhance their agency.[1] Therefore, for millions of poor unskilled workers, jobs in apparel manufacturing can be a first step toward escaping poverty.

Traditionally, policy makers have focused on promoting jobs as a development strategy. However, jobs alone may not be sufficient to alleviate poverty. Job quality also matters. The low wages, long hours, high temperatures, excessive noise, poor air quality, unsanitary work environments, and abuse (both verbal and physical) in many developing country manufacturing workplaces are often cited as evidence that "sweatshop conditions" characterize production in relatively poor countries. Furthermore, harsh working conditions in apparel factories are central to a large and growing debate about globalization and labor standards (Elliott and Freeman 2003; Harrison and Scorse 2010; Locke and Romis 2010; Brown et al. 2011).[2] Several organizations have responded to growing public concern over the issue by pressuring and working with governments and employers to improve working conditions.[3]

As the Gender at Work companion to the 2013 World Development Report (WDR) on Jobs makes clear, while jobs can add value to people's lives, the specific jobs that are beneficial to women's agency varies. In this regard, Gender at Work cautions that the possibility exists that some jobs can actually diminish agency if they are exploitative or demeaning. Thus, this study recognizes that while jobs in the apparel sector offer a promising and realistic entry point for women into the formal labor force, these jobs may actually reinforce structural inequalities by further hindering women's agency. For purposes of this study, quality jobs are defined as those that are characterized by pay and policies that increase both income and agency.

Job quality is significantly influenced by factories' human resource management policies. While the term human resource management (HRM) may suggest administration and bureaucracy to some readers, in developing countries, HRM policies are those that shape and define job quality. Ichniowski, Shaw, and Prennushi (1997) argue that changes in HRM practices can be viewed as another aspect of production technology akin to shop floor production technologies. This implies that HRM policies can be shared, transferred, and learned just like production technologies. At the same time, it is risky, if not flatly inaccurate, to assume that all firms are aware of the best technologies at all times. Therefore, helping to transfer HRM technologies has the potential to help firms in developing countries and positively impact people's lives. Not only can effective HRM practices enhance working conditions, but also they can improve productivity, factory performance, and firm survival. Brown, Dehejia, and Robertson (2011) show that improvements in working conditions—measures of job quality—in Cambodia positively correlate with firm survival. In addition, Brown, Dehejia, and Robertson (2012) show that firms very rarely reverse improvements, further supporting the idea that changes are linked to firm survival.

This study focuses on one of the most significant programs aimed at transferring HRM technology and demonstrates how this kind of technology transfer can help achieve development outcomes, especially for women.

Background of the Apparel Sector

The emergence of garment[4] manufacturing industries in low-income and developing countries

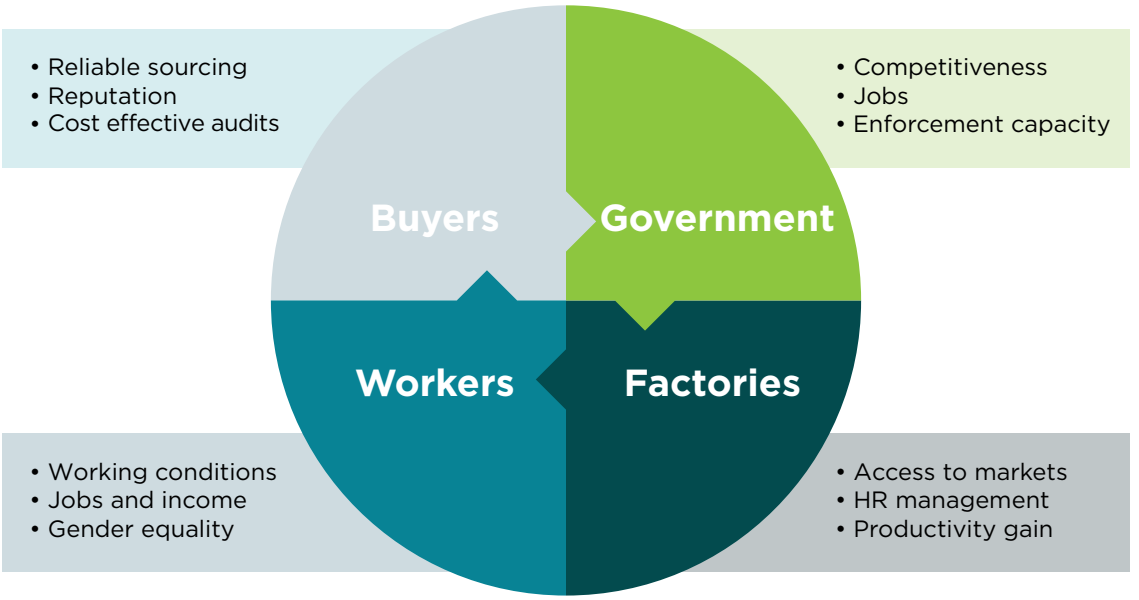
[1] "*Agency* is the ability to make decisions about one's own life and act on them to achieve a desired outcome, free of violence, retribution, or fear." (Klugman et al., 2014, 13)

[2] The debate stems from two opposite views. On one hand, some researchers argue that globalization might erode working conditions and reduce labor compliance in export-oriented sectors. Others contend that free trade does not interfere with labor compliance.

[3] See Appendix B for a list of organizations and initiatives working to improve work conditions globally.

[4] Throughout this study, the terms "garment" and "apparel" will be used interchangeably.

Figure 1.1: Incentive Structure for Stakeholders in the Apparel Value Chain



allows women to take advantage of the opportunities offered by employment. As Khosla (2009) notes that female workers themselves are best source of information on the contribution of working in garment factories. Even though jobs in garment industries are not the most desirable ones, many women find value in working in this sector. Amin et al. (1998, 195) write that "women themselves value the modern nature of their work, consider garment work to be a lesser hardship than most forms of agricultural labour, and value the autonomy and independence that come with earning an income." Our field research corroborates this conclusion.

There is a growing consensus that expanding the apparel sector not only creates beneficial opportunities for women, but also that working conditions in these factories can be improved. But how can such an improvement be accomplished? While the change may take place on the factory floor, it is only a part of the global apparel value chain. In order to grow, local apparel sectors must join global supply chains. Thus, incentives for different stakeholders in the global value chain must be considered in order to come up with practical solutions. In this regard, efforts to improve working conditions in supply chains should become a focus for a range of stakeholders who stand to gain from improvements in working conditions in global apparel supply chains. Figure 1.1 summarizes the incentive structure of the four main stakeholders in the global apparel value chain.

The four main stakeholders in global apparel supply chains are buyers, governments, workers, and factory management.

Modern apparel production is organized into supply chains that are led by developed-country buyers who try to maximize profits by choosing suppliers to produce their products. While their concerns center on finding the lowest cost options, there are many other factors such as reliability, timeliness, and quality of products. In addition, reputation-sensitive buyers are generally more engaged with factories and associate with factories that have higher levels of compliance with national and international labor standards. Buyers have an incentive to improve working conditions in developing countries when they face reputation risk or adverse effects from unfavorable reports about production in their supply chains. There is significant anecdotal evidence suggesting that reputational risk is a significant concern to buyers. One example from 1996 is the case of Nike, which responded to an initial op-ed piece by Bob Herbert in the *New York Times*. Subsequent

efforts by Nike and other buyers—as well as current efforts by the Alliance for Bangladesh Worker Safety and the Bangladesh Accord on Fire and Building Safety, both of which started in the wake of the Rana Plaza factory collapse in April 2013—are important examples of buyers responding to public concerns about working conditions in supply chains.

Governments also have an incentive to improve working conditions. Aside from the concern that governments might have for their working populations, governments benefit by attracting foreign investment. Kucera (2002), for example, finds that countries that better comply with global labor standards attract more foreign investment. Faced with limited resources for monitoring working conditions, governments that aim to improve those conditions can obtain resources and support from foreign governments to assist with their monitoring efforts. For example, the U.S. Department of Labor (DOL) implements technical assistance projects with a particular focus on child labor.[5] In addition, DOL's International Labor Affairs Bureau actively supports improvements in labor laws and enforcement for workers throughout the economy. An example is the Vietnam Labor Law Implementation Project (Industrial Relations Project, Phase II), a US$3 million program to help Vietnam's Ministry of Labour—Invalids and Social Affairs (MOLISA), General Confederation of Unions (VGCL), and the Chamber of Commerce and Industries (VCCI) meet international labor standards in labor legislation.

Workers have a clear stake in improving working conditions in both the short run and the long run. In the short run, improvements in ambient conditions, such as temperature, air quality, and so on, would improve the quality of life for workers. But job quality also encompasses freedom of association and collective bargaining, which have been instrumental in improving longer-run issues related to working conditions in many countries around the world. Furthermore, resolving management-worker disputes and improving workplace communication can create an environment for continuous improvement in working conditions with both short- and long-term implications.

The benefits resulting from improving working conditions can accrue to factory management as well. A main concern among factory managers about improving working conditions is cost. Although there is a range of costs for improvements in different working conditions, managers may resist those that are initially costly if they are unsure of the benefits in the medium to long term. As a result, managers may choose not to make investments aimed at improving working conditions. On the other hand, if such improvements help workers focus on their work, productivity may increase. If the value of worker productivity increases more than the cost of the investment to improve working conditions, then improving working conditions can increase factory profits, creating a winning situation for all.

Better Work: An Innovative Model for Improving Working Conditions

The joint International Labour Organization (ILO)-International Finance Corp (IFC) program, Better Work (BW), is perhaps the most comprehensive attempt to improve working conditions in the apparel sector. It fully appreciates the incentive structure of key stakeholders in the apparel value chain and therefore is able to gain the commitment of each actor, as well as leverage each stakeholder's unique strengths. Better Work differs from other forms of social regulation in a number of ways. First, factory assessments are consolidated and carried out by trained Better Work enterprise advisors (EAs). Second, visits are unannounced, which mitigates the likelihood that employers can make superficial changes on days they are assessed. Third, the assessment process is comprehensive, going beyond baseline requirements found in buyer codes of conduct. Fourth, BW offers advisory and training services, which means the program can not only identify key areas of concern, but also initiate positive change. Advisory services and the focus on factory-level social dialogue through Performance Improvement Consultative Committees (PICCs) are critical aspects that differentiate Better Work from other initiatives. An extensive discussion of

[5] Among the many examples is the Global Action Program on Child Labor Issues (GAP), which funds nearly US$16 million to support the ILO's *Roadmap for Achieving the Elimination of the Worst Forms of Child Labor by 2016* through capacity-building.

the program's advisory and training services can be found in Chapter 4.

The structure of Better Work includes a global program mostly based at the International Labour Organization (ILO) in Geneva, which oversees the operational and research activities of Better Work in the eight program countries. The Better Work Management Group, which consists of two senior ILO and two senior IFC staff, acts as the program's executive board. The Better Work Advisory Committee includes international worker and employer organizations, global buyers, donor governments, and experts in global supply chains. Each Better Work country has a program manager. In each office, training officers and EAs are in charge of conducting factory assessments and providing advisory services. Within each program country, a tripartite project advisory committee (PAC) includes representatives from business, labor, and government. The PAC is an important mechanism as it brings together stakeholders in each program country together to develop work plans for improving compliance and competitiveness. If there are any disagreements within groups, the PAC also provides an opportunity for them to reconcile their views and bring one united voice to the table. The rest of the report details where, how, and how effectively Better Work operates.

The Better Work (BW) program grew out of Better Factories Cambodia (BFC). It has been one of the most significant programs aimed at transferring HRM technology and has led to improved job quality in the apparel sector. The program website articulates Better Work's goal of improving the lives of at least 3 million workers and millions more of their family members by 2017. Clearly, BW envisions its work having an impact beyond factory walls. It aims to achieve this goal by spurring "sustainable improvement in adherence to national labor law and core labor standards, and strengthening business competitiveness in major garment producing countries."[6]

Research Questions

Improvements in job quality have immediate effects on the mental and physical well-being of workers and can also have broader effects on poverty reduction and welfare throughout society. The latter has not yet been fully analyzed. This study provides an evidence base for understanding the relationship between job quality and development by answering the following main research questions:

1. How can job quality be improved?
2. Do improvements in job quality reduce gender inequality, improve worker welfare, and help alleviate poverty?
3. Do improvements in job quality boost firm performance?

To answer these broad questions, workers' perceptions of job quality in relation to the Better Work program were taken into account. In addition, the relationship between the BW program and measures of gender inequality, worker welfare and poverty alleviation were also analyzed. Specifically, the analysis examines impacts on gender gaps in economic opportunities, particularly asset accumulation, gender wage gaps, and women's agency measures such as the dynamic between men and women in terms of decision-making and household activity allocation.

The study provides evidence on job quality in low-income countries in which apparel is an important sector. The focus of the study is the Better Work program whose aim is to improve working conditions in the apparel sector and the prospects of better jobs for apparel factory workers in program countries. It is expected that the findings and the lessons from this case study will aid in the design of effective policies to improve job quality, labor mobility, and reduce gender disparities in other sectors and countries. The objective of this study is not to evaluate the performance of the Better Work program in partner countries, but rather to complement the existing compliance data with data collected directly from workers—both quantitative and qualitative. In addition, surveys conducted for this study differed markedly from the official compliance data that BW routinely collects.[7]

[6] http://betterwork.org/global.

[7] The detailed field research methodology for each country is included in Appendix C.

Analytical Approach

This study considers the context of the Better Work program, an example of a comprehensive multi-stakeholder intervention, to understand how job quality can be improved and how improved job quality contributes to development outcomes. The overall objective of the study is to conduct an empirical analysis that informs each of the main research questions discussed earlier and adds to the current body of research. The Better Work program has attracted the attention of academics, policy practitioners, and researchers. Much of the recent work evaluating the effects of the Better Work program has come from the Tufts University Better Work Monitoring and Evaluation project (TUBWME), which has produced academic papers, policy briefs, and baseline reports. TUBWME combines worker and manager surveys with firm-level characteristics to evaluate many of the potential effects of the Better Work program. Examples include Brown, Dehejia, and Robertson (2011 and 2012); Veeraragoo (2012); Oka (2010a and 2010b); and other papers cited earlier.

The research methodology of this study attempts to eliminate self-selection bias. In terms of quantitative analysis, the relative outcomes of BW versus non-BW factories and those that undertake compliance only versus additional activities could potentially suffer from an endogeneity problem: the most productive firms self-select into exporting, into BW, into "being compliant." To address this problem, we corroborate quantitative results with qualitative findings from focus groups, in which we have opportunities to delve deeper into workers' motivations. That said, we recognize the potential for this problem and caution the reader regarding interpretation.

Although thorough and informative, the existing literature raises many significant questions about methodology and evaluation that this study attempts to address. Concerning the substantive part, this study provides a homegrown definition of job quality as defined by workers themselves. One of the initial research gaps involves defining job quality. The concept, however, may not apply in all cultures and countries. Because this program focuses on job quality, we must first evaluate how workers express concerns about job quality in different countries. Therefore, focus group discussions in Vietnam, Lesotho, and Kenya were conducted to capture worker's individual perceptions about job quality.

Because this study is not an experiment, we use triangulation to reinforce our findings. In particular, we construct independent control groups and complement quantitative with qualitative data.

a. *Constructing independent control groups*. One of the main contributions of this study, therefore, will be to provide an alternative control group for understanding the differences in job quality in BW and non-BW factories. To this end, our approach relies on collecting primary data from comparable BW and non-BW factories in addition to identifying comparable BW and non-BW factories in national surveys and censuses. In other words, we use household and labor force surveys to identify workers who have not participated in the BW program (the control group), but work in the apparel sector, and compare them with the workers in BW program factories who have experienced improvements in working conditions and labor compliance (the treatment group).

b. *Complementing quantitative with qualitative data*. This study is informed by four original field studies conducted by our research team.[8] In Lesotho and Cambodia, quantitative surveys of garment factory workers and focus group discussions (FGDs) were conducted. In Vietnam and Kenya, FGDs were conducted. This information, which can be found throughout the report, helps to provide both qualitative and quantitative evidence to support the conclusions drawn. Besides addressing our key question of interest—whether improvements in job quality reduce gender inequality, improve worker welfare, and help alleviate poverty—this field research also allows us to present original research on important issues. One such issue is how working in the apparel sector impacts gender dynamics outside factory walls.

[8] The detailed field research methodology for each country is included in Appendix C.

Overview of the Report Structure

Chapter 2 offers background information on apparel sector workers and their understanding of job quality. Understanding the Better Work program and how it has evolved from its forerunner, Better Factories Cambodia, is the subject of Chapter 3. Given the program's focus on improving factory conditions, Chapter 4 discusses changes in working conditions. In this regard and as mentioned earlier in the discussion of job quality, programs aimed at improving working conditions can impact workers' lives beyond factory walls. Therefore, Chapter 5 considers the relationship between programs such as Better Work and the personal lives of workers and their families. Chapter 6 discusses how factories' human resource management policies can improve productivity and profitability. Chapter 7 highlights possible avenues for improving working conditions, both in terms of spillover effects on nonparticipating factories and expanding the reach of programs such as Better Work to cover more factories. Finally, Chapter 8 provides a summary of our key findings and offers recommendations to further improve job qualitys. The life stories of four workers in the apparel industry from Lesotho and Vietnam, as well as the case of Kenya, are also featured at the end of some chapters.

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Chapter 2: Apparel Workers

Highlights

- **Demographic profile:** Workers in the textile and apparel industry tend to be younger than those in other industries. The average age of textile workers is 26 in Cambodia and 30 in Vietnam. Most are female (about 80 percent in Cambodia and Vietnam). Contrary to the popular belief that these workers tend to be single, about 50 percent are married.
- The apparel industry provides job opportunities for young people, mostly women from rural areas. Although apparel wages are low by international standards, the sector offers wage premiums, which draw women and men from rural areas. High wages and good working conditions are two of the top reasons why workers in Cambodia choose apparel factory jobs. Data also show that a sizable number of women are supervisors in the apparel industry.
- **Workers defined job quality:** Across the four countries (Kenya, Lesotho, Cambodia, and Vietnam) where field research was conducted, it was found that job quality means largely the same thing. Certain economic characteristics such as good pay and benefits are prominent in workers' minds in addition to social considerations such as collegial relations with managers and supervisors, clean and safe work environments, and reasonable working hours. Thus, many of the qualities that workers from our field research value can be achieved at little to no economic cost.

The apparel industry is known for being labor intensive relative to global manufacturing sectors. As employees, women dominate the apparel sector worldwide: making up roughly 80 percent of the global workforce in garment manufacturing (HERproject 2010). Understanding why this is

the case and the implications of a predominately female labor force for programs such as Better Work is a key starting point. As a background for the analysis of working conditions in the apparel sector, this chapter will introduce readers to these workers by relying primarily on empirical data. The discussion will center on what attracts workers to the garment industry and whether any differences exist between men and women. This chapter also describes what job quality means to apparel workers in the four countries (Kenya, Lesotho, Cambodia, and Vietnam) where field research was conducted.

Who Are Garment Workers?

A general perception of garment workers in developing countries is that they tend to be mostly young women. Analysis of nationally representative household survey data from Cambodia and Vietnam confirms this is indeed the case, and also reveals interesting information about the workers (Box 2.1). Data from Bangladesh, another large garment producing country, show a pattern similar to those of Cambodia and Vietnam. Sikdar, Sarkar, and Sadeka (2014) found that 92.5 percent of the female workers were under the age of 30 in the Bangladeshi apparel industry.

Contrary to the popular belief that apparel workers are mostly single, Sikdar, Sarkar, and Sadeka found a fairly even split between married and unmarried workers, with 55 percent of surveyed female workers being married. This is also largely mirrored in the Cambodia Worker Survey we conducted, where it was found that roughly half of workers were married or living with a partner (48 percent).

Box 2.1: Profile of Garment and Textile and Apparel Workers in Cambodia and Vietnam

Size: In Cambodia, about 7.9 percent of employed workers (aged between 15 and 64) worked in the textiles and apparel industry in 2012. The apparel sector was less significant in Vietnam, where about 3.5 percent of employed workers (aged between 15 and 64) worked.

Location: In Phnom Penh, the capital and economic center of Cambodia, the textile and apparel industry provides a significant share of employment. About 15.2 percent of workers in Phnom Penh work in the industry, and 25.7 percent of jobs in the sector are located in Phnom Penh. In Vietnam, about 30.8 percent of the textile and apparel workers live in urban areas, while about 27.7 percent of the non-textile and apparel workers reside there.

Demographic profile: Textile and apparel factory workers in Cambodia and Vietnam are predominantly women (83 percent and 80 percent, respectively). Workers in the textile and apparel industry tend to be younger than those in other industries. In 2012, the average age of the textile workers was about 26 years in Cambodia and 30 years in Vietnam, while that of non-textile and apparel workers was 35 years and 38.5 years, respectively.

Education: In Cambodia and Vietnam, only a small proportion of textile and apparel workers has received education beyond the secondary level, and its share is proportionately smaller than that of non-textile and apparel workers. At the same time, larger shares of the textile and apparel workers have completed primary education and received at least some lower-level secondary education, compared with the non-textile workers. This holds true for both countries.

Source: Cambodia—Authors' analysis from Cambodia Socio-Economic Survey (CSES) 2012. Vietnam—Authors' analysis from 2012 Vietnam Household Living Standards Survey.

Occupational Sex Segregation

Occupational gender segregation is a feature in many labor markets in which some jobs and occupations are highly dominated by either men or women. Occupational segregation is a concern to policy makers for two reasons. First, it is inefficient economically, preventing able people from moving into occupations where they could perform well and that would satisfy them more than those open to them. Second, occupational segregation is a major cause for persistent wage gaps (Hegewisch et al. 2010). Fontana and Silberman (2013) found pronounced occupational segregation in Vietnam. Our 2015 Cambodian survey data also reveal patterns of job segregation by gender as presented in Table 2.1. The biggest discrepancies can be found in the sewer position (where more than half of surveyed women work compared to one in four men) and in the spreader position (only 4.19 percent female compared to 17.86 percent male).

Most workers interviewed did not report having objections to the occupational segregation. They identified men's physical strength as the key reason that men tend to be concentrated in occupations that require relatively more heavy lifting. The following comments from participants in our focus group discussions (FGDs) are instructive:

> *There are many men working in the steaming boiler department where there are no women. I think it's not suitable for women.*
>
> —28-year-old female worker, BW Vietnam factory

> *There are no defined roles or expectations of men and women. In the garment industry, more women do sewing than men, while more men do the production line jobs as moving machines is heavy task.*
>
> —40-year-old male supervisor, non-BW Vietnam factory

> *There are some divisions, especially related to lifting goods into container and closing carton boxes. Male workers are responsible for those tasks. Basically, heavy tasks are for male workers.*
>
> —25-year-old female worker, BFC category A[1] factory, Cambodia

Contrary to some literature, the primary data for this study show that the apparel industry provides opportunity for female workers to progress in their career, considering that a significant number of women are supervisors. The 2015 Cambodia apparel workers survey data show that a larger share of female workers (3.5 percent) work as supervisors, compared to less than one percent of male workers. A focus group discussion of supervisors in Vietnam reveals a similar pattern for career mobility. All of those interviewed attributed their career advancement to dedication in their jobs as workers, and not their gender.

Table 2.1: Distribution of Workers by Jobs and Sex, Percentage

What is your job at your factory?	Sex of workers		
	Female (N=453)	**Male (N=112)**	**All workers (N=565)**
Sewer	54.53	24.11	48.5
Cutter	3.31	5.36	3.72
Spreader	4.19	17.86	6.90
Checker	6.18	2.68	5.49
Packer	5.74	11.61	6.90
Quality control	6.84	1.79	5.84
Supervisor	3.53	0.89	3.01
Helper	1.10	0.89	1.06
Other job	14.57	34.82	18.58
Total	**100**	**100**	**100**

Source: Cambodia Workers Survey, 2015, authors' calculation.

Why Are Most Garment and Textile Factory Workers Women?

Some might view that the presence of women in the garment industry as a reflection of structural gender inequality of the economy. However, Khosla (2009, 295) explains that "the massive employment of women in the ready-made garments industry, while a boon for poor, unemployed women is ironically also a reflection of the

[1] For the Cambodia analysis, "Category A" factories are factories that received only assessment service from Better Factories Cambodia (BFC), but not advisory or training services.

unequal treatment given to women both within and outside this industry." Citing the case of Bangladesh, Khosla explains the unequal treatment of women, who are often hired because they are thought to be obedient. They tend to be placed in jobs requiring fewer technological skills and even after controlling for experience and education, Khosla concludes that they receive lower wages for the same job.

For purposes of our study, a supply and demand approach is useful in explaining the prevalence of women working in the global garment industry. On the supply side, from our field research, we have come to know that many low-skill women (and men) are looking for new job opportunities in urban areas given the lack of enticing employment prospects in the rural areas where they were born. On the demand side, employers seem to show a preference for hiring women.

Demand: Preference of Employers

When studying Bangladesh, Sikdar, Sarkar, and Sadeka (2014, 174) identify a clear employer preference for women; "employers prefer female workers not only because they are cheaper and abundantly available, but also because they are more vulnerable, obedient, and manageable than male workers." Many other authors agree (Amin et al., 1998; Kabeer and Mahmud, 2004; Kibria, 1995 and 1998; Paul-Majumder and Begum, 2000). Moreover, Sidkar, Sarkar, and Sadeka, through their surveys, were able to better understand why employers prefer young women in particular. On the one hand, management claimed to prefer younger women because they were more productive than older workers. On the other hand, older female workers complained that management would treat them in such a way as to force them to quit. Studies reviewed by Dominguez et al. (2010) suggest that in a number of Latin American countries, married women are gradually becoming the preferred labor force in the textile sector because they are perceived to be more pliable and less likely to change jobs than single women. Yet there is no conclusive evidence of a universal preference between married and unmarried women.

Our qualitative research in Lesotho also revealed an employer preference for female workers. In this regard, male FGD participants reported that they were discriminated against, stating that it was difficult for men to get jobs because factory managers "don't want male workers" or prefer female workers because they "know the machines and are easy to work with."

Supply: Low-Skilled Women Looking for New Opportunities in Urban Areas

The 2015 Cambodia Apparel Workers Survey data confirm that jobs in the garment sector represent an important entry point into the formal sector for workers from rural areas. Consistent with the popular belief about garment workers, almost all workers (97 percent) in the survey grew up in other provinces and moved to Phnom Penh in search of jobs. For about 60 percent of workers, their jobs at their current factory are their first jobs in the garment industry, while the rest have already worked in another garment factory. On average, workers have been employed in the garment industry for 4.1 years, but have worked in their current factories for only 2.5 years. For workers who started in the garment industry at another factory, the average tenure with the current factory is 2.1 years, and they tend to have worked in the industry for about 5.8 years. One woman interviewed who worked in a garment factory, moved back to her rural hometown and then returned back to the city to work again in a garment factory commented:

> *"My previous workplace was a garment factory in the sewing section. The reason that I quit was because my siblings got married, and there was no one to look after the house, so my parents asked me to come home. I live in Prey Chor district. I stayed home for a while and felt really bored, so I asked my parents to go back to work* [in the new factory]."
>
> —25-year-old female sewer, BFC factory, Cambodia

Some workers, especially male workers, reported that they joined the garment industry because the workload is lighter than that of their previous jobs in construction. The 2015 Cambodia Apparel Workers Survey also revealed reasons workers chose jobs at the factory. The survey allowed workers to indicate more than one reason. Table 2.2 summarizes the results.

Table 2.2: Reasons for Choosing to Work in the Garment Industry

Why did you choose to work at this factory?	Percentage of respondents		
	Female	**Male**	**All**
Heard they have high wage	57	58	57
Better working conditions	28	30	29
Closer to home	20	12	18
Have friends/family here	15	19	16
It was the only job available	10	9	10
Other reason	5	7	5

Source: Cambodia Workers Survey, 2015, authors' calculation.

Note: The total number of observation of the survey is 565, comprising 453 women and 112 men. This question allows more than one answer; thus, number of responses might add up to more than the number of workers in the survey.

Three points are clear from Table 2.2. First, workers respond to wages. They tend to go to factories that they think will offer good wages. This is their top consideration, even above working conditions, suggesting that a system that relies on the movement of workers to factories with good working conditions to drive spillover effects of programs such as Better Work may not be effective. Second, workers do have space to choose where to work. On average, only about 10 percent of Cambodian garment workers reported that they took their current job because they were the only jobs available. Third, the main difference between men and women in choosing a job is location as female workers prefer jobs that are closer to their homes.

As mentioned earlier, although apparel wages are low by international standards, the sector offers wage premiums, which draw women from rural areas. One way to estimate the differences in wages across sectors is to estimate wage premiums for each sector holding other demographic variables constant. Doing so effectively reveals the premium that young, unmarried, less-educated women might earn in the apparel sector compared to what they might earn in other sectors. Savchenko, Lòpez-Acevedo, and Robertson (2014) estimate the wage premium in apparel in both Sri Lanka and Cambodia. Using household surveys, they estimate that the apparel sector wage premium prior to the end of the Multi-Fibre Arrangement was 39.2 percent in Cambodia. Furthermore, wages in the garment sector are high paying relative to the alternatives that younger unmarried less-educated women have elsewhere in the economy. This result complements Powell and Skarbek (2006) and Robertson et al. (2009), who estimate significant apparel wage premiums in a range of developing countries, namely, Cambodia, El Salvador, Honduras, Indonesia, and Madagascar.

The literature elaborates on why the apparel sector appeals to workers. According to Keane and te Velde (2008), the textile and clothing sectors offer women in particular better opportunities than they would have in their rural hometowns. In addition, apparel sector wages may also be higher than those of other jobs women working in the apparel sector could obtain in urban areas. By way of example, apparel wages are twice that of domestic servants in Bangladesh. Using data from six countries (Bangladesh, Pakistan, Philippines, Sri Lanka, Thailand, and Zambia), the authors find that textile and clothing wages are more than double those paid to agricultural workers, are higher than those of several other manufacturing industries, but are only half the overall average of manufacturing wages. Keane and te Velde, "The Role of Textile and Clothing Industries in Growth and Development Strategies," 2. This leads them to conclude that "textiles and clothing is a first step up the value-added industrialization ladder beyond agriculture but before many other manufacturing and services activities." Robertson et al. (2009) estimate the wage premiums for apparel relative to the rest of the economy for five developing countries and find that they are positive, large, and significant. This means that, for example, in the case of Cambodia, garment workers earn up to 35 percent more than they would in an "average" alternative industry. Compared to the estimates of earnings in agriculture, which are significantly below the average wages of comparable workers, these premiums represent very significant earnings gains to workers moving from agriculture to apparel.

Box 2.2: How is Job Quality Defined in the Literature?

Defining job quality is important but difficult because jobs have many different characteristics. The main way to measure job quality is through wages. Alternatively, job characteristics can be taken into account. Wage data are much easier to find than measurements of nonwage working conditions. The data for other aspects of working conditions (benefits, air quality, noise, unionization, among many others) are scarce and generally not comparable across countries. Yet, job quality can be measured by more than just money. It is also measured by nonmonetary elements attached to the job, such as social security coverage, job security, promotion opportunities, and the like.

From a theoretical perspective, the relationship between wages and nonwage working conditions can be positive or negative. Using wages as a measure of working conditions, however, poses potential problems if workers receive higher wages as compensation for working in poor conditions. This is certainly the case, even in developed countries, in dangerous industries, such as mining. Beginning with Adam Smith, economists have long theorized that workers who take jobs in less favorable conditions must be compensated with higher wages; this is commonly referred to as "compensating differentials." This theory implies that workers in developing countries who accept jobs with less favorable working conditions earn higher than average wages. Surprisingly, empirical evidence on the compensating differentials hypothesis has been mixed.

Source: Robertson et al., 2009.

"A job that makes me want to go to work every morning when I wake up"

FGD participant in Vietnam in response to question on what is a good job to you?

While wages are an important factor in attracting workers, nonwage factors also appear to be important. A broader discussion of job quality follows.

What Does It Mean to Workers to Have "Job Quality"?

The literature, while recognizing certain nonwage characteristics of job quality, tends to focus on wages given that it offers the most easily quantifiable measure (Box 2.2).

In recent years, notable and increasingly popular concepts, which expand on the traditional way job quality is understood, have emerged. For example, the Decent Work agenda of the International Labour Organization (ILO) attempts to better capture workers' aspirations. According to the ILO website, Decent Work

> *involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men.*[2]

Our study aims to address this challenge by asking workers how they perceive job quality. The results across the four countries where we conducted qualitative research through FGDs (Cambodia, Kenya, Lesotho, and Vietnam) are highlighted in this section.

[2] Decent Work, http://www.ilo.org/global/topics/decent-work/lang--en/index.htm.

Table 2.3: Highest Ranked Job Quality Characteristics: Kenya, Lesotho, and Vietnam

Ranking	Country			
	Kenya	**Lesotho**	**Vietnam**	**Cambodia**
1	High salary	High salary	High and stable salary	High salary
2	Friendly relations with managers/ supervisors	Reasonable working hours	Clean and safe work environment	Friendly relations with supervisors
3	Reasonable working hours	Friendly relations with managers/ supervisors	Sufficient benefits	
4	Sufficient benefits	Clean and safe work environment	Friendly relations with managers/supervisors	
5	Clean and safe work environment	Sufficient benefits	Reasonable working hours	

Source: FGDs conducted as part of the workers survey for Kenya, Lesotho, and Vietnam. In Cambodia, the data were collected differently, thus, job quality cannot be ranked.

In focus group discussions in Kenya, Lesotho, and Vietnam, workers were asked what job quality means to them. In each FGD, workers' feedback was listed on flipcharts, and they were then asked to rank the top three. In other words, if they could choose three characteristics of job quality from the list, what (in order of preference) would they be? Table 2.3 summarizes the rankings across the three countries.[3] Given that more than one FGD was held in each country and there were different rankings of the top three, a list of the top five characteristics of job quality from each country is presented.

Across the three countries, there were common perceptions of the characteristics of a good job: high salary, friendly relations with management/ supervisors, reasonable working hours, clean and safe work environment, and sufficient benefits. However, one aspect of job quality that emerged from FGDs only in Vietnam was stability of income. Vietnamese workers liked that the apparel sector offered stable incomes they could count on. For the purposes of ranking, this was grouped together with having a high salary. Having a high salary is ranked as the most important characteristic of a good job across all three countries, while there is some variation in the preference workers give to the four other common characteristics identified.

In the FGDs held in Cambodia, workers were not asked to list and rank key characteristics of a good job, but they did discuss what they liked and did not like about their jobs. Many participants spoke about relations with supervisors. Despite certain aspects of their job that they did not like, most FGD participants were generally satisfied. This comment by one of the FGD participants highlights a common sentiment:

> *"I am happy to recommend my relatives to work here in this factory because of the convenient work and high salary."*
>
> —31-year-old male worker, BFC category A factory, Cambodia

Across the four countries in which field research was conducted, it was found that job quality means largely the same thing. Certain economic characteristics such as good pay and benefits are prominent in workers' minds in addition to social considerations such as respectful relations with managers and supervisors, clean and safe working environments, and reasonable working hours. The lesson to be drawn here is that many of the qualities that workers interviewed for this study value can be achieved at little to no economic cost. For instance, training supervisors in how to

[3] For a complete list of all the characteristicss of job quality raised by workers see Appendix D.

interact with workers in a friendly manner and improving HR policy can greatly enhance workers' satisfaction with their jobs at a minimal cost.

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Chapter 3: The Genesis and Evolution of Better Work

Highlights

- Better Work is an ILO-IFC joint initiative aimed at improving working conditions for apparel workers.
- Better Work started in 2001 as Better Factories Cambodia, which grew out of terms stipulated in the U.S.-Cambodia Bilateral Textile Trade Agreement of 1999.
- Better Work was intended to leverage key strengths of the main stakeholders in the apparel industry in an attempt to arrive at a beneficial outcome for all.
- Better Work now operates in eight countries (Bangladesh, Cambodia, Haiti, Indonesia, Jordan, Lesotho, Nicaragua, and Vietnam) and reaches more than 1 million workers in more than 1,000 factories.
- **How Does the Better Work Program Work?**
  - Better Work addresses weak governance and low implementing capacities.
  - The program goes beyond monitoring and offers added-value services that help build capacity and create more cooperative work environments.
  - The program maintains cost effectiveness and promotes local ownership by employing mostly local staff to conduct factory assessments.
  - Transparency is a prominent feature of the program.

The Better Work (BW) program has its roots in the Better Factories Cambodia (BFC) program. The BFC program's origin is often traced to the Agreement Relating to Trade in Cotton, Wool, Man-Made Fiber, Non-Cotton Vegetable Fiber and Silk Blends Textiles and Textile Products between the Government of the United States of America and the Royal Government of Cambodia, otherwise known as the U.S.-Cambodia Bilateral Textile Trade Agreement in 1999. This section discusses the antecedents and the early development of the BFC program to provide context for the rest of the report.

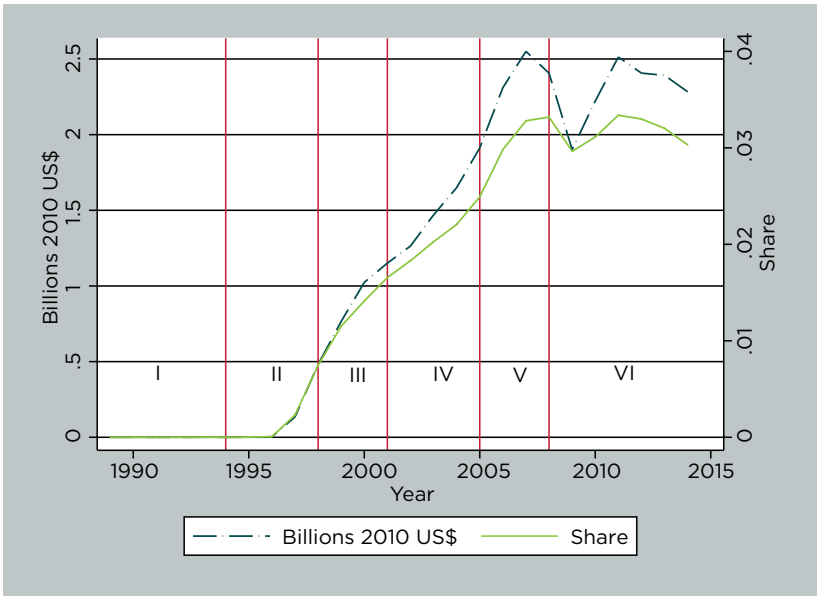
Genesis of Better Work: The Cambodian Garment Industry and Better Factories Cambodia

Because the BFC program has its roots in the U.S./Cambodia BTTA, it is useful to consider the story of the evolution of the program using trade flows as a backdrop. Figure 3.1 shows U.S. total apparel imports from Cambodia—both in 2010 U.S. dollars and as a share of total apparel imports. The figure also shows six time periods that mark important stages in the evolution of the BFC program. The following paragraphs discuss the six time periods in detail.

I Early Reforms

Following decades of civil strife, Cambodia embarked on an ambitious market-oriented reform program. As shown in Figure 3.1, the United States imported almost no apparel from Cambodia during the early 1990s. Cambodia was not a party to the global system of quotas known as the Multi-Fibre Arrangement (MFA), nor was it a member of the General Agreement on Tariffs and Trade (GATT). As such, Cambodia was not limited by quotas or other trade restrictions that

Figure 3.1: Evolution of Cambodian Garment Exports to the United States



I. Early reforms
II. Growth of apparel trade
III. Negotiating the agreement
IV. Early implementation
V. End of MFA/new technology
VI. Financial crisis and aftermath

Source: Author's calculation from U.S. import data.
Note: Left scale=value of Cambodian garment exports to the U.S.; right scale=share of Cambodian apparel imports of total U.S. apparel imports. MFA=Multi-Fibre Arrangement.

were part of the MFA. In this context, the government took steps to transform the state-owned apparel plants into exporters (Polaski 2006). And in response to the signal of opportunity, foreign investment began to flow into Cambodia from Taiwan, Hong Kong, the Republic of Korea, and other East Asian nations. The growth, and perhaps even more the growth potential, also attracted U.S. and European buyers (Polaski 2006).

II Growth of Apparel Trade

Not surprisingly, growth in investment and domestic reforms resulted in rapid growth of apparel exports, which attracted the attention of not only U.S. trade statisticians, but also of U.S. labor unions and government officials (Kolbin 2004). Because Cambodia was not part of the World Trade Organization (WTO), the United States could impose tariffs and quotas to restrict the surge of imports. Along with the rise in exports came the voices of Cambodian workers who complained of poor conditions and the inability to effectively and freely organize. These calls for help were heeded by U.S. and international labor unions, which in 1998 asked the U.S. government to review working conditions in Cambodian apparel factories (Polaski 2006).

III Trade Agreement Negotiations

Negotiations—between the United States and Cambodia concluded with the January 20, 1999 signing of the trade agreement. The trade agreement reduced Cambodian tariffs for U.S. apparel-related products—for example, textiles—and established quotas for Cambodian exports to the United States. Quotas made conditions similar to those imposed on other developing countries through the MFA. Figure 3.1 suggests that the rate of increase in U.S. imports from Cambodia slowed when the agreement became effective, which may be due to the quotas.

While the quotas were similar in spirit to the conditions faced by other apparel-exporting developing countries, what was different was the provision linking quota access to improvements in working conditions. In particular, the agreement allowed for a possible 14 percent annual increase in the quota allocation if the Cambodian government supported a program to improve working conditions in garment factories. As a result, a program aimed at improving working conditions in garment factories needed to be developed.

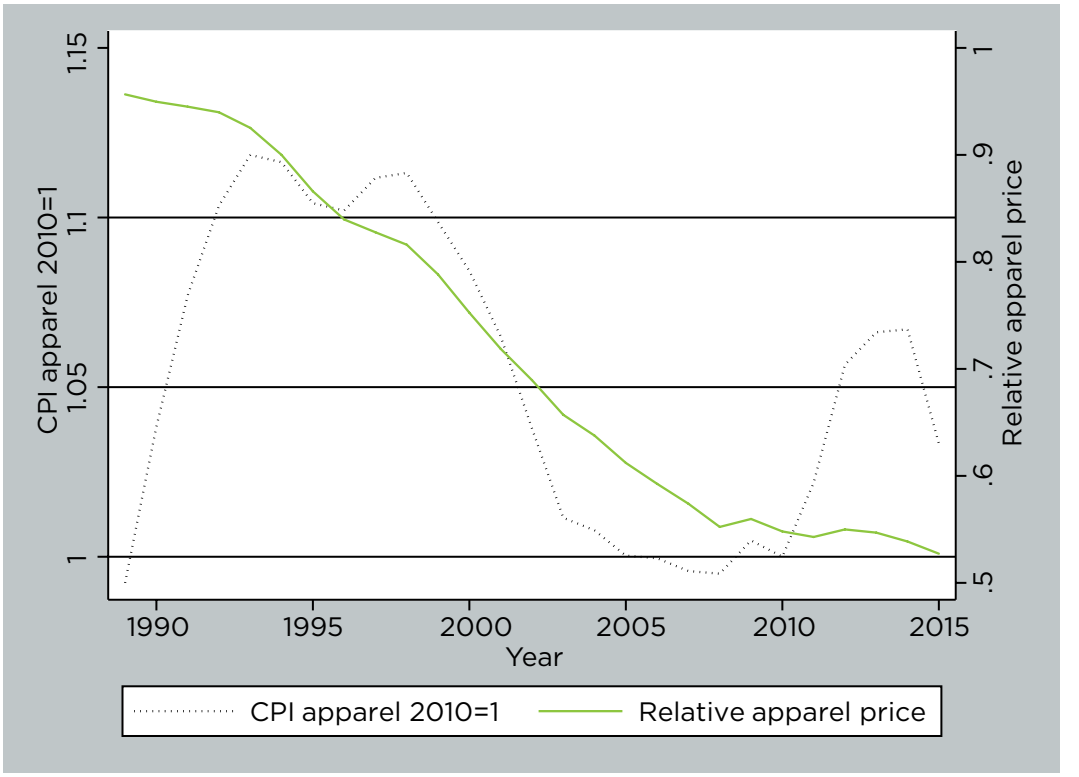
As Kolbin (2004) describes, there were six different program proposals, which fell mainly into two groups. The International Labour Organization (ILO) put forth the first proposal, which relied on inspections by the Cambodian government. A substantial part of the ILO proposal, therefore, consisted of ways to improve the capacity of the Cambodian government's labor inspectors. The ILO proposal focused mostly on working conditions that included wage payments, health and safety provisions, and industrial relations. It did not prominently feature core labor standards.

The United States made a counterproposal for the program that focused on core labor standards as well as compliance with Cambodian labor law. As such, the U.S. counterproposal had a greater focus on labor rights and, in particular, freedom of association. The proposal also took a different approach to monitoring. Instead of giving the Cambodian government the responsibility for monitoring, the proposal suggested that the ILO assume the monitoring responsibilities because the ILO was regarded as an impartial, respected, and credible organization whose reports would be accepted by all of the relevant stakeholders.

In the end, the resulting program incorporated features of both proposals. The program focused on both Cambodian labor law and international labor standards. The ILO was identified as the monitoring body, but the program would build domestic monitoring capacity by training and relying on Cambodian inspectors. The ILO was also tasked with providing assistance to build domestic capacity in terms of labor laws and regulations.

One additional issue was the rules about participation. There is nothing in the trade agreement that says that participation in the program would be mandatory. In fact, the program was implemented as a voluntary program. But since the voluntary nature of the program would give rise to a free-rider problem, the government issued Prakas (Ministerial Regulation) 108 on March 28, 2001, which made export permission (in the form of access to the export quota) a function of registering with the program. Whether due to Prakas 108 or pressure from the Garment Manufacturers' Association of Cambodia (GMAC), nearly all exporting firms registered for the program.

Figure 3.2: U.S. Consumer Price Index of Apparel, 1990–2015



Source: U.S. Consumer Price Index, U.S. Bureau of Labor Statistics. www.bls.gov.
Note: The relative price series is the consumer apparel price index divided by the consumer price index for all urban consumers (all goods).

IV Early Implementation

The BFC program began in January 2001, the beginning of phase IV in Figure 3.1. Note that the slowdown in the rate of increase in U.S. imports from Cambodia continued into phase IV as depicted in Figure 3.1. There are two possible explanations for this slowdown. The first is that the agreement was discouraging U.S. imports from Cambodia. The second is that there were other changes in the world apparel market at the same time. As it turned out, China's entry into the WTO in 2001 had a significant effect on the global apparel market. Furthermore, the restructuring of the apparel market meant that more and more countries that previously had barely participated in the global apparel trade greatly increased their productive capacity.

Highlighting the important global changes in the apparel market during the first years of BFC, Figure 3.2 shows the U.S. consumer price index (CPI) of apparel both as a raw index (the dotted line) and relative to the overall CPI (the solid line). These both show dramatically declining global prices of apparel. The raw index in particular drops sharply around 2000 and continues to be low until the global financial crisis.

From Cambodia's perspective, however, Figure 3.2 shows that the absolute value of exports to the United States continued to rise. This suggests the program included in the trade agreement was not discouraging trade. On the contrary, the GMAC noted that early on producers realized that Cambodia now had a comparative advantage in safe sourcing (Sibbel and Bormann 2007).

The 2001–04 period was a time of evolution and learning for BFC. BFC added a training component to help factory stakeholders (management and workers) collaboratively address working conditions issues in 2004. The ILO participated in developing the Labour Dispute Resolution Project, which evolved into the Arbitration Council Foundation. Cambodia also joined the WTO in 2004. These moves were at least in part motivated by the belief that Cambodia was establishing a comparative advantage in safe sourcing, and the government wanted to strengthen that position in preparation for the end of the MFA in December 2004.

V The End of the Multi-Fibre Arrangement and Introduction of New Technology

In 2005 BFC convened the first Buyers Forum. This program recognized the important influence of international buyers (also known as "brands"). The main focus of the first Buyer's Forum was to highlight the value of reducing the redundancy of reports. Factories raised concerns about "audit fatigue," which forced factories to deal with many often conflicting audit standards. By accepting a common audit standard, such as the one used by the BFC program, factories could convey the same information about compliance with fewer audits, generating significant savings and efficiency gains.

The original intent of monitoring was to identify issues within factories. Although the program did not provide advisory services at the time, it made factories aware of the issues identified in audits. Between 2002 and 2005, BFC monitors returned to factories to conduct full assessments and paid particular attention to following up on previously identified noncompliance issues. One result of this approach is that the variance on the compliance averages was very high. In other words, there was a lot of variation in the reports coming back to BFC.

The relatively high variance of the reports raised concerns about how the data were collected and, especially, managed. As a result, BFC developed a groundbreaking new data management system called the Information Management System (IMS). Initially seen as an improvement in the way data were collected and organized, the IMS system laid the foundation for a more efficient and standardized system. The change was significant because the system allowed factories to be monitored more carefully and gave monitors the capacity to conduct full audits beginning in 2005.

The timing of the new system was important because 2005 was also the first year following the expiration of the MFA, which was expected to benefit larger, more established exporters at the expense of smaller exporters. Given that low-income exporters such as Cambodia were latecomers to the textile industry, they were not subject to MFA export quota restrictions. Therefore, they benefited from the quota system as it imposed limits on the amount of exports that larger markets could have. Consequently, it was anticipated that the increasingly competitive trade environment would lead to a decline in garment exports and employment in relatively small countries like Cambodia because countries like China could flood the market with their exports (for example, see Nordas 2003). Moreover, at the same time global demand for garment imports began to decline starting in 2002.

These fears, however, were not realized. In fact, Figure 3.1 shows that, Cambodian exports to the United States increased significantly. This increase was interpreted as support for the program's focus on safe sourcing. Others have suggested that the increase in exports after 2005 is not consistent with the idea that improving working conditions puts producers at a cost disadvantage. Even if costs increase, it is possible that improvements in working conditions improve factory performance and make firms more competitive. Part of this may be explained by Cambodia remaining shielded from fully free trade for another four years as a result of safeguard measures imposed on its major competitors, China and Vietnam. After they were finally removed (in 2007 and 2008 for China and Vietnam, respectively), Cambodia was widely expected to lose its competitive advantage.

VI Financial Crisis and Aftermath

The next phase of the program identified in Figure 3.1 starts in 2008. The 2008–present period contains the kind of test that people expected with the end of the MFA. In addition, BFC continued to evolve by adding an advisory services program in 2008. The global financial collapse represented a significant contraction of trade.

Figure 3.1 shows the drop quite clearly. One of the concerns of this period was whether the impacted factories would opt out and leave for other countries—for example, Bangladesh—that may have been cheaper. As it turns out and as shown in Figure 3.1, the crisis was relatively short-lived. Since the brief recovery, however, growth to the U.S. market has slowed somewhat, making continued research about the program important.

Better Work Today

Today the Better Work program, which has built on the success of the BFC program, is a global initiative operating in eight countries. Merk (2012, 13) explains the thinking of key Cambodia actors as the Better Work program expands to other countries.

> *The interviewees in this report all believe this is a significant development because it will help improve working conditions throughout Southeast Asia and may help prevent companies from abandoning Cambodian factories in favor of factories located in regions where there is no monitoring system in effect.*

From the perspective of Cambodia, it is understandable why some would fear losing business to countries with less stringent labor regulations. However, the discussion that follows shows that the Cambodian BFC experience dispels notions of a "race to the bottom." Instead, the value of expanding Better Work beyond Cambodia is that those countries may also be able to benefit from improved labor conditions in their apparel sectors. This section also details the expansion and adaptation of Better Work to specific country contexts.

Figure 3.3 depicts the geographical distribution and years Better Work was established in each country. While the program is most active in Southeast Asia, it has also been adopted in relatively minor apparel-exporting countries such as Jordan in the Middle East, Haiti in Central America, and Lesotho in Africa.

Table 3.1 shows the scope of the BW programs in terms of the number of factories and workers each country program reaches. Cambodia is by far the largest program in terms of the number of factories (522) and workers (495,176). Vietnam is not substantially smaller in terms of the absolute number of factories (300) and workers (384,228). None of the BW programs in Haiti, Jordan, Lesotho, and Nicaragua reach more than 50,000 workers because of the small garment

Figure 3.3: Years Better Work Programs Established

Source: Authors' graphic based on data from Better Work Global Website.

Table 3.1: The Reach of Better Work

	Cambodia	Haiti	Indonesia	Jordan	Lesotho	Nicaragua	Vietnam	Totals
Total number of factories	522	27	106	60	16	26	300	1,057
Total number of workers	495,176	34,000	210,163	47,299	25,000	41,599	384,228	1,190,166
Percentage of women workers	85	66	83	69	80	53	81	82

Note: Data obtained from the BW HQ in Geneva. They reflect actuals as of December 2014. Bangladesh is not included because the program has not yet begun carrying out assessment services.

sector in these countries. Table 3.1 also presents the percentage of workers who are women in BW factories. In Cambodia, Haiti, and Vietnam, women make up more than four of every five garment factory employees. Nicaragua is the country with the lowest percentage of women workers (53 percent), yet more women than men work in Nicaraguan BW factories. The program as a whole reaches more than 1 million workers (more than 80 percent of which are women) across more than 1,000 factories. With the recent addition of Bangladesh, that number is expected to increase dramatically.

Although the program expanded to each country based on particular contextual circumstances, it is worth exploring the stories of how and why BW was established in two countries, namely, Vietnam and Lesotho.

The Story of Better Work's Expansion to Vietnam

A number of contributing factors can help us to understand why BW expanded to Vietnam. First, the growth of the manufacturing industry in the early 2000s meant that Vietnam was becoming one of the most significant manufacturing hubs in the region. If in addition to programs in smaller producer countries such as Lesotho and Jordan, the BW model could prove effective in Vietnam, it would help establish BW as a program that was beneficial to large and small producers alike. Vietnam was an ideal candidate for the BW program because its apparel sector was relatively small compared to Cambodia's, but had a good base to build from in terms of national law. The sector was also very important to the country's economy.

A spark for the introduction of the BW program to Vietnam may have been the onset of widespread protests. The number of strikes in Vietnam started to rise steadily from 2005 and reached a peak in 2008 with almost 800 strikes. It dropped in 2009 because of the global economic crisis but, again increased in 2010 and reached a new high of 857 in 2011. Among manufacturing industries, garment and textiles suffered most from strikes (Fair Wear Foundation 2012). To safeguard the expansion of the industry and to continue to attract investment, the government entered discussions with the ILO, whose Better Factories program, was being implemented in neighboring Cambodia. Better Factories was seen as a viable model to replicate on a voluntary basis as politically and logistically, it would have been difficult to have a mandatory program. The voluntary program is also consistent with the market-based approach relying on the public-private partnership of the Better Work model.

While buyers in particular were worried about the strikes and called for action, they wanted more than just assessment. Rather, they wanted BW to offer factories practical advice and support to address the problems identified through the assessment process. The buyers had also previously paid for audits, which were so numerous that many of the factories never had time to make changes to their practices before turning their attention once again to yet another audit. Therefore, clearly part of the rationale of introducing the BW program in Vietnam was to eliminate the duplication of audits.

The BW program in Vietnam has since significantly evolved and now comprises 300 factories.

It also offers many different training modules that have greatly helped workers to improve their professional and personal lives. Moreover, the Vietnam program (together with the Jordan program) was the real testing ground of BW's approach built on moving beyond assessments to offering comprehensive advisory and training services.

The Story of Better Work's Expansion to Lesotho

Given all the apparel-exporting countries around the world, why would the Better Work program expand into a country as small as Lesotho? The story reveals interesting insights into the give-and-take among the various stakeholders and to the impact of the broader global trade environment.

Pike and Godfrey (2012) outline the context of the Lesotho apparel industry, which is essentially made up of a small set of East Asian- and South African-owned factories. Without going into too much detail regarding the background of the apparel sector, we note that these two ownership groups moved to Lesotho for different reasons. The South African firms were attracted to Lesotho because it offered a nearby production site with much lower labor costs and less stringent labor regulations than in South Africa. The East Asian firms established their presence in Lesotho because of the incentives of the trade governance regime. First, the MFA made Lesotho an option for countries that had already fulfilled their quotas and thus needed another location. After the end of the MFA, the African Growth and Opportunity Act (AGOA) made Lesotho an attractive option because of its privileged access

Box 3.1: HIV/AIDS in the Lesotho Garment Industry

HIV/AIDS is a serious problem in Lesotho, with a national prevalence rate of 23.2 percent, and the prevalence rate among garment workers estimated to be as high as 43.2 percent (ALAFA 2008). ALAFA—the Apparel Lesotho Alliance to Fight Aids, an NGO in Lesotho, has provided HIV/AIDS testing for factory workers in addition to training on safe sexual practices and other activities to raise awareness. Apparel workers have been well aware of ALAFA and have benefited from the organization for years. ALAFA and BW have tried to coordinate efforts to address the issue of HIV/AIDS in the workplace. In 2013 some apparel workers reported that there were some small adjustments in workplace practices, such as allowing short breaks for workers with HIV/AIDS who need to take their medications with food and water.

To further understand the extent of training and awareness around the issue of HIV/AIDS, apparel workers were asked whether their factories have an HIV/AIDS policy and whether there has been any awareness creation or training for workers related to the issue. Surprisingly, fewer people in 2013 than in 2011 report having an HIV/AIDS policy in their factories. However, more report that there has been some kind of awareness creation of HIV/AIDS. Though there is a decrease in the number of reported HIV/AIDS policies, a high number of factories still have such policies in place: 67 percent of non-BW factories compared to 85 percent of BW factories. Similarly, the amount of training/awareness creation related to HIV/AIDS for workers in non-BW factories is lower (80 percent) than for those in BW factories (90 percent).

ALAFA recently closed due to funding problems. While BWL (Better Work Lesotho) is unable to take on all of of ALAFA's tasks, they have incorporated some elements of safety and awareness regarding HIV/AIDS.

Source: Pike (unpublished).

to the U.S. market. Trade governance thus has had important implications for the Lesotho apparel industry. Since the end of MFA on January 1, 2005, Lesotho has witnessed a substantial decline in its garment sector worker population: from a high of 53,000 workers in 2004 to 34,000 workers now.[1]

Because the Lesotho apparel industry is entirely owned by foreign investors, the Lesotho government is in a precarious position in trying to maximize the developmental benefits of the sector. Yet with the drawdown of East Asian firms, the government is now trying to position itself more closely in the regional value chain. While this may help to make the industry more sustainable, it also raises challenges with regard to labor standards given that they are what attracted South African firms to the country in the first place.

Seidman (2009) sheds light on the significant role played by buyers in making Lesotho a BW pilot country. In particular, she highlights the importance of corporate social responsibility (CSR) in motivating buyers to make Lesotho a priority country for sourcing, especially ethical sourcing. For instance, the Buy RED campaign launched by Bono in 2006 called on companies to produce products labelled with the Buy RED label and to then donate some percentage of their profits to the Global Fund for AIDS, Malaria and Tuberculosis. Gap was one of the earliest companies to heed call and went a step further, announcing that they would source their Buy Red products from Lesotho, a country plagued by widespread HIV/AIDS prevalence (Box 3.1).

In addition to interest from the buyers in introducing BW to Lesotho, there was considerable local support. The government of Lesotho and national employers' organizations agreed to establish Lesotho as an ethical sourcing location in May 2006, as the country's garment sector was reeling. They realized that they could no longer rely heavily on favorable tariff advantages afforded to them under the MFA. The apparel manufacturers' association voted to create a compulsory program in October 2007, but the program never materialized. When assessment services began in March 2011, 15 factories enrolled in the program. Table 3.2 presents a timeline identifying the key

[1] Phone interview with Better Work Lesotho office on March 19, 2015.

Table 3.2: Timeline for Better Work Lesotho

Date	Event
March 2006	World Bank and U.S. Trade and Development Agency fund a draft report "Corporate Social Responsibility in Lesotho's Apparel Sector," which concludes that Lesotho could follow in Cambodia's footsteps in establishing itself as a "sweat-free" source country.
May 2006	Action plan resulting from MFA forum entitled "Destination Lesotho: on the Road to Responsible Competitiveness," followed by government and national employers' organizations agreeing to the goal of establishing Lesotho as an ethical sourcing location. The plan recommends working with the Better Work (BW) program to help achieve this goal.
August 2006	International Labour Organization and International Finance Corp agree to develop a global BW program with Lesotho as a pilot country.
October 2006	First BW scoping mission.
May 2007	Second BW scoping mission.
October 2007	Apparel manufacturers' association vote to create a compulsory program.
July 2009	Third and final BW scoping mission.
March 2011	Assessment services begin.
October 2011	Trainings starts and Performance Improvement Consultative Committees and advisory services up and running.

Source: BW Lesotho office and Seidman 2009.

events in the lead-up to BW establishing a presence in Lesotho.

BW came up with several creative incentives that the government could offer factories to persuade them to join the program—for example, pay 50 percent of first year fees, pay for trainings, and so forth—but the government never tested them. These incentives have been tested elsewhere, such as in Jordan where the government subsidizes the subscription fee based on the number of Jordanian employees in order to promote local employment in the garment industry.

And while all BW factories receive advisory and assessment services, the BW Lesotho program has also been able to arrange for all those factories to pay for at least one of the trainings they offer. As the BW Lesotho office has received positive feedback on these trainings, they will soon increase the price for training modules given that factories reported they would be willing to pay more for these services.[2]

Why Better Work Works

The history of the BW program in Cambodia, Vietnam, and Lesotho offers a general lesson about its model and the components required for successful implementation.

First, Better Work addresses weak governance and low implementing capacities. Countries may sign on to treaties, trade agreements, and international code of conducts, but implementing those laws and policies, and specifically enforcing labor codes, are immense challenges for many developing countries that lack budgets, staff, and organizational structure.

Second, BW strikes a balance of incentives among the four main stakeholders in the apparel value chain: buyers, factories, workers, and producing country governments. Effective enforcement is built on stakeholders' distinct organizational strengths. As succinctly put by Wetterberg (2011, 65): "The BFC combines the state's regulatory power and the economic power of buyers to ensure effective enforcement by an independent monitoring organization." For factories in particular, our review in Chapter 6 concludes that the optimal human resource management (HRM) technology is often not known or implemented across the board. Consequently, there is room for technology-sharing, and BW's success can be seen as a vehicle for technology sharing (with HRM practices as the form of technology in this instance).

Third, the program goes beyond solely monitoring to offer added-value services that help build capacity and create more cooperative work environments. Such services are a crucial feature of the BW programs, which set it apart from other similar initiatives.

Fourth, BW can be set up in a range of country environments. The program has proven to be functional in large countries like Indonesia as well as in a small, fragile state like Haiti. Governments with different types of regimes and ideologies have also bought into the program.

Fifth, a particularly attractive feature of the BW model for key stakeholders is that it is cost efficient. Looking at the Cambodian model, Polaski (2006, 927) finds that the benefits of BFC come at relatively little cost.

> *The initial three-year monitoring project was funded at $1.4 million. The U.S. and Cambodia governments contributed $1 million and $200,000, respectively, and the Garment Manufacturers Association of Cambodia contributed $200,000. Spread over three years, with an average of 200,000 workers in the sector, the average annual cost per worker was $2.33, and the average annual cost per factory was $2,333. These costs compare very favorably to voluntary private monitoring schemes in the region, where the cost of factory inspections and certification that a factory conforms to a buyer's code of conduct can range as high as $10,000.*

Polaski explains that the cost-effectiveness of BFC stems from the fact that it hires local monitors, at salaries that were quite attractive by Cambodian standards, but very economical by international standards. Moreover, the program retains a project director with substantial international experience to ensure that local monitors are trained appropriately and adequate oversight is exercised over the program.

Finally, transparency is a crucial element of Better Work, particularly in the assessment. Seidman

[2] Phone interview with Better Work Lesotho office on March 19, 2015.

(2009, 595) raises a regulatory conundrum that is relevant throughout BW countries:

> *If workers' jobs and the country's economic livelihood depend on defending a 'sweat-free' label, why would participants willingly reveal problems at work, when to do so might undermine the industry's appeal to global markets?*

Better Work attempts to address this concern through transparency, which has been one of the most salient features of its program. Demand for transparency still runs strong given that the audience for BW assessments appreciates that there will always be some level of noncompliance. An example is the demand for the BFC program in Cambodia to resume publicly disclosing noncompliance data, which has since been done. By maintaining transparency and by collecting data on compliance from a variety of sources, the BW program attempts to address concerns about any possible regulatory bias that would result in overreporting compliance.

Tuoi's story

Age: 30

Years working in garment sector: 7

Tuoi's life drastically improved since she made the move from working as a coffee farmer in Dal Lac province in the Central Highland region of Vietnam where she was born, to working as a sewer in a garment factory just outside of Ho Chi Minh City (HCMC). Together with her husband, who works in construction, they have been able to save enough money to purchase their own house where they live with their two children and her mother-in-law.

Every morning, except for Sunday, Tuoi takes her six-year-old son to kindergarten at the factory where she works. The kindergarten is only one of several improvements that Tuoi mentioned when discussing how the Better Work program has helped to improve her quality of job and life. Other key improvements she identified included improved ventilation, better overtime allocation, and better safety procedures. She also spoke to the positive relationship she has with both her supervisors and colleagues.

In terms of the impact of her job on her life at home, Tuoi said, *"Since I have been working here, we have a better life. We discuss what to do, what to spend, and also what school to send our children to."* She was also grateful for having a happy family, with a husband who supports her, including helping with household chores.

While Tuoi enjoys her job, she has ambitions to eventually open up her own tailor shop and wants to see her children continue their studies so that they can get jobs in finance or accounting. Commenting on her job and future plans, she said, "*I really like this job. I really like the garment factory job. I plan to work here for a few years to save money to open a tailor shop of my own."*

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Chapter 4: Improvements in Factory Working Conditions

Highlights

Current evidence of improvements in factory working conditions

- Overall, Better Work (BW) programs have all been successful in improving working conditions in factories, albeit at different rates of progress.
- Improvements are sustainable. The case of Cambodia shows that: (1) once investments are made to improve working conditions, they are rarely reversed; (2) reputation-sensitive buyers encourage the factories they source from to be in greater compliance with national and international labor standards. However, important issues still exist, and the BW Program has not proven to be a panacea for all of the garment sector's problems.

Beyond compliance: New evidence of improved job quality

- Training and advisory services are key in changing the behaviors of factory workers and management, which in turn improves job working conditions. While different training modules are offered across various BW countries, they all aim to build the capacity of key stakeholders to improve working conditions and factory productivity.
- BW advisory services help to create performance improvement consultative committees (PICCs) in factories. PICCs are groups made up of an equal number of both management and union/worker representatives who meet regularly to discuss and resolve workplace issues. In our discussions with garment workers in Cambodia, Lesotho, and Vietnam, the benefits of the PICCs were widely heralded.
- Male and female workers benefit equally from improved working conditions, but experience it differently.

This chapter discusses some recent literature and uses new evidence to describe the link between the Better Work (BW) Program and improving the working conditions of factory workers. First, we consider the initial conditions that characterize the factories in the countries in which BW operates. We find that although there is variation across the countries, many of them share common issues of concern. Second, we describe general trends and patterns of compliance points (key components of areas of labor laws and standards) that are assessed by BW. Third, we take an in-depth look at the experience of Better Factories Cambodia (BFC). Fourth, we briefly consider whether compliance improvements benefit men and women differently. Finally, we consider the advisory and training services BW programs offer in addition to assessment in order to describe their relationship with job quality within factory walls.

Initial Factory Working Conditions

Working conditions across countries with different development statuses often vary. Factory workers in developing countries often experience low wages, long hours, high temperatures, excessive noise, poor air quality, unsanitary conditions, and abuse (both verbal and physical). These conditions have given rise to the concept of "sweatshop" conditions. Concerns over these conditions are neither new nor exclusive to developing countries (Powell 2014).

While having a long history of concern among organized labor, poor working conditions have helped generate support for the labor movement in the United States as far back as the late 1880s.[1] As globalization expanded in the early 1990s through an increase in production-sharing across international borders, the working conditions of workers in developing countries began to receive more attention. They are now at the center of a large and growing debate about globalization and labor standards (Elliott and Freeman 2003; Brown et al. 2011; Locke 2013). Organized labor and NGOs have increased pressure on governments to address poor working conditions, and some have taken direct action themselves. Harrison and Scorse (2010) document an example of how outside organizations successfully pressured factories in Indonesia to improve working conditions.

What exactly are these conditions? In a relatively early study of factory conditions in developing countries, Hall (2000) describes the very poor working conditions in Cambodian garment factories. Hall documents long hours, inconsistent payments to workers, unfavorable temperatures, limited access to water and clean air, and abuse. In addition, independent unions in those factories faced many obstacles when attempting to organize. Those conditions attracted the attention of U.S. labor organizations and eventually led to the innovative U.S.-Cambodian Trade Agreement that tied improvements in working conditions to quota access. This agreement led to the creation of the Better Factories Cambodia Program and ultimately the Better Work Program.

Robertson et al. (2009) show that the conditions Hall (2000) describes are not limited to Cambodia. In fact, many, if not most, developing countries have a combination of these, or similar, issues in factories. Furthermore, Robertson et al. (2009) argue that these conditions are not limited to the garment sector. In fact, poor working conditions are found throughout developing economies and may be worse in the informal sectors.

How Better Work Measures Compliance

First, it is important to understand how BW assesses compliance at the factory level. Box 4.1 provides a detailed explanation of BW's assessment and reporting methodology for public synthesis reports. In short, the program assesses compliance along two broad areas: national labor laws and fundamental worker rights identified by the International Labour Organization (ILO). BW offices train enterprise advisers to monitor compliance based on a list of more than 200 questions divided into 38 unique compliance points and 8 compliance clusters. The decision on whether a certain factory is in compliance on a specific compliance point is straightforward: in individual factory assessments, compliance is determined for each question, and there is no compliance score aggregated at the compliance point or cluster level. However, scores are aggregated by cluster for public synthesis reports, which summarize the noncompliance rates across all visited factories

[1] Upton Sinclair's 1906 book *The Jungle* (Doubleday, Jabber & Company) raised public awareness about working conditions in the United States. See Arthur 2006.

Box 4.1: Better Work Compliance Monitoring Methodology and Reporting

Better Work carries out factory assessments to monitor compliance with international labor standards and national labor laws. Assessments are based on a comprehensive set of questions (generally more than 200 in total) that cover core labor standards and national labor law. Information is gathered through a variety of sources and techniques, including document reviews, observations on the shop floor, and interviews with managers, workers, and union representatives.

Better Work organizes reporting into eight areas, or clusters, of labor standards. Each of the eight clusters is divided into its key components. These components are known as compliance points (CPs), of which there are 38. Each CP contains specific questions that may vary from country to country. Four of the clusters are based on fundamental rights at work regarding child labor, discrimination, forced labor, and freedom of association and collective bargaining. In 1998, member states, workers, and employer representatives at the International Labour Organization (ILO) identified fundamental principles and rights at work regarding these four issues based on eight widely ratified International Labor Conventions (29, 87, 98, 105, 100, 111, 138, and 182). These conventions provide the baseline for compliance with the fundamental rights clusters across all Better Work country programs. The four other clusters, which monitor compliance with standards primarily established by national law (and therefore vary from country to country) consist of compensation, contracts and human resources, occupational safety and health, and working time.

In its factory and industry-level reports, Better Work highlights *noncompliance* findings. It reports these figures to help factories easily identify areas in need of improvement. Better Work calculates noncompliance rates for each factory and reports the data in individual factory reports. The noncompliance rate is reported for each subcategory, or compliance point, within a cluster. A compliance point is reported to be noncompliant if even one question within it is found to be in noncompliance.

In public synthesis reports, Better Work calculates the average noncompliance rates for all participating factories in each subcategory. For example, an average noncompliance rate of 100 percent means that all participating factories were found to have violations in that area.

Source: Better Work Vietnam 2014.
Note: All BW Synthesis Reports start with this description of methodology and reporting.

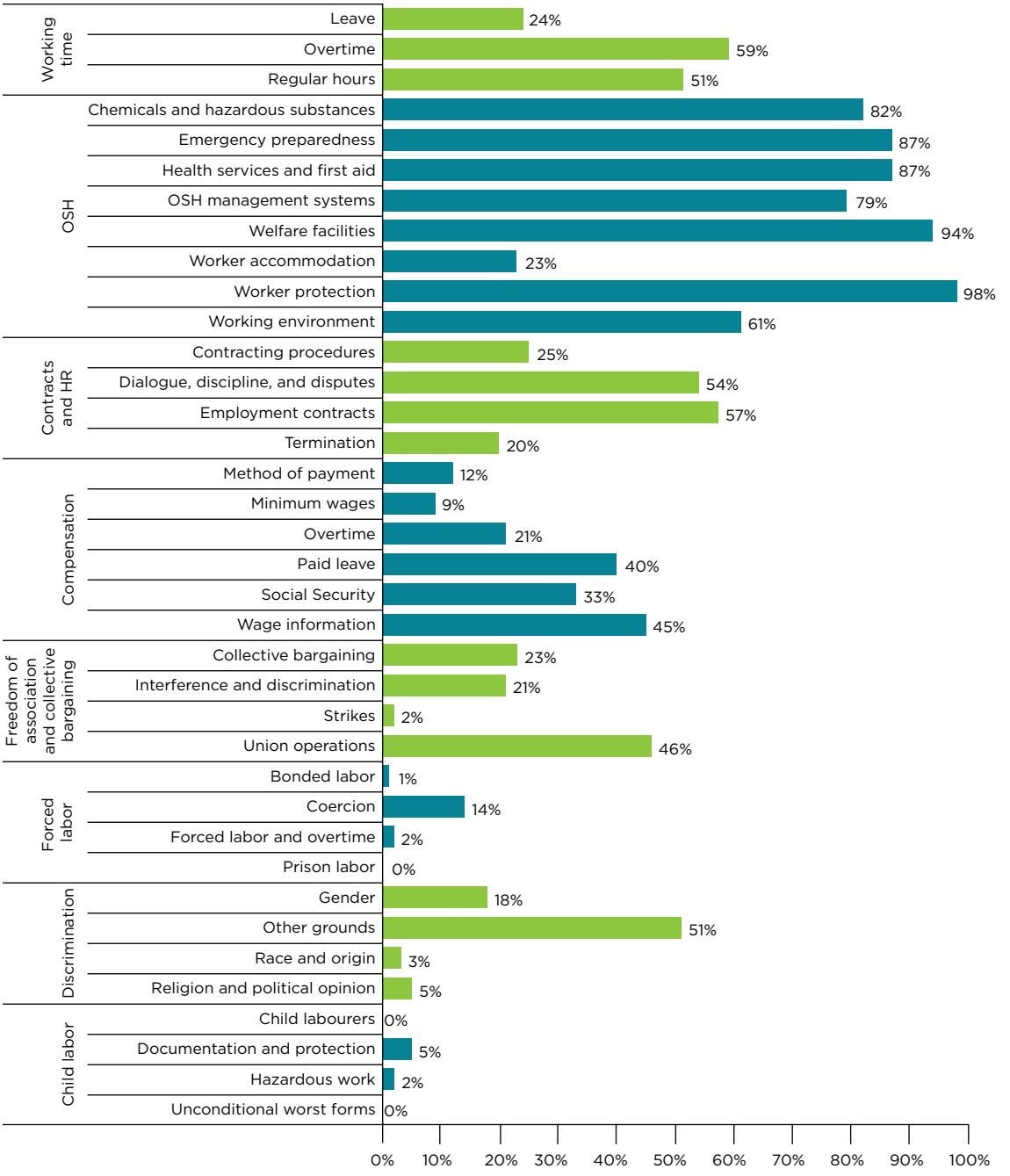
during that period and are typically published every six months on the BW country program website. Buyers can also purchase specific factory compliance reports.

General Patterns of Baseline Compliance

Figure 4.1 presents an aggregate of the noncompliance rates reported in the first synthesis reports from six BW countries (Haiti, Indonesia, Jordan, Lesotho, Nicaragua, and Vietnam).[2] Appendix E details the dates, numbers of factories and workers,

[2] Bangladesh is not included because at the time of writing this report, synthesis reports had not yet been prepared. Cambodia is not included because the BFC methodology initially used is very different and thus not strictly comparable to BW programs. We compile BFC with other programs later in this chapter, but for that we had to normalize the data points.

Figure 4.1: Baseline Noncompliance across Six Better Work Countries



Source: Authors' calculation based on compliance data from the first synthesis reports of six Better Work countries (Haiti, Indonesia, Jordan, Lesotho, Nicaragua, and Vietnam).

and percentage of women workers covered in these initial synthesis reports.

Based on Figure 4.1, it is clear that the occupational safety and health (OSH) cluster is the area in which the highest rates of noncompliance are concentrated. Within that cluster, worker protection is the compliance point (CP) with the highest level of noncompliance. On average, 98 percent of factories in the first synthesis reports across the six countries were found to be in noncompliance. This CP covers questions such as: Do workers use the personal protective equipment that is provided? Are workers effectively trained to use machines and equipment safely? Are standing workers properly accommodated? The welfare facilities CP is the only other CP to see an overall noncompliance rate of above 90 percent. This CP includes questions regarding the presence of clean toilets, quality canteens, and so forth. The discrimination along other grounds CP is another area that exhibits a worryingly high rate of noncompliance across the six countries. This CP can include hiring practices with regard to disabled workers, for example. Yet, when delving further into this issue, we find that the high noncompliance rates can be attributed to the practice in several countries of having set quotas for hiring disabled workers. In those countries, quotas were set at such a level that rendered it impossible for factories to be in compliance. In other words, there were not enough disabled workers looking for jobs in the apparel sector. It is therefore important to treat the information from the graph with caution. Moreover, this finding also underscores the fact that although public synthesis reports can provide a valuable overview, their results need to be complemented with a detailed analysis of specific compliance areas.

On a positive note, Figure 4.1 shows that even from the outset, BW factories do not exhibit widespread noncompliance with respect to ILO-identified fundamental worker rights. For example, no factories in any of the first synthesis reports were found to have child workers. One potential reason for this finding is that child labor is a "zero tolerance" point for buyers. Factories that are found to have children working face a very high risk of losing their contracts with their buyers. Given the competitive environment, the loss of such contracts may have long-term effects on those factories.

Impacts of Better Work on Working Conditions inside Factories: Evidence from Compliance Data

The literature suggests that Better Work may be dealing with very poor working conditions to begin with, which highlights the enormity of its task. Locke, Fei, and Brause (2007) raise the question of whether or not monitoring can improve working standards. In this regard, monitoring reports from Better Work are instructive in terms of offering a clearer picture of what the main problem areas are at the beginning of BW country involvement.

While looking at the baseline conditions in which BW operates is useful, it is perhaps even more useful to consider whether improvements in working conditions can be seen over time with the BW Program. This section briefly compares compliance over time with the BW Program. We first introduce overall trends and patterns of working conditions across BW countries, and then consider country-level trends in depth using factory-level data to compare BW programs in Cambodia, Jordan, and Vietnam.

There is evidence that Better Work programs generally contributed to improved working conditions among apparel workers. The most recent impact briefs from Haiti, Jordan, Lesotho, and Vietnam all demonstrate a consistent trend where compliance improves over the number of factory visits. In Haiti, the three areas where working conditions improved the most are employment contract, regular hours, and occupational safety and health management system (Better Work Haiti 2013).

The impact brief for Vietnam identifies increasing job security in BW factories, where between 2011 and 2012, the share of workers securing indefinite or open-term contracts increased by 21 percent (Better Work Vietnam 2013). The

brief further mentions several OSH areas that have improved but where noncompliance still remains high. For example, emergency preparedness noncompliance has fallen from 76 percent to 65 percent, yet many factories have poorly marked or obstructed emergency exits. Finally, the brief identifies four areas—overtime hours, overtime wages, paid leave, and termination—in which compliance has remained static or actually declined.

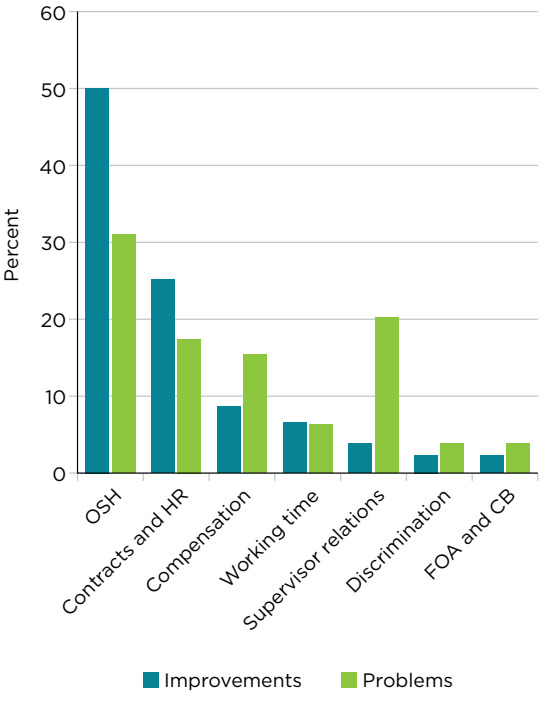
OSH compliance is of particular interest because of high initial noncompliance rates across countries and points. Trends from impact briefs in these four countries reveal that OSH is one area that shows marked increase in compliance across all countries, with some notable variations across countries. Factories in Lesotho achieved a sharp increase in all areas of OSH, and by the third visit, their compliance rate was almost 100 percent in all aspects of OSH. By contrast, despite some improvements over visits, by the third visit, factories in Vietnam and Jordan still have compliance rates in OSH dimensions of around 20 to 30 percent. Specific details about improvements in OSH, highlighted by Better Work (2014), are presented below:

- In Lesotho, 15 percent more BW factories began conducting emergency drills between 2011 and 2012.
- Half of BW factories in Vietnam now provide free health checks every six months.
- One quarter more workers have been given proper training in personal protective equipment (PPE) in BW factories in Indonesia since the introduction of the program.

Compliance Before and After Better Work in Lesotho and Vietnam

Our primary data from Lesotho and Vietnam show that occupational safety and health is the main area in which workers notice improvements due to BW. In her qualitative surveys with garment factory workers in Lesotho, Pike (unpublished) found that health and safety is the area in which Better Work was able to effect substantial improvements; however, workers were still most concerned about health and safety. Figure 4.2 shows the frequency with which workers mentioned improvements in each compliance area, as well as the number of times they mentioned ongoing problems in each compliance area. Most survey respondents in Lesotho identified OSH as the most significant problem area in 2011 and the most significant area of improvement in 2013. Comments related to OSH accounted for just over 50 percent of all feedback about improvements since BW Lesotho was introduced. Other key areas in which BW has made substantial impacts are contracts, human resource, and compensation. In addition, Pike also found that these benefits accrue to both male and female factory workers, but that female workers have gained relatively more. For example, 69 percent of female respondents claimed they received PPE in 2013 compared to 41 percent in

Figure 4.2: Improvement and Problems in Compliance Areas as Identified by Workers in the Lesotho 2013 Survey



Source: 2013 Lesotho workers qualitative survey (focus group discussions).

Note: Data points refer to the frequency that the compliance areas were mentioned during focus group discussions.

CB = collective bargaining; FOA = freedom of association; HR = human resources; OSH = occupational safety and health

2011. For male respondents, the rate increased to 80 percent in 2013 from 69 percent in 2011. This difference might be attributable to the types of jobs that male and female workers perform in factories.

Workers in Vietnam suggest that the impact of BW can be attributed to changes in safety policy by factory management. Another factor they cite is their own greater awareness following their participation in BW training modules. A female factory worker in Vietnam commented:

> *"Before joining BW and Life project,[3] workers' awareness was low. For example, people working in the bleaching units did not recognize or pay attention to the danger of chemical materials, petrol, or alcohol, so it was easy for them to have accidents. Since they were trained in relevant topics, their awareness increased.*
>
> —31-year-old female PICC member, BW factory, Vietnam

Data from different sources support the conclusion that occupational safety and health is an area of working conditions that workers care about. Moreover, it is an area in which BW appears to have made consistent progress across all countries. Nevertheless, data also indicate that there is further room for improvement and significant challenges in addressing this issue.

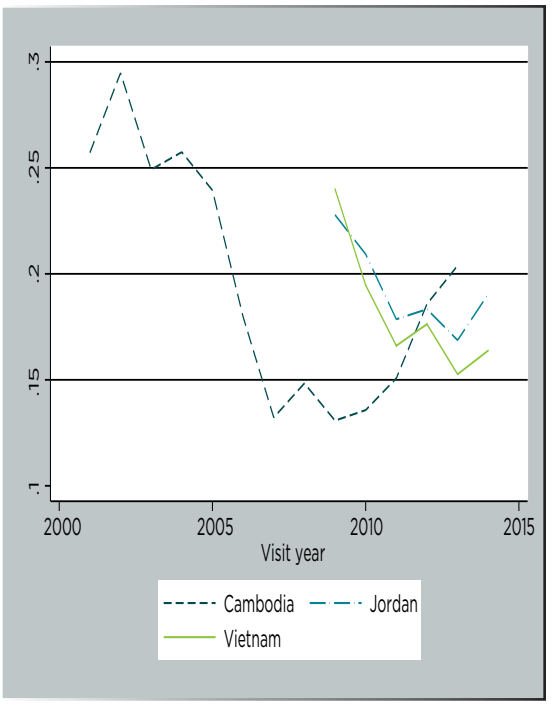
Comparing Noncompliance Patterns across Cambodia, Jordan, and Vietnam

The second set of analysis attempts to delve deeper into the factory-level data and carefully study the impact of the Better Work Program on compliance. The analysis also incorporates historical events that have taken place in BW countries. Jordan and Vietnam have been selected here as comparison countries because they are arguably more comparable than some of the other countries. Vietnam is the closest to Cambodia geographically, and Jordan, like Cambodia, has a trade agreement with the United States.

To compare trends in noncompliance, we begin by discussing how to calculate the overall noncompliance rates based on data from factories. As mentioned, the Better Work synthesis reports highlight noncompliance as a violation of any individual question within a category. Alternatively, here we take the simple arithmetic average of noncompliance across all questions.

Figure 4.3 shows average noncompliance rates for Cambodia, Jordan, and Vietnam. What we can see clearly is that while the rates fall, there is a worrying rise in noncompliance rates in all three countries in their most recent assessments. In addition, while these numbers tell us about the general picture, they also mask the specific dimensions of progress and concern as well as factors contributing to the trends. Box 4.2 explores specific categories of compliance across the three BW countries.

Figure 4.3: Overall Noncompliance over Time and Country



Source: Authors' calculation from factory-level compliance data.

[3] The Life Centre for Promotion of Quality of Life has a mission to promote and enhance the quality of life of vulnerable people and communities by conducting research, training, and implementing cost-effective, sustainable and high impact programs. It implements projects with garment factory workers as well. See more at: http://life-vietnam.org/en/.

Box 4.2: Specific Categories of Compliance

To illustrate some of the differences across various categories, we focus here on four specific areas that are fairly comparable across countries, either because the questions used are fairly similar or because they cover similar aspects. The four comparable areas analyzed in this section are ambient conditions, safety, wage policies, and freedom of association and collective bargaining (FACB). Ambient conditions encompass air, temperature, water, and sanitation facilities in the factories. Safety covers machine safety and fire safety. Wage policies focus on three areas: contracts (e.g., whether contracts are in the native language, are written, and are understood by the workers), wages (e.g., paid on time and correctly), and overtime (e.g., measured and paid correctly). The last category, FACB, includes questions about the freedom of workers to join a union, management attempts to interfere with unions, the presence of collective bargaining, and whether the collective bargaining agreement is followed.

It is possible to analyze improvement in compliance over time using regression analysis. In particular, we estimate differences in compliance categories across countries by estimating a linear probability model. This regression estimates the effect of employment, share of female workers, visit number, time, and country on question-level compliance. The results are shown in Appendix A.1.

Several interesting results emerge. First, and perhaps not surprisingly, having a Better Work (or BFC) Program increases compliance, which is consistent with improvements being linked to Better Work. Furthermore, compliance is higher in larger firms (when size is measured by employment). A higher female share of employment is also associated with higher compliance.

Differences across the categories are statistically significant. Compliance with ambient standards, safety, and wage policies are lower than in other areas of compliance. Differences across countries are also evident. The results suggest that both Jordan and Vietnam have higher noncompliance rates than Cambodia, which is again consistent with the idea that time in Better Work or BFC is associated with increasing compliance. The main message from these results is that the definition of "sweatshop" varies across countries in the sense that different problems arise in different countries. In this regard, allowing for country-specific flexibility to deal with different problems is a strength of the Better Work Program.

The Better Factories Cambodia Program

The Better Factories Cambodia Program (BFC) has been operating for a long time and has been extensively studied. It provides a substantial amount of evidence on how the program affects working conditions. Before delving into a literature review, it is important to consider the context in which the program was initiated. The main problem that the BFC model aimed to address was the lack of enforcement of labor standards. This is a crucial point in the Cambodian story; the issue is not the lack of legislation, but rather the lack of adequate enforcement. Sibbel and Bormann (2007) identify corrupt labor inspectors, close ties to garment manufacturers, and the possibility of losing jobs and foreign exchange if factories were

properly inspected as the main reasons inhibiting the government of Cambodia from fulfilling its mandate to enforce labor standards. Kolben (2004) and Hall (2010) also cite corruption as a key reason why the government of Cambodia could not be trusted to effectively implement the labor code. Wetterberg (2011, 70) offers that while the ILO was a strong proponent of labor rights, it was unable to enforce those standards, "due both to its own ineffective enforcement structures and the organization's lack of jurisdiction within national borders." Finally, international buyers had their own issues. They were accused of exploiting workers in countries such as Cambodia and had been unable to dispel these allegations through their attempts at self-regulation (Locke, Fei, and Brause 2007).

Wetterberg (2011) explains how BFC represents a successful public-private partnership (PPP), in which effective enforcement builds on each partner's distinct organizational strengths. In this case, the government of Cambodia leveraged its regulatory power to effectively force factories to participate in BFC by making the process of obtaining export licenses contingent on BFC participation. In addition, "the ILO brings its ability to independently enforce standards to the partnership" (Wetterberg 2011, 70), and international buyers have effectively taken over the role initially played by the U.S. government in using market power to leverage enforcement of labor standards. Many buyers have come to condition their purchases on acceptable monitoring reports from BFC. As succinctly stated by Wetterberg (2011, 65), "the BFC combines the state's regulatory power and the economic power of buyers to ensure effective enforcement by an independent monitoring organization."

Given the uniqueness of the BFC approach, Polaski (2004, 3) underscores the importance of looking closely at the "BFC experiment," as she calls it. She writes:

> *[A]s policy makers search for effective ways to improve the governance of increasingly global production systems and to realize more of the potential of private self-regulatory efforts, the Cambodia experiment offers new and successful methods that can be replicated, as well as important analytical lessons.*

Better Factories Cambodia in the Literature

The BFC Program has attracted both criticism and praise. A comprehensive 2013 report undertaken by Stanford University's International Human Rights and Conflict Resolution Clinic and the Worker Rights Consortium (WRC) concludes that:

> *during the eleven years of BFC's operations in Cambodia, wages and basic job security have actually declined for Cambodian garment workers, and that other goals of the labor movement, particularly genuine collective bargaining between employers and workers and basic elements of occupational safety and health, continue to be elusive. (pg. 99)*

There are certainly areas in which progress has been slow. Moreover, by focusing exclusively on compliance points we may be overlooking details regarding shortcomings of the BFC Program in terms of not being able to impact certain key aspects that might affect job quality. For example, increasing wages is not within the mandate of BFC. The idea here is that if BFC expanded the scope of its work, it could help to effect positive changes within the broader environment. The example of Vietnam shows that this external impact does not need to be intentional. The performance improvement consultative committees (PICC) model in BW Vietnam factories was successful in this regard as it compelled the government to introduce a new labor code that obligated employers to conduct social dialogue in the workplace (Better Work 2013; see Box 4.5).

Overall, the literature suggests the effects of BFC are positive. According to Merk (2012, 27), "despite its shortcomings, the BFC is generally considered an indispensable component of today's Cambodian labor market." While critics cite areas that require further attention, a positive way to see the program is as Ama Marston of Realizing Rights describes it:

> *While imperfect, the model set forth by the ILO monitoring project in Cambodia has created a foundation for others to build upon as they begin this process, providing a point of departure from*

which they can innovate and evaluate their own efforts with a critical eye. (Hall 2010, 460)

Chain Prasith, the Cambodian Minister of Commerce who negotiated the Bilateral Agreement deal with Washington in 1999, explained the reasoning behind continuing to work to improve labor standards post-2001, when the favorable trade incentives were no longer in effect:

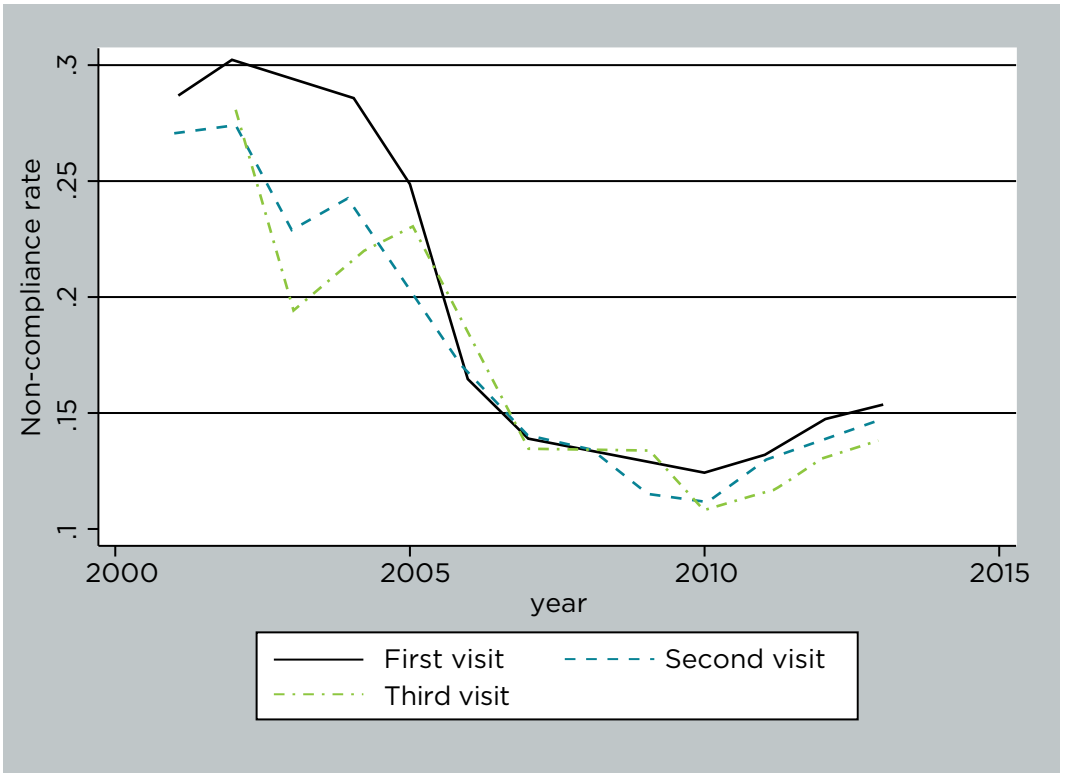
> *We are extending our labor standards beyond the end of the quotas because we know that is why we continue to have buyers. . . . If we didn't respect the unions and labor standards, we would be killing the goose that lays the golden eggs. (Hall 2010, 442)*

The value of the BFC Program, as several authors find through empirical research, is a key reason for the limited impact that the end of quotas had in Cambodia. Cambodia offered Western buyers a sought-after niche: independently verified substantial compliance with labor laws. A case in point is Nike. Nike's return to Cambodia after the introduction of the program demonstrates its importance to international buyers. Nike lost confidence in Cambodia's compliance in 2000 and began the process of pulling out of the country, but reentered Cambodia in 2002 after the ILO began the labor monitoring program and government officials and contractors promised greater labor compliance (Hall 2010, 441).

Impacts of BFC and Spillover Effects

When considering overall trends in compliance, one of the concerns is that the changes in compliance, particularly in Cambodia, may be due to the entrance of new firms that are less compliant on average. Figure 4.4 shows changes in compliance by visit number over time. Specifically, the figure shows three lines. The solid line shows the first visit noncompliance rates. The first visit noncompliance

Figure 4.4: Noncompliance by Visit Number over Time in Cambodia



Source: Authors' calculation from factory-level compliance data.

rates can be thought of as baseline rates since they are the ones that have the least direct exposure to the BFC Program. The first visit compliance rates may indicate evidence of spillovers in the sense that if new and potential firms are learning about higher standards for compliance, they would enter the program already having made progress on compliance. The solid line is falling over time and then rises near the end of the sample, which suggests that there may be a growing culture of compliance that informs the working conditions of the new factories, which could be an indirect effect of the BFC Program. This observation may suggest that as new factories learn about compliance, they become more compliant when they enter the program than in the past.

The broken line (long dash-dot) shows compliance at the third visit. The difference between the first and the third visits (shown by the distance between the first and third visit lines) may be one way to describe a direct effect of the BFC Program. In particular, the differences between the solid and the broken line show the average improvement in the factories between the first and third visits. The effect is greatest in the beginning and end of the sample, but is somewhat muddled during the middle time period in which the BFC Program reversed its public disclosure policy.

Sustained and Uniform Factory Compliance

The rise in noncompliance during some periods raises the question of how often firms reverse previous improvements in working conditions. Brown, Dehejia, and Robertson (2012) conclude that improvements in labor conditions are rarely reversed. They use two definitions of retrogression: a change from being compliant to being noncompliant or a change from noncompliance to compliance and then back to noncompliance. Using these definitions, they find that retrogression rates are overall quite low, even when market-access incentives are diminished. That is to say that once garment factories begin the process of improving labor standards, they are highly unlikely to reverse course. This is particularly true where costly investments have been made to improve the work environment. Therefore, the improvements in labor conditions that the BFC Program has helped bring about are largely resilient to changes in the structural conditions of the apparel market. Moreover, the authors posit that public pressure matters. They identify a significant break in factory-level behavior following the BFC policy change in 2006 related to public disclosure of factory-level working conditions. This finding confirms the fears and concerns of many researchers and activists alike who wanted the program to revert to its original model of transparency. In 2014 the program reversed its policy and reinstated the original transparency policy and even went a step farther, launching an online transparency database[4] showing how individual garment factories perform in terms of key working conditions.

In an earlier paper Robertson et al. (2011), focusing on the period after the 2006 public disclosure policy change, studied variations in compliance of firms according to their buyers' reputation. They found that factories with reputation-sensitive buyers still continued to improve compliance, but at a decreasing rate. Compliance rates actually declined for factories that did not supply reputation-sensitive buyers, although noncompliance rates never reached initial baseline levels. These results show that the presence of a reputation-sensitive buyer does make a difference and that the BFC policy change led to less overall compliance than under the initial system that entailed publishing the names of noncompliant factories.

Despite various external factors that would seemingly challenge the BFC Program, Robertson (2011) declares the program successful in achieving its goals of improved working conditions. He finds that working conditions continued to improve, although at a decreasing rate, post-2005 after the conclusion of the Multi-Fibre Arrangement (MFA) when unit prices of apparel dropped. Moreover, Robertson finds that in addition to work conditions, wages, especially those of women in the apparel sector, also improved over the 10 years of the program he studied.

Warren and Robertson (2011) find that foreign-owned factories tend to be more compliant than locally owned ones. This contradicts the

[4] Available at: http://www.betterfactories.org/transparency/.

contention that higher wages in foreign-owned firms compensate workers for worse working conditions. Yet it is important to note here that 95 percent of their sample is foreign-owned, which reflects the fact that the Cambodia apparel industry is largely foreign owned. This suggests that compliance rates are not uniform across factories, especially between factories in terms of whether they are locally or foreign owned.

After carefully examining BFC factory-level reports, Rossi and Robertson (2011) find that, on average, compliance increased across visits. Their paper further analyzes changes in industrial relations, focusing on specific indicators, such as shop stewards and liaison officer indicators. Their analysis suggests that BFC's monitoring and advisory services aimed at remediation have been instrumental in creating an open environment for improved industrial relations. In turn, improved industrial relations, exemplified in this case by improved communication between management and workers, have led to improvements in crucial aspects of working conditions and workers' well-being, such as occupational safety and health, wages, working time, and weekly rest. Rossi and Robertson (2011, pg. 20) conclude:

> *Ten years on, the experience of BFC has shown that such an innovative and ambitious project, based on the principle of social dialogue among national and global stakeholders, can deliver significant improvements in industrial relations.*

Lingering Problem Areas

There may be more problem areas than we focus on here, but the three areas of concern presented here (fainting, unwanted overtime, and repeated use of short-term contracts) provide good insight into the remaining challenges to achieving greater job quality for garment factory workers in Cambodia.

Fainting. The high-profile phenomenon of workers fainting in groups of up to 300 at a time in Cambodian garment factories was widely publicized in 2011 (Labour Behind the Label and Community Legal Education Center 2013). Yet, there have also been many instances of fainting occurring in small numbers. Incidences range from dozens to several hundred workers at a time, with 2,400 workers fainting in 2011 alone (Merk 2012). With this increasing media attention, on September 7, 2011, BFC declared it would work with 24 international clothing brands and launch comprehensive investigations into the precise causes of fainting among factory workers. This problem is one of both nutrition (malnutrition, dehydration, and food poisoning) and working environments (inadequate ventilation, noxious chemicals, and long work hours) (Labour Behind the Label and Community Legal Education Center 2013). Despite modest improvements, the industry continued to witness a high number of faintings, which prompted the Labor Ministry to form a committee in August 2014 to investigate the cause of these faintings (HRW 2015). Furthermore, partially as a response to fainting instances and their potential relationship to nutrition issues, BFC, with support from the Agence Française de Développement (French Agency for Development—AFD), has undertaken a large-scale longitudinal study on the impact of food provision in factories on workers' health and productivity.[5]

Unwanted Overtime. Human Rights Watch (HRW 2015) identifies that working unwanted overtime remains a serious issue. Cambodia's labor law limits weekly (beyond 48 hours) overtime work to 12 hours (2 hours per day). And although workers generally preferred working some overtime to supplement their incomes, they complained to HRW officials that factory managers threatened them with contract nonrenewal or dismissal if they sought exemption from doing overtime work demanded of them. The 2015 Cambodia Apparel Worker Survey provides quantitative empirical evidence on this issue. Although this problem exists, about two-thirds of workers reported that they have never been asked to perform unwanted overtime over the past three months.

Repeated Use of Short-Term Contracts. Employers are increasingly signing workers to short-term contracts lasting three or six months, which critics say allow them to easily terminate workers if they join unions or seek bonuses or maternity leave benefits. An April 2013 BFC

[5] ILO. 2013. RFP N° 01/2013. Cambodia Study on the Implications of Food Provision on Garment Worker's Health and Productivity. http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/newsitem/wcms_220132.pdf

report said that 90 percent of the newly registered factories it assessed indicated that all of their workers are on short-term contracts (O'Keeffe 2013). The labor law states that factory managers can issue short-term contracts and renew them one or more times for *up to two years* (HRW 2015). This practice, if done beyond two years, is not only illegal but also seriously threatens workers' rights. HRW (2015, 42) found that:

> *workers repeatedly hired on short-term contracts or on a casual basis are more likely to experience the labor abuses documented in this report. They have a lower likelihood of redress and are at a greater risk of experiencing union discrimination, pregnancy-based discrimination, and denial of maternity benefits and sick leave.*

Shortcomings

While understanding that the program cannot be successful in a vacuum, it needs to continue to link its monitoring, training, and advisory functions within factories with the broader external environment. This section considers the main shortcomings of BFC as identified in the literature in terms of limited program impact: challenges faced by independent trade unions, lack of coverage of subcontracting factories, and lack of enforcement power.

Challenges faced by Independent Trade Unions. Rossi and Robertson (2011) elaborate on the limitations of the BFC Program as they relate to industrial relations. They argue that BFC monitoring activities focus exclusively on the workplace and thus on employers' behavior rather than monitoring the behavior of other industrial relations actors. This means that although compliance with checklist questions concerning strikes was 97.5 percent, union behavior may not be adequately captured by BFC. Nevertheless, as part of its Public Disclosure initiative, BFC also covers unions' compliance with legal requirements related to strikes.[6]

Hall (2010) recognizes that BFC has won important battles in its factory-level campaign for labor rights, but cautions that the war will be lost if truly independent trade unions are not permitted to flourish. In interviews with union federation officials, HRW (2015) was told that registration for most independent unions in the garment industry remained effectively stalled as of January 2015, largely due to onerous certificate requirements.

Lack of Coverage of Subcontracting Factories. Smaller subcontractor factories, which largely fall outside the purview of BFC,[7] often exhibit even worse working conditions than the factories monitored by BFC (Stanford University and WRC 2013). HRW (2015) also corroborates these findings, concluding that working conditions are typically worse in subcontractor factories than in larger export-oriented factories. More specifically, they are more prone to casual hiring and it is harder for their employees to unionize.

Lack of Enforcement Power. The BFC's mandate is to expose labor rights violations, but it remains largely powerless in enforcing penalties on those in violation. In addition to supporting factories in remediation and prevention through training and advisory services, the program relies on the government and buyers' leverage to compel behavior change. Moreover, in the assessment process BFC may be creating unrealistic expectations and thereby damaging its own credibility. Merk (2012) reveals that interviewees, both union representatives and general workers, expressed frustration with the BFC's lack of ability to do anything about violations. This even led one interviewee to claim that: "we no longer inform the BFC because it can't do anything." In this regard, while it may be commendable that the BFC offers workers a way to express dissatisfaction, the result may be negative if complaints fall on deaf ears.

Areas of Improvement

Clearly, all the areas of lingering concern and shortcomings alluded to above cannot be remedied by BFC alone. Next, we summarize from the literature, recommendations for actions that the key stakeholders can take to help ensure that the full potential of a program such as BFC is realized, and ultimately so that the job quality

[6] Better Factories Cambodia. Transparency Database: Union Compliance List. http://betterfactories.org/transparency/en/factory_strikes/view.

[7] Factories with export licenses are required to participate in BW. Subcontracting factories that do not need the license are not required to participate in BFC. A few subcontractors, however, have voluntarily chosen to join the program.

of garment factory workers is enhanced as much as possible.

Sanction Labor Rights Violations More Severely. Hall (2010) argues that the benefits of BFC are fragile and temporary if they are not linked to broader judicial enforcement and protection. The BFC Program may be important in terms of exposing labor rights violations, but it is in the purview of the government to ensure that factories are held accountable. Merk (2012) identifies a need for the Cambodian government to increase sanctions on those in violation of labor laws.

Obtain Buyers' Financial Commitment to the Program. The BFC Program could be significantly improved by taking into account the influence that buyers could have in the establishment of basic working conditions. Specifically, buyers must commit a larger financial contribution to the BFC Program, and the BFC Program should ensure that buyers take more seriously resolutions resulting from Buyer's Forums (Merk 2012). Oka's (2010b) empirical analysis highlights the important role of buyers in helping to improve compliance. Oka identifies a significant negative association between the number of more or less reputation-conscious buyers and noncompliance. The gap in compliance performance appears to stem from reputation-conscious buyers' tendency to rigorously regulate supplier-compliance performance through pre-order selection and post-order enforcement, both reactively and proactively. Oka concludes that while reputation-conscious buyers help to improve labor standards, governments and NGOs still have a significant role to play.

Moreover, as explained by Polaski (2004), international buyers stand to benefit greatly from the program as they gain reputation-risk insurance without paying a premium. Therefore, they could be much more active in providing funding for BFC operations, which would also help to ensure BFC's long-term stability.

Empower and Protect Independent Trade Unions. The BFC Program needs to do more to protect freedom of association by continuing to empower and protect trade unions. To some extent, the BFC encourages the development and strengthening of industrial relations between social partners in collaboration with the ILO's project: the Worker's Education Assistance to the Cambodian Trade Union Movement. This helps to address trade union concerns that BFC may be serving as a substitute, rather than a complement, for union activity. Furthermore, the ILO's Labour Dispute Resolution Project has worked with unions and employers since 2003 to encourage collective bargaining in the industry and has established the Arbitration Council, a Cambodian independent national institution for labor dispute resolutions. The Council is integrated into the country's industrial relations, having been established in cooperation with the Ministry of Labor, employers, and trade unions. In this regard, it is important that the BFC Program work with other complementary initiatives to ensure that aspects of freedom of association and collective bargaining (FACB) that are not strictly covered by their factory assessments are not neglected.

Invite Subcontracting Factories to Join the Program. A few subcontractors have voluntarily chosen to join the program, but these are the exception rather than the rule. Estimates of the precise number of subcontracting factories differ, ranging from 300 to 3,000. What is clear is that they tend to be smaller than registered factories (Merk 2012). Given that subcontracting factories fall largely outside the purview of the BFC, the program should work to identify factories that use subcontractors and actively entice those facilities to join the program. While identifying key violations in subcontracting factories through assessment is important, BFC training and advisory services to help remediate problem areas are just as significant. In this regard, BFC could, for example, cooperate with the Ministry of Labor and Ministry of Commerce to obtain the names of subcontracting factories (Merk 2012).

Not a Panacea, but a Good Start

Taking into account the above discussion, it can be said that while BFC Program has not proven to be a panacea for poor working conditions in the Cambodia garment sector, its introduction to the country in 2001 has helped initiate noteworthy improvements in working conditions. The 2015 Cambodia workers survey also confirms the positive impacts of BFC on working conditions, particularly among factories that receive services from BFC (see Box 4.3 for more findings from

Box 4.3: What Do Our 2015 Data Tell Us about the BFC Program in Terms of Compliance?

The 2015 Cambodia Apparel Workers Survey confirms earlier findings on the impact of BFC on working conditions. Appendix Table A.5 summarizes our survey data from Cambodia in terms of assessing workers' perceptions of compliance. It shows that more than half of workers received OSH training, and almost all workers report that their factories have a health and safety committee. Slightly fewer workers, however, report having a health and safety policy. In terms of contracts, 71 percent of respondents have a fixed-term contract, 80 percent have had their contract explained to them, and 88 percent have signed a contract. Although the relative percentage of men and women who have fixed-term contracts is similar, a higher percentage of female workers have signed contracts and have had their contracts explained to them. When workers were asked "how often were you asked to work overtime when you did not want to over the past three months?" about two-thirds reported that it had never occurred. Still respondents reported working long hours, on average about 58 hours per week. The working hours do not differ across factory category. On a positive note, workers almost universally (over 90 percent) reported that they received leave whenever they asked for it.

Awareness of the existence of the BFC Program is low among workers. Only about 36 percent of workers have heard of the BFC Program, and both male and female workers appear to be equally aware or unaware of the program. Across types of factories, as expected, workers in factories in service category C, who receive a full package of services from BFC (assessment, advisory, and training), are most aware of the BFC.

Among workers who know BFC, workers in factories that receive some services from BFC (category B and C) reported that their working conditions had improved more than those of their peers in factories that only receive assessment services. Among workers who said that there have been improvements in their factories, most identify the most significant area of improvement in terms of safer and healthier workplaces. Again, workers in category A factories have not experienced this improvement to the same extent. Despite high rates of satisfaction with OSH, women's satisfaction with OSH is considerably less than that of male workers (85 percent compared to 95 percent).

the survey). In the spirit of keeping the benefits of BFC in perspective, Berick and Rodgers (2008, 76) conclude that the BFC Program "has set in motion a process for improving working conditions in the garment sector and has achieved modest improvements in working conditions." In addition, Hall (2010) documents the benefits various actors have gained from the BFC Program by describing them as follows:

> *As operated under the ILO, the program appears to have generally benefited all stakeholders—management, labor, and buyers—by increasing transparency, fostering cooperation, and providing training and outreach, while being able to provide credible documentation of factory specific and industrywide gradual improvements in labor conditions over time.*

Beyond Compliance

Part of the innovative approach of the BW model is that it goes beyond monitoring to also offering advisory and training services. Although the impacts of these services are harder to pinpoint, we attempt to analyze our primary data in terms of going beyond compliance to consider the effect

of BW's services on job quality. Compared to assessment services, very little research has been done on advisory and training services. In this regard, our study hopes to help fill this gap in the literature and perhaps even encourage further research on these services.

The following section will explore these two particular services of BW, which go beyond strict assessment, establishing performance improvement consultative committees (PICCs) and offering training. At the start of advisory services, BW helps to create PICCs in factories. The PICCs are groups made up of an equal number of both management and union/worker representatives who meet regularly to discuss and resolve workplace issues.

Different BW offices offer various trainings but in general the trainings target workers, supervisors, and senior management in an attempt to address the specific needs of each group (Box 4.4). In addition to trainings that correspond to compliance areas, the training modules are also designed to more broadly improve working conditions and build capacity.

Box 4.4: Training Modules Offered by Better Work

- Workplace Organization
- Compensation and Benefits
- Supervisory Skills Training
- Training of Trainers induction for workers
- Workplace Cooperation
- Labor Law Guide
- Negotiation
- Occupational Health and Safety
- Quality
- Productivity
- Worker Training

Source: BW Vietnam.

Performance Improvement Consultative Committees

In our Lesotho research, we found that the PICC was widely heralded as an important mechanism in helping to address complaints and improve communication between workers and management. Workers were especially positive in their feedback about the role of the PICCs in improving health and safety conditions. Through PICCs, they are able to raise their specific health and safety concerns, which are heard by union and non-union worker representatives, manager representatives, as well as an enterprise adviser from Better Work Lesotho (BWL). Workers felt that this has been an effective method for achieving improvements in health and safety. Similarly, in Vietnam, the PICC model has been successful in improving the relationship between workers and management (see Box 4.5).

In Lesotho, a major source of concern for workers has been the relationship they have with their human resource (HR) managers (see Table 4.1). While the HR office is intended to serve as a medium through which workers can resolve their workplace disputes, prior to going to the HR office, workers are expected to be able to raise workplace issues with their line supervisors, in part to prevent issues from becoming disputes. However, in 2011 workers reported that there were major roadblocks in both of these areas, making it difficult to have their voices heard and, more importantly, their issues resolved. However, in 2013 workers reported many improvements in this area; in fact, it was one of the most frequently raised topics when discussing improvements since the introduction of the Better Work Program. Primarily, these improvements had to do with process—how issues can be raised, how they are resolved—and widened channels of communication. Workers also spoke about feeling free to talk to their HR and factory managers since the introduction of Better Work.

> *"BW has helped me open communication channels between me, my supervisors, and my managers. Because when I have a problem, I'm free to go to the office and discuss them."*
>
> —Male sewer from BW factory; worked in factory for 3 years, Lesotho

Box 4.5: The Success of the PICC Model in Vietnam

- Better Work Vietnam has seen that factories with performance improvement consultative committees (PICCs) are much more likely to attempt negotiation before strikes occur. As a result, the number of strikes in Better Work factories is significantly lower than the industry average.
- According to the 2012 Vietnam General Confederation of Labor (VGCL) study, the PICCs not only helped improve industrial relations, but also helped to strengthen trade unions overall.
- The model of PICCs in Vietnam has had such a profound impact on the country that it has inspired a change in the labor law. In 2013 a groundbreaking change was made in the Vietnamese labor law, which now calls for worker/management committees in all enterprises to serve as a mechanism for social dialogue.

Source: Better Work (2013a).

Table 4.1: Lesotho: Worker-Management Relations, 2011 versus 2013, in Percent

	Factory manager		HR manager		Line manager		Supervisor	
	2011	**2013**	**2011**	**2013**	**2011**	**2013**	**2011**	**2013**
Very bad	11	7	7	20	10	22	n/a	15
Bad	16	38	11	31	10	31	n/a	41
Neutral	17	21	28	12	19	13	n/a	13
Good	32	30	34	27	37	31	n/a	29
Very good	24	4	20	10	24	2	n/a	2

Source: Lesotho Workers Survey 2011 and 2013 rounds-quantitative data.
Note: Data about supervisors were collected only in 2013.

While some workers may perceive the PICC as a substitute for HR, in fact, the two should work together. Yet it appears that some workers think it is an alternative forum for filing grievances, which could potentially perpetuate a problematic relationship with HR managers. Therefore, a combination of both strategies—allowing the PICCs to serve as the main in-house grievance procedure and training HR managers—may be an effective option. As part of allowing the PICCs to serve as an important grievance function, they should continue to be developed in each of the factories. Workers have found the PICCs to be valuable, particularly in the area of raising and resolving workplace issues. The experience of a worker in Vietnam illustrates this:

> *"PICC solve the issues quicker. They had stronger voices than workers' and more effectively put improvement suggestions into operation."*
>
> —35-year-old male technical worker, BW factory, Vietnam

Training

In 2011, the issue of supervisor relations was central to workers' concerns about compliance with labor standards and basic working conditions in Lesotho. Table 4.1 summarizes how workers felt, in 2011 and 2013, about their relationship with factory managers, HR managers, line managers, and supervisors. Of great concern is that their feedback suggests that worker-management

relations are deteriorating in Lesotho. This appears to be occurring at all levels of authority (from factory manager all the way down to supervisor). In 2011 workers complained that supervisors lacked interpersonal skills, were rude to subordinates, and practiced favoritism in deciding who gets promoted, who gets blamed for mistakes, and who is assigned the easiest tasks. Despite some minor improvements in this area, in 2013 the majority of workers did not notice significant improvements; on the contrary, they complained that it is an ongoing issue.

According to information from BW Lesotho, not all factories received supervisory training, which partially explains the findings. One could also argue that the supervisory skills trainings have not had the same kind of impact as the PICCs because of the difference in how they function. Supervisors receive training and return to the shop floor to either implement or ignore the skills they have acquired. The PICC is a more interactive experience with multiple representatives, holding workers and supervisors accountable to one another. Additionally, unlike trainings that may take place once a year, the PICCs are ongoing. Our research in Vietnam allowed us to hear directly from the supervisors. Many of them worked their way up to the supervisor level and thus have some level of appreciation for the workers they supervise.

> *"I was a worker at first and worked all the way up to the current position, so I understand workers very well and care for them."*
>
> —50-year-old female supervisor, non-BW factory, Vietnam

Yet, the supervisors were also frank in detailing the struggles they have in communicating with workers. One supervisor in particular made a profound statement:

> *"Workers sometimes do not listen to managers' words/instructions or make technical mistakes and because of the work pressure so I sometimes quarrel with workers or say crude things to them. But a few minutes later, I cool down, then come to them, smile, and reconcile with them."*
>
> —41-year-old female supervisor, BW factory, Vietnam

In trying to better understand the reach of Better Work trainings, we asked Cambodian garment factory workers what types of training they received. The most popular type of training had to do with OSH. About 100 (out of 565) workers received OSH training. There is no difference between male and female workers in terms of receiving training in OSH. However, the data show that workers in factories receiving advisory, in addition to assessment, services are much more likely to be trained (21 percent) compared to those working in factories receiving only assessment services from BFC (14 percent). Primary data from Lesotho reveal that the percentage of workers trained in OSH doubled from 13 percent in 2011 to 26 percent in 2013. Although this number is still low, it is interesting to note that women were more likely to receive such training than men; in 2011, 28 percent of men and 9 percent of women received OSH training compared to 16 percent of men and 29 percent of women in 2013.

Another training that workers in Cambodia often received was related to production, especially when the factory is making a new design, although this is not relevant to our study. The survey results also revealed that very few workers received training in life skills, an area that we would highly recommend giving more attention to given potential multiplier effects. The impact of training on workers' lives outside factories is discussed in Chapter 5, but here it is worth citing data from a Better Work (2015) research brief on training effectiveness, which found that 85 percent of workers acknowledged that training impacted their lives outside the factory. Thus, even in the absence of training tailored to life skills, training modules offered by BW can have a meaningful impact beyond the factory floor.

A New Better Work Model Emphasizing Advisory and Training Services

Recognizing the value of training and advisory services, Better Work is now implementing a new model, whereby advisory services will be provided as a first step before anything else.[8]

[8] The information on the new approach, summarized here, is detailed at: http://betterwork.org/global/?page_id=7380.

The new process involves offering factories one-on-one coaching sessions with BW expert advisers. Moreover, the new model will give factories a number of training days, the topics of which will be decided upon by the PICCs and expert advisers based on the specific needs of a particular factory. Another unique aspect of the new model is that staff from different factories will participate in learning seminars so that they may learn from one another. The initial 100-day period also entails a process whereby factory management and worker representatives set goals for themselves and work on improvements before an external assessment is carried out. It is only after this 100-day period has elapsed that Better Work will begin formally assessing factory compliance. Another key innovation is that now factories will submit their own progress reports to buyers by using a BW template and the self-diagnostic tools they have developed. Later, BW will complement the factories' own progress reports by issuing a progress report detailing key achievements and remaining challenges. Finally, after 16 months of working with factories, BW measures the factory performance against a predefined set of differentiation criteria, and those factories with very high performances are offered more advanced services going forward.

A Comparison of Men's and Women's Feedback on Changes in Working Conditions

Much remains to be done to better understand the impacts of Better Work programs on male and female workers. Synthesis compliance reports are at the factory level and tell us little about the different way men and women are impacted. Moreover, very little in the literature attempts to understand how men and women may be affected differently by compliance rates. Robertson and Brown (unpublished) attempted to study these impacts of compliance in Vietnam and found that differences in BW effects between men and women are not statistically significant. However, there is stronger evidence about a positive relationship between compliance and overall life satisfaction and several career conditions variables (especially remuneration and relationships with supervisors) for all workers exposed to BW Vietnam.

Job Satisfaction

Through qualitative and quantitative research, we aimed to delve deeper into this issue, understanding that although surveys and especially focus group discussions can be very instructive, they must be interpreted with care given the small sample size.

The 2015 Cambodia Apparel Worker Survey with more than 500 workers shows that men and women both share high levels of overall job satisfaction. When probed about level of satisfaction with their working conditions, about 55 percent said that they are satisfied, and about 9 percent said that they are very satisfied. Table 4.2 shows the breakdown by sex, and we find that women seem to be more satisfied with their working conditions, with only 7 percent expressing dissatisfaction compared to 17 percent of men.

Working hours are correlated with satisfaction in working conditions (although at a 90 percent confidence level—see Appendix A.2). Workers who work longer hours reported significantly greater satisfaction with working conditions. This can be explained by the need for extra income from overtime earnings. Here our data showed that women tend to work longer hours (56 as opposed to 54 hours per week) and earn slightly more ($189 compared to $181 monthly).

Table 4.2: Satisfaction with Working Conditions: 2015 Cambodia Apparel Worker Survey, in percent

How satisfied are you with work conditions in your factory?	Female	Male	All[a]
Very dissatisfied	1.10	4.46	1.77
Dissatisfied	5.96	12.50	7.26
Neutral	27.59	25.00	27.08
Satisfied	55.85	49.11	54.51
Very satisfied	9.49	8.93	9.38

Source: Authors' calculation from the 2015 Cambodia Apparel Worker Survey.

a. Average across both female and male workers.

Throughout the FGDs in Cambodia, Lesotho, and Vietnam, we did not find that men and women experienced changes in compliance significantly differently. In fact, most of the feedback garnered from the male and female FGDs highlighted similar themes. Thus, from the original data we collected and from the analysis carried out by Robertson and Brown, we find no evidence to suggest that the effects of changes in compliance affect men and women differently.

A way to gauge overall satisfaction with working conditions without directly asking this question was to ask whether workers would be happy if their siblings or children undertook the same job as them. We asked this question in FGDs in Cambodia and Vietnam and again did not see a discernable difference between how men and women answered this question, although we did notice contrasting feedback. This is in line with the literature, which finds that many women factory workers interviewed in locations as different as Central America and the Lao People's Democratic Republic (Dominguez et al. 2010 and Record, Kuttner, and Phouxay 2007) say they would not wish to see their daughters or sisters working in export factories. They hoped their siblings could gain access to less-strenuous and better-paid jobs than those offered by export-oriented manufacturing (Fontana and Silberman 2013). Here are two contrasting viewpoints reflecting reference periods, whether workers referred to a hypothetical situation now (siblings) or an aspiration for the future (children):

> *"If I had siblings, I would encourage them to come and work here because we work without being forced. When we get sick, we can request to leave early. They don't force us to work, and we can work according to our ability."*
>
> —25-year-old female sewer, BFC factory, Cambodia

> *"Our children should be better than us. They should have a better future, and better jobs. They should work using their brains instead of their hands."*
>
> —28-year-old male worker, non-BW factory, Vietnam

Are There Differences in Worker Satisfaction Based on the Level of Better Work Involvement?

As alluded to earlier, the 2015 Cambodia Apparel Worker Survey provided results to allow us to discern between factories using assessment-only services and those factories also receiving training and advisory services. The results suggest that there is indeed a discernable difference concerning job satisfaction between workers employed in factories with different levels of BFC involvement. Workers employed in factories receiving assessment-only services are less satisfied with their working condition (55 percent reported satisfied or very satisfied) than workers in factories receiving additional services (about 66–67 percent are satisfied or very satisfied with their working conditions). Even after controlling for characteristics such as age, marital status, and education as well as workers' wealth, we find that this relationship holds (see Appendix A.2). Yet, one must be cautious in drawing the conclusion that BFC advisory and training services directly cause higher satisfaction. This relationship may hold because high-performing factories that care about working conditions may choose to sign up for more services from BFC in the first place.

Pham's story

Age: 35
Years working in garment sector: 17

After graduating from high school, Pham worked in his hometown in the Nong Son District of Quang Nam Province of Vietnam as a construction worker apprentice for three months, but it was not the career he wanted. His parents also urged him to learn a skill that could help him get a better job and Pham ended up taking the initiative to learn sewing from a local tailor. He then worked for that shop for three months before moving to Ho Chi Minh City (HCMC) to start working in a garment factory. His sister had moved to HCMC a year earlier and had warned Pham about the difficulties of the job and city life, yet Pham still chose to come because he did not see much of a future for himself back home, where he probably would have worked as a construction worker if he had not pursued a career in the garment industry.

Since moving to HCMC, Pham has since worked in four different factories, and has been with his current factory for more than 10 years now. He is very happy at his current factory, where he works as a technical worker and is a PICC member. Pham recalled his first day at work:

My first impression on my first day of work was seeing the general director having lunch together with workers. I also saw the general director roll up his sleeves and help workers move/load/unload goods so I feel at home and have a strong attachment to my factory.

The training that Pham received from Better Work (BW) in workplace communication also proved to be of value at home. Pham is now able to better communicate with his wife. While he would get upset in the past, he reported that now he calms down and speaks to her in a gentle tone to resolve any problems they may have.

Pham also offered an interesting suggestion for a possible future area for training given that so many workers like him migrate from rural areas. He recommends that the factory provide practical programs for workers, such as life skills and knowledge/experience regarding city life so that workers can gain confidence and more quickly integrate into their new lives and contribute to their factories.

Pham's wife is also working in the garment industry. Together they have been able to save enough money to buy a house in HCMC. So he sees their future there, and despite the difficulties of life away from his parents, he reports that the schools in HCMC are better for his children. Pham's dream is to continue working in the garment factory and earning money, which he plans to send to his parents, spend on his children's education, and use to eventually open his own tailor shop in HCMC.

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Chapter 5: Improvements in Workers' Lives Outside Factories

Highlights

- The benefits of the Better Work (BW) program go beyond factory compliance and working conditions. Workers also feel improvements in their lives at home and in their communities.
- Working in the garment industry is associated with a better quality of life for workers' families. In addition, field work in 2013 in Lesotho revealed that learning how to budget better was one of the most common improvements that workers talked about. Using 2011 data from Cambodia, we find that having a mother working in the apparel sector makes girls 6.5 percent more likely to attend school.
- Both quantitative results (in Cambodia) and qualitative findings (in Vietnam, Cambodia, and Lesotho) confirm that women and men receive equal pay for equal work. The use of productivity targets and piece-rate remunerations also help explain the wage equality.
- Apparel jobs help women gain more equality in their families. Working in urban areas, in the formal sector, and in fast-paced and demanding work in the garment industry could act as an agent of change in breaking old norms, like women bearing the burden of household chores. In addition, Cambodia data suggest a correlation between the length of exposure to the garment industry and the likelihood that households will switch to joint decision-making. The data also reveal that communication skills learned through BW has been key in changing parochial norms, as improved communication skills allows women to negotiate a new balance inside theirs home and society.

Working in the garment industry impacts workers' lives beyond factory walls. Workers benefit from interventions of the Better Work program not only through improvements in their working conditions, but also from the knowledge they learn at the factory, which they bring home and benefit their families (see Box 5.1).

The evidence presented in this section alludes to benefits that Better Work programs can have beyond the factory floor. In particular, training conducted by Better Work related to communication skills, first aid, budgeting, and other topics have impacts beyond the workplace.

In addition to considering the overall impacts beyond the factory, our research allows us to uncover a gender disaggregated picture. The literature assessing the status of women as a result of their employment in the garment industry finds that the impact is mixed. In a seminal article, Elson and Pearson (1981) highlight the contradictory ways in which factory work for global markets impacts women. While it opens up new avenues, it also creates new forms of gender subordination. For example, they note that although some women may gain greater autonomy from male members of their household, female employee's lack of voice when dealing with male factory managers and employers may intensify. The fact that women tend to be concentrated in lower-paying garment jobs further challenges the notion that women benefit greatly from employment in this sector.

One of the reasons for the scant literature on this subject is limited data availability. The International Labour Organization's (ILO) 2012 report *Action-Oriented Research on Gender Equality and the Working and Living Conditions of Garment Factory Workers in Cambodia* is a notable exception and offers interesting insights into how women and men experience the apparel sector differently. Yet, it only presents data from one country. By contrast, in our study, we have the opportunity to employ the data we collected from the workers' perspectives across four countries. Interesting findings emerge from these data. For example, qualitative research in Lesotho found areas that were particularly pertinent for the home life of garment factory workers; many workers spoke about improvements in health and safety at home, based on the skills and knowledge they acquired through BW training.

In this chapter, we will explore the impacts of garment sector jobs and BW program activities,

Box 5.1: The Value of Communication Skills Training

The results from the Lesotho survey suggest that benefits from communication skills training can often be substantial, so it is useful to consider that the value of Better Work (BW) training activities may not be fully captured by synthesis reports, which focus on compliance points. Here is an example:

> *"I've learned more about communication [from Better Work]. If I have an issue with my husband, I should prepare myself to sit down and discuss in a calm manner and I should not shout at him. It is the same as at work because I always prepare myself. For example, I should know what I'm going to talk about, with whom I'm going to have the discussion, and that we're going to discuss a certain issue and I'm prepared for it."*
>
> —Female quality control worker at BW factory; worked in the factory for six years, Lesotho

Even if only anecdotal, the experience described above is encouraging. While our coding of focus group discussions (FGDs) in Lesotho does allow for an analysis that goes beyond anecdotal findings, we still need to capture more systematically the impacts of programs such as Better Work beyond factory walls.

especially training, on workers' lives at home. As the Better Work program improves working conditions of women and men in the textile and apparel sectors, direct impacts have been seen in the form of improved employment and wages, and indirect impacts have been realized in better communication and women's empowerment. Although discussed individually below, these improvements are interrelated. For example, learning how to communicate better with family members leads to more productive financial planning as couples sit down together and discuss how to account for their expenses. Additionally, decreased stress levels at work mean workers are happier when they come home and are better able to communicate with their partners and children.

The areas of impact on workers' lives that will be analyzed in this chapter include impact on their income, poverty reduction, and well-being and impacts on their family lives, such as communication within the family and decisions about their children. In addition, this chapter will also explore improvement in gender equality and household bargaining as well as greater impacts at large through changes in the law.

Well-Being and Poverty Reduction

Country Level Findings

As explained earlier, expanding exports in the garment industry can reduce poverty in certain developing countries by expanding employment opportunities for women from poorer households. Using Bangladesh and its export-oriented garment industry as an example, Kabeer and Mahmud (2004) show that the export garment industry largely employs young unmarried women or married women without children. Women working in Dhaka garment factories, especially those from poor rural populations, were able to earn enough to support themselves and at least one other adult member of the family and avoid falling below the poverty line. Despite long working hours at the garment factories, female workers still report that the job has improved their economic self-reliance and their ability to live on their own. Kabeer and Mahmud also find that labor standards in export-oriented garment factories are higher compared to those of other forms of waged employment accessible for women from low-income households.

We were able to explore the poverty profile of garment workers in Cambodia in detail based on the large number of garment and textile workers captured in the 2012 national survey. Considering Cambodia as a whole, we find that poverty, measured by consumption, of households with garment workers is slightly lower than households that are not associated with garment workers (poverty head count rate of 15.7 percent versus the national poverty head count rate of 17.7 percent, although the difference is not statistically significant). A further breakdown by region reveals an interesting pattern. In urban areas (Phnom Penh and other provinces), the head count rate was actually higher among households with textile workers. This finding suggests that although the textiles and apparel industry has been providing better opportunities than alternatives in rural areas, garment workers (specifically their households) are still poorer when compared to other urban dwellers.

Focusing on Phnom Penh reveals an even sharper contrast in the well-being of garment and textile workers. Households of garment workers in urban Phnom Penh are better off than the average garment household, with a poverty head count rate of 8.3 percent, compared to the poverty head count rate of 15.7 percent of garment workers at the national level. However, their poverty rate is much higher than non-garment households in urban Phnom Penh (whose poverty rate is only 2.3 percent). This may be explained by the high number of workers who send money back to their rural hometowns.

Better Work Data Analysis

Better Work data from Vietnam also reveal a similar pattern:

> *70% of workers surveyed in Better Work Vietnam factories regularly or occasionally send money to family members. Nearly 60% of workers who remit money annually send 4,000,000 Vietnamese Dong per year (USD 192), an amount that represents approximately 15% of gross national income per capita in Vietnam. Furthermore, women workers remit 24% more than men. (Better Work 2013)*

Box 5.2: Poverty Measurement of Apparel Workers in Cambodia

Usually, the poverty rate is measured at the household level since the standard poverty estimation method relies on comparing the level of household consumption with appropriate poverty lines. Therefore, poverty rates shown in this report are actually the poverty level of the households that workers are living in at the moment.

How can the poverty of workers from the 2015 workers survey be compared with the national poverty line?

Generally, poverty analysis is carried out by using a national household survey with an extensive module on household consumption like the CSES. However, there is a considerable challenge in collecting direct income or consumption data upon which to assess poverty levels. Asking income or consumption questions in a household survey can be extremely time-consuming and vulnerable to error (due to dependency on recall, lengthy modules, etc.). This has been the main reason preventing researchers from studying poverty situations and well-being of a small and specific group of population like garment workers in factories in the Better Factories Cambodia (BFC) program.

To overcome the challenge on data availability, this report employs the *Survey of Well-being via Instant and Frequent Tracking* (SWIFT) method, which entails collecting a handful of strongly predictive poverty correlates, such as household size, ownership of assets or employment conditions, and then converts them to poverty statistics using rigorous estimation models. Collecting correlates is a far easier task and can be accomplished more quickly than collecting income or consumption data (World Bank, forthcoming). The projection model (see appendix F for estimation methodology and results) was combined with key data collected from the workers survey. Data collected from the workers survey include data about assets owned by each worker's household, such as motorcycles, TVs, washing machines, etc., in addition to demographic data, such as the number of people in the household.

Source: Yoshida, Nobuo; Munoz, Ricardo; Skinner, Alexander; Lee, Catherine Kyung-Eun; Brataj, Mario; Durbin, Spencer William; Sharma, D. 2015. *SWIFT data collection guidelines: version two.* Washington, D.C.: World Bank Group.

Using data from the workers survey and the SWIFT poverty projection model (Box 5.2), we find similar results to those found through studying the 2012 Cambodia Socio-Economic Survey (CSES). The poverty head count rate for apparel workers in our 2015 survey sample is 4.8 percent. However, this poverty rate is not statistically different from the poverty head count rate estimated from the CSES 2012 for garment workers' households in urban Phnom Penh. This suggests that the 2015 Cambodia Apparel Workers Survey is comparable to the apparel workers interviewed by the national survey.

We find significant variation in poverty rates, as depicted in Table 5.1, depending on the intensity of the intervention. The workers surveyed from category A factories (receiving assessment only services) tend to be poorer than those in category B (receiving assessment and training) and C (receiving assessment, advisory services,

Table 5.1: Poverty Head Count Ratios (%) across Better Factories Cambodia Workers

		Male	Female	Total
Factory by category of services	A	7.00	5.99	6.07
	B	3.45	4.09	3.92
	C	5.36	4.37	4.58
	Total	**4.88**	**4.78**	**4.80**

Source: Authors' calculation from poverty projection modeling.

and training). The findings on difference in poverty level across types of factories should be read with caution. There could be endogeneity in the wages across types of factories; factories in category B and C may tend to hire workers with higher qualifications, thus the workers may tend to demand higher wages. A separate wage regression (see appendix A.3) shows that workers in category B and C factories tend to receive higher earnings (controlling for hours worked, and workers' characteristics such as education and tenure). On the other hand, factories that receive advisory services and training could have made changes in their human resource and factory management, which in turn boost productivity. Future studies could examine the differences in technology used in different types of factories and how it can affect workers' productivity and wages.

Gender Wage Gap

Although women make up the majority of garment factory workers, they are most often concentrated among the lowest skilled worker occupations such as sewers. Their jobs explain why women garment workers may make less than their male counterparts (see Box 5.3). Thus, it is important to compare wages among workers with the same jobs and attributes.

In our field research in Lesotho, most workers (about 92 percent) indicated their perception that men do not earn more than women. However, we did uncover a perception of unequal pay among workers from factories not affiliated with BW. Similarly, in Cambodia and Vietnam workers overwhelmingly reported that there was no wage[1] discrimination based on sex. They believed the reason was that they were paid on a per-piece basis and the standard piece rate applied to everyone working in a certain occupation within their factory. The following is indicative of the common sentiment:

> *"I observe there is no wage difference between male and female workers for the same tasks. The difference exists due to work experience and position, not due to sex."*
>
> —30-year-old male worker, category A BFC factory, Cambodia

Box 5.3: Male-Female Wage Gap after the End of the MFA

Savchenko and Lòpez-Acevedo (2012) studied the male-female wage gap in the garment industries of Cambodia and Sri Lanka after the removal of the Multi-Fiber Arrangement (MFA) in 2005. They posit that as apparel prices declined due to increased competition, apparel wage premiums would decline and the male-female wage gap would widen. In both countries, apparel prices first increased as they began exporting and the wage gap decreased. When the MFA ended in 2005, the reverse took place: apparel prices declined and the wage gap widened. In Cambodia, the wage gap went up from 12 percent to 13 percent (from 2004 to 2008). A similar yet more pronounced pattern is seen in Sri Lanka. In 2002 women earned 40 percent less than men and the gap increased to 44 percent in 2008. Despite the widening wage gap, the authors found that the share of females in apparel remained relatively stable in both countries following the end of the MFA.

[1] It should be noted that hourly wage is the subject of discussion in this section, not earnings.

> *"We did not differentiate between men or women. Salary is paid based on their skills because it is a piece-based salary."*
>
> —34-year-old female worker, BW factory, Vietnam

The qualitative findings from FGDs in Cambodia are confirmed by wage regressions using the 2015 workers survey. Since hourly wage data could not be collected directly, the analysis uses monthly earnings of workers as the dependent variable, but controls for the number of days worked the previous week and number of hours worked per day. It also controls for the types of jobs that workers performed inside factories, as well as demographic variables (age, education, tenure, etc.). The coefficient for sex of workers is consistently insignificant, suggesting that there is no gender wage gap (see Appendix A.3).

Women Work and Earn More, but Have Less

Remarkably, the 2015 Cambodia Apparel Workers Survey results show that on average, women earn more than men. Table 5.2 presents the breakdown of wages, hours worked and assets, by sex. The average monthly earning for female workers in this survey is $189 per month, compared to $181 per month for male workers. This difference can be explained in part by the fact that women tend to work longer hours than men (56 versus 54 hours per week). Yet despite earning more money, female workers do not appear to own more assets. Only about 29 percent of women own motorcycles, compared to about 42 percent of men. One theory is that female workers tend to save more and send money to support their parents and younger family members. This is corroborated by FGDs as female participants often cited using extra money to support relatives or their children's education. The data from the 2015 Cambodia workers survey also point to an area of concern in terms of access to finance (for both female and male garment sector workers). The data show that only about 7 percent of the workers surveyed have bank accounts under their names. Some participants in the FGDs mentioned their dislike of using ATMs and their preference for receiving their salary in cash. This indicates that existing banking products are not suitable for them. It is also an area that requires further investigation and could be better linked with financial literacy trainings.

Table 5.2: Work, Income, and Assets Profile of Cambodian Garment Workers by Sex

	Female	Male
Salary last month (USD)	189	181
Hours worked last week	56	54
Days worked last month	23	22
Personally own a washing machine	1%	1%
Personally own a motorcycle	29%	42%
Personally own a TV	41%	45%
Personally own a cellphone	92%	93%
Has bank account	6%	8%

Source: Authors' calculation from 2015 Cambodia Apparel Worker Survey.

Better Financial Budgeting

Data from Lesotho revealed that financial literacy was one of the most common improvements highlighted by workers. In the baseline survey in 2011, workers reported that there were tensions in the household where it came to dealing with finances. Many workers mentioned that the end of the month (payday) was a particularly stressful time at home, despite the benefits of having money to buy groceries and clothes, and visit friends and family. Feedback collected in the 2013 survey indicates that there have been considerable improvements in this area. Learning about budgeting was one of the most common improvements mentioned by workers. This is an important skill in particular given the low salaries that factory workers earn. Some workers said that this helped them on an individual level. A factory worker in Lesotho commented

> *"I've learned to draw up a budget for my family. I should have a list of all the things that I need and, when I get to the shop, I should not buy anything that is not on the list."*
>
> —Male worker (cutting) at a BW factory; working at the factory for 8 years with BW, Lesotho

"BW has helped me in drawing up my budget and also has helped me to save some money. The change I get after my groceries, then I can put them in a can, then take it to the bank, then I'll do something important with that."

—Female sewer at a BW factory; working at the factory for 11 years, Lesotho

Others commented on how they are better able to budget with their partners, again tying into improved communication:

"BW has taught us to be open with each other, man and wife. Now, we are able to put down our salary and discuss a way forward to build their family. Whereas in the olden days, a man would just give his wife R50 and the wife would not even care to ask where the rest of the money was."

—Female sewer at a BW factory; working at the factory for 1 year, 7 months, Lesotho

It was clear from workers' feedback that learning to budget not only helped their finances but also helped improve their relationships. Unlike the feedback in the 2011 worker survey in Lesotho where workers reported tensions at home related to family finances, in 2013 many of them referred to the training they had received on how to budget and spoke about how they were applying those skills at home. Consequently, because they are communicating more about the money they make and how to budget it, there is more transparency and hence less distrust about where that money is being spent. That is not to say that the problem has been eliminated, but workers report that it is one of the more significant improvements at home since their factory joined the Better Work program.

Communication Skills and Family Lives

The surveys from Cambodia, Vietnam, and Lesotho, revealed positive impacts of BW involvement on workers' family lives. Specifically, the data suggest that improved communication at home and decreased stress levels have contributed to their higher level of satisfaction in family lives. Better communication in households also enables families to make better decisions. The 2013 focus group discussions from Lesotho signaled a significant shift in how couples communicated. A male FGD participant commented:

"In my family I go by the rules of BW. For instance, if my wife has done something wrong, I'm able to sit down with her and tell her that, look, you did this and I'm not happy about it. How can we resolve it?"

—Male working in cutting department at a BW factory; working at factory for 6 years, Lesotho

Beyond improved communication between husbands and wives, workers reported that there is also improved communication between other friends and family members such as parents and children, or between siblings.

Many workers said that they are now less stressed than they were before BW, either because their employers are not shouting at them or they are being given notice about overtime. These changes made them feel better about going to work and also put them in a better frame of mind when they returned home. They were less stressed and therefore more likely to be kinder and more communicative with their family members. A male factory worker in Lesotho commented:

"Before BW I used to stress about the mistakes that I might make at work because there was no good communication between me and my employer. Since BW, when I'm at home, I don't think about work at all because I'm not worried about making mistakes because I know that when I'm called in the office they will also call in a witness so that we can sit down and discuss the mistake I made."

—Male sewer at BW factory; working at factory for 1 year, 8 months, Lesotho

During the focus group discussions in Lesotho, there was also a great deal of positive feedback regarding improved communication between couples. Workers reported using what they learned from BW trainings on conflict resolution in their personal lives.

Decisions about Children's Education

The pronounced effect of a mother's working status on girls' education has been documented by Duflo (2012) and World Bank (2011), which

describe numerous cases in which expanding female's work opportunities benefits girls and reduces gender inequality. Moreover, Klasen (2002) shows that inequality in education by gender has a negative effect on long-term economic growth affected by two channels—a direct channel through lower average human capital and an indirect one through higher population growth due to higher fertility rates in countries where women have lower rates of education.

Jobs in garment factories are shown to have positive effects on the educational attainment of girls. In Bangladesh, girls are more likely to stay in schools at a younger age (5 to 9) due to jobs in garment factories, but the effect magnitude decreases after they are over 11 years old. Overall, women's earned income can improve female bargaining power within households (Das 2008), which is also beneficial for girls' education (Heath and Mobarak 2014).

This section will provide additional evidence from Cambodia on the relationship between women's work and the education of their children. It will also attempt to attribute the impacts from the BFC program. By increasing expected future income at the cost of foregone earnings while young and by deterring children from working, improved education has long-run positive effects on the economy in the aggregate. Using data from the Cambodia Socio-Economic Surveys (CSES) for years 2004 and 2009–11 allows us to study women's working status in several economic sectors, to control for a series of observable characteristics, and to make a link between parents' employment and children's education decisions.

The descriptive statistics from the 2011 CSES show that 73.4 percent of children whose mothers are employed in the textile and apparel industry pursue education without simultaneously working. By way of comparison, less than half (47.7 percent) of children whose mothers work in the agricultural sector focus solely on studying. Moreover, 9.3 percent of children of textile workers do not pursue education compared to 25.2 percent of children of agricultural workers. Table 5.3 summarizes these data points.

To capture the effect of the mother working in textile and apparel sectors on children's school attendance, specifically girls, we include interactive variables capturing the impact of having a mother working in the textile and apparel sectors on girls' school attendance probability. We compare these results with the effect of having a mother that works in similar sectors. We then construct two coefficients that we estimate for every year and report in Table 5.4. The first coefficient (girl's mother works in the textile and apparel sector) is constructed as the sum of the marginal effects of three variables: if the child is female, if the child's mother works in textile and apparel sectors, and the interaction between these two variables. The second coefficient (girl's mother works in textile and apparel versus working in comparison sectors) is constructed by subtracting from the first coefficient the marginal effects of having a mother who works in a comparison sector and the marginal effect of being a girl whose mother works in the comparison sector. The full model can be found in Appendix A.4.

Table 5.3: Children's Activities by Economic Sectors of Mothers (%)

Economic sector	Study only	Study and work	Work only	No study no work	Total
Agriculture	47.7	27.1	13.4	11.8	100
Textile and apparel	73.4	17.3	5.5	3.8	100
Construction	57.5	23.6	8.3	10.5	100
Public administration	85.8	14.2	0.0	0.0	100
Social services	93.2	0.0	0.0	6.8	100
Other	69.8	18.7	2.9	8.5	100

Source: Cambodia Socio-Economic Survey 2011.

Table 5.4: Impact of Having a Mother Who Works in the Textile Sector on a Girl's School Attendance Probability

	2004	2009	2010	2011
Girl's mother works in textile and apparel	−0.001	0.010	0.055	0.065*
Girl's mother works in textile and apparel versus working in comparison sectors	0.034	0.018	0.088*	0.141***

Source: CSES, various years.
Note: *** p<0.01, *p<0.10. Comparison sectors include manufacturing, wood, and forestry.

The coefficients are statistically significant for 2010 and 2011. In 2011 having a mother working in the textile and apparel sectors makes girls 6.5 percent more likely to attend school. Compared to other similar sectors, this probability is 14.1 percent higher.

Clearly, more analysis is needed to better understand why this may be the case. Additionally, further investigation can explore whether women's employment in the textile industry has additional positive effects for daughters, perhaps in terms of nutrition or future job opportunities.

Gender Equality and Women's Agency

Evidence from Bangladesh has shown that the garment industry has contributed to advancing gender equality. The garment sector in Bangladesh has grown 17 percent annually on average since its start and accounts for more than three-quarters of Bangladesh's export income. It was the first sector to employ women on a large scale in the traditionally male-employment–dominated country. Not only does the garment industry bring economic growth to Bangladesh, but also it explains the decreased hazards of early marriage and early childbirth for Bangladeshi women (Heath and Mobarak 2014). Heath and Mobarak document 1,395 households in 60 Bangladeshi villages that have employment access to garment factories and find that delays in marriages and childbirth for women between the ages of 17 to 23 who live in villages near garment factories as they choose to be employed in garment factories. This is highly significant given that even though child marriage has been illegal in Bangladesh since the 1920s, three-quarters of girls are married by their 18th birthday (Klugman et al. 2014). Correspondingly, females between 10 and 23 years old who have access to factory jobs are 13 percent more likely to work outside the home. In addition, girls who live in villages near these factories are 29 percent less likely to give birth in any given year, but the industry has no effect on the corresponding marriage and childbirth timing for males. In addition, Khosla (2009) finds that the women have greater economic independence, respect, social standing, and "voice" than before, even though harassment and exploitation persists (Fontana and Silberman 2013).

Female garment workers are not a monolithic group and their experiences within the garment industry may substantially differ. Fontana and Silberman (2013) identify such differences in Vietnam. They find that although men are more comfortable in expressing their concerns to management than women, looking within the female subset, better-educated women are substantially more likely to exercise their right to voice complaints. They also find that married women with infants seem to have similar opportunities to other women, except that they have less leisure time and are more likely to have health problems.

Qualitative data from fieldwork offer additional insight into how employment in the garment sector, together with the implementation of the Better Work program, actually contributes to improving gender dynamics and household bargaining within a worker's family. In this regard, working in urban areas, in the formal sector, and in fast-paced and demanding work in the garment industry could act as an agent of change in changing old norms, such as women having to bear the burden of household chores. The data also reveal that communication skills learned through BW training is key in changing parochial norms as it equips women with the skills and knowledge to negotiate a new balance inside their home and in society.

Bargaining Power at Home: Increase in Shared Responsibility

Even though the workers in Vietnam did not explicitly attribute the change in responsibility in household chores to BW, the majority of them acknowledge that the equal arrangement they are now experiencing is different from their parents' generation. While many women interpreted the change in terms of a more equal status of women and men, some men attribute the change to the demands of urban life. As one focus group discussion participant suggested:

> *"It is different because of the characteristics of the work. My mom is a housewife and my father was the one worked, so it was natural that my mom takes care of the house. For us, both my wife and I work, coming home late so if we don't prepare dinner together for example, what time can we have dinner?"*
>
> —40-year-old male supervisor, non-BW factory, Vietnam

FGD participants in Vietnam and Cambodia—men and women alike— mentioned that the division of labor at home was equal. The following quotes reflect the general sentiment:

> *"When I get home and see my wife doing something, I immediately roll up my sleeves and help her."*
>
> —38-year-old male technician, non-BW factory, Vietnam

> *"There is no division. I would even say that my husband does more housework than me as he understands that I am busy."*
>
> —34-year-old female supervisor, BFC factory, Cambodia

Our Lesotho qualitative survey did not find a widespread pattern about men helping with chores at home, although we did find some evidence to suggest that trainings were having an impact in terms of better distributing the burden of domestic work between men and women. As one man commented:

> *"Even at home, I think Better Work has really improved our lives. We now share responsibilities. Even our community is cleaner because we apply whatever we learn from the BW trainings. For example, as we both are working, if I arrive home early, I cook, I clean the house. She finds everything in a good space. I do laundry also. We help each other.* [Before BW] *I seldom did it. Now I do it often."*
>
> —Male worker in cutting department at BW factory; worked in factory for 10 years, Lesotho

On the other end of the spectrum, long working hours negatively affects the lives of female apparel workers in Kenya, a country without a BW program. In the FGDs held in Kenya, the majority of female workers said that their husbands were frustrated with them for coming home late and not fully performing their household duties. At the same time, the male workers from Kenya reported that they were not willing to contribute to household chores. They reasoned that "it is a woman's job" and that "if he helps one day, she will expect it every day."

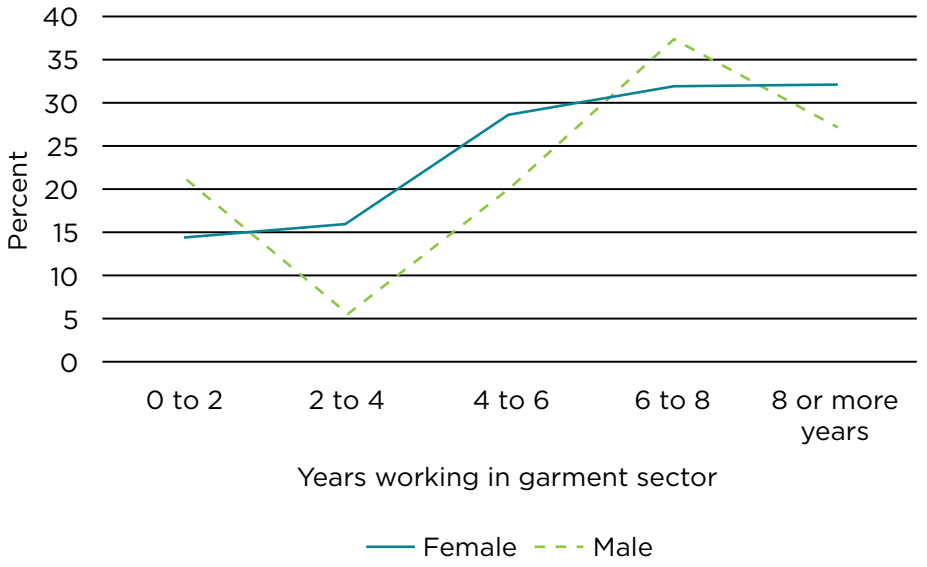
Women's Agency in Household Decision-Making

Another measure of gender equality is women's agency in household decision-making. In many instances, it is measured by the extent to which women take part in household decision-making or whether major decisions in households are made jointly. Sikdar, Sarkar, and Sadeka (2014) present survey data from Bangladesh showing that 35 percent of female garment workers have full control over the spending of their earnings. A slightly higher number of women (37 percent) report participating in joint decision-making with their husbands. Only 5 percent of women workers report having to hand over all their income to their husbands. The rest of workers, 21 percent, jointly make spending decisions with family members like parents or elder brothers.

According to our survey of garment factory workers in Cambodia, the vast majority of married workers reported that they make major decisions jointly with their husbands or wives. About 95 percent of respondents reported that they make joint decisions about family, such as about children's schooling, and finances, such as whether to buy a new TV.

Working in the garment sector helps break down gender barriers and can make household

Figure 5.1: Percentage of Households Switching to Joint Household Decision-Making, by Years Worked in Garment Sector



Source: Authors' calculation from 2015 Cambodia Apparel Worker Survey.

decision-making more equal. While most workers said that they had joint decision power in household decisions and that this had been the case even before they started working at the factory, about 25 percent of workers in Cambodia reported that the mode of household decision-making was different in the past and they changed to joint decision-making after working in the factory. Both male and female workers provided answers in the same direction, but more female workers reported that the decision-making changed from decisions made solely by their husbands to decisions made jointly.

Figure 5.1 suggests that there may be a correlation between the length of exposure to the garment industry and the likelihood that households will adopt joint decision-making. For female workers, the chart below shows a clear relationship between the length of tenure in the garment industry and the likelihood that their family will switch to joint decision-making, from 15 percent during the first two years to more than 30 percent after six years in the garment industry. The numbers presented are about financial decisions, but the results are similar for family decisions.

Empowerment through Knowledge

In Lesotho, when asked whether Better Work had led to any improvements at home, many workers mentioned the first aid skills they had acquired in BW training sessions on health and safety. Some of the skills they alluded to were how to help someone who is bleeding, how to put out fires, how to keep their homes well ventilated, proper nutrition, and teaching their children about better hygiene. A female factory worker in Lesotho remarked:

> *"I was trained in first aid, so when I'm at home I am able to apply that. Even when I meet people on the street who have problems, I'm able to apply the skill."*
>
> —Female sewer at BW factory; worked in factory for 20 years, Lesotho

Knowledge has also led to empowerment, particularly for women. Many now feel that

they are empowered to carry out tasks that have traditionally been exclusively undertaken by men. A female factory worker in Lesotho commented:

> *"Yes, I taught my husband [about how to put out fire]. . . . Because we are poor, we don't have a fire extinguisher at home. If there are things on fire like when we are cooking with oil, don't take some water and pour in the pot. Just take something, and put it [to cover the pot]. Oxygen is the enemy. Don't give it a chance to enter the house. Don't open the door. Don't open the windows. Because if you open the door, oxygen comes inside, then fire can be bigger than when you think. . . . Things like this. I told him. . . . Really he can appreciate. This woman understands many things that I didn't realize."*
>
> —37-year-old female, BW factory, Lesotho interview, Maseru

Positive Legal Changes

Robertson and Brown (unpublished) reference several positive changes in Vietnamese labor law since the introduction of the Better Work program, although they do not draw a direct connection between the changes and BW. They write:

> *In 2012 the National Assembly approved the Labor Code amendment to allow women 6 months of maternity leave instead of 4 months as before. In addition, there are several provisions in the law that prohibit employers for discharging a female employee who: (1) has a child under one year of age; (2) is on maternity leave; (3) is pregnant; or (4) is getting married. Also, a female employee may unilaterally terminate the contract without having to pay compensation if she has a doctor's certificate confirming that continued employment would adversely affect the well-being of her fetus. A female employee may also return to work before the end of her maternity leave if she has had at least 2 months of rest after birth and a doctor's certificate stating that she is healthy enough to work. In this case, the female employee is entitled to both the maternity leave allowance and her common day-to-day salary.*

We already know that translating law into practice can be difficult, but it is still notable that such legal changes were introduced in a Better Work country. In fact, Fontana and Silberman (2013) find that only 3 percent of women with lower education and a negligible share of women with higher education use factory-provided childcare facilities. The most likely reason is that these services are either considered to be of poor quality or are not available at all. The finding that a considerable share of the female workforce has young children also suggests that one priority area for BW program activities in Vietnam might be improved provision of childcare and health facilities that support women workers in their role as primary care providers.

A promising legal change was also made in Lesotho recently, whereby garment workers are now entitled to six weeks of paid maternity leave (Better Work 2015). This may still not be adequate, but it represents a dramatic increase from the two weeks of paid leave that women were afforded in 2013.

Remaining Challenges: Physical Safety and Societal Norms

Clearly, programs such as Better Work represent just one initiative that plays a part in the broader social and cultural context that apparel workers find themselves in. The BW program has largely been focused on ensuring that all workers, men and women alike, are able to operate in better conditions and with better pay. In this regard, the program has been largely successful. Both male and female apparel workers have recounted stories of how BW training has impacted life beyond the factory. However, there are areas where analysis and field work data for this report have not covered, such as the risk of gender-based violence and social norms about working women. Better Work itself has undertaken substantial research on sexual harassment in the workplace (see discussion papers no. 14 and no. 16 on the BW website).

"Another issue that this report has not covered, but is worth mentioning in the context of this discussion, has to do with the risks women face outside the factories in which they work. Not only do they face risks inside factories due to poor working conditions, but they also face the risk of physical harm on their way to and from work. Sikdar, Sarkar, and Sadeka (2014) found that almost 78 percent of female apparel workers in Bangladesh commute to their workplace solely on foot. This puts them at great risk, especially

Pinda's story

Age: 37
Years working in garment sector: 12

Coming from Koro, a rural town in Lesotho, Pinda dropped out of school to work as a babysitter to help support her family. After her mother disappeared when Pinda was only 8, she went to live with her grandmother and her sisters. After some time, Pinda realized that her income was not enough to sustain their livelihood and thus made the move to work in a garment factory when she was 25 years old. Even today Pinda still has to support a large family including two of her sisters, her children, and her husband (who works but in the agricultural sector). Pinda vividly remembers that Better Work first started operating in their factory in 2012. During her interview with us, she described three of the benefits of the Better Work program in detail.

OSH training benefit: greater safety and preparedness

"After Better Work came to my factory, things really changed. Because I didn't understand how firefighters, health and safety, and smoking houses work. We now have things like this. Exit line. Evacuation plan. First aid kits. Things have changed."

Benefit of being a PICC member: confidence

"Since Better Work came to my factory, I have been one of the members of PICC [performance improvement consultative committees] *in my factory. I feel comfortable and confident because the one thing I can feel, the one is important is that we have a meeting with the factory manager, with the management and discuss some problems. And we can see what we achieve."*

"After becoming a PICC member, really they can see they come to me and ask me many questions and I can tell me. And I teach them some many things. Really I feel so confident. Really."

Budget training benefits: better budgeting

"I appreciate Better Work because I didn't understand how to manage my salary. I was the one who attend the workshop with Better Work. They gave us some training about budgeting and really I realize how to manage my salary. Even if it is small, I have to manage it. I have to sit down and see how things are going."

when returning from work at late hours. Pike (unpublished) in her analysis of Lesotho, reports a similar finding. She explains that although some workers cannot afford to take buses to work, those who do take buses are also at risk because the bus stop may be a good distance from their homes. Pike reports that fears for safety are especially acute in winter, when the days are short and it is dark during the commute to and from work. In this regard, new initiatives are starting in a number of developing countries to combat sexual harassment against women. In Mexico City, the urban public transport system is piloting a new project promoting the involvement of bus drivers and bystanders to interrupt sexual harassment (Domínguez, Arango, and McCleary-Sills 2015). However, more efforts can be done to tailor actions to the need to factory workers.

Norms about women's participation in the labor force and contributions to the economy can change and have changed in many parts of the world. Unfortunately, in many societies across the world, there are still negative attitudes about women working outside their homes, contributing to the economy, and providing for their families. Lynch (2007) documents negative connotations associated with apparel workers by society in Sri Lanka, which include name-calling to suggest that women garment workers are sexually promiscuous. This reminds us that although programs such as Better Work may help to enforce codes of conduct, more needs to be done in addressing "nonemployment" issues faced by women workers in the apparel sector. A Clean Clothes Campaign (2005) report stresses that despite the gains that have been made, there is an ongoing challenge to communicate the importance of gender in shaping conditions in the global garment industry.

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Chapter 6: Improvements in Working Conditions and Firm and Industry Performance

Highlights

- Profits, productivity, and survival are all positively associated with improvements in working conditions. Policies to improve working conditions have been proven to boost profitability through reducing staff turnover and absenteeism.
- Research from Vietnam shows that Better Work factories may be performing better than their counterparts. Wages in Better Work factories are higher than comparable factories not participating in the Better Work program. Profits, however, are comparable between the two groups, which suggests that Better Work factories are able to support higher wages without adversely affecting their profits.
- At the country level, being in the Better Work program is associated with significant increases in apparel exports both to the world generally and to the United States in particular. This relationship holds true after controlling for relevant factors that may affect apparel trade.

One of the most significant debates surrounding working conditions is whether improving them at the factory level can improve factory performance. Improving human resource management through, for example, performance-based pay, teamwork, communications, and training increase productivity, profits, and product quality (Bandiera, Barankay, and Rasul 2007; Hamilton, Nickerson, and Owan 2003; Ichniowski, Shaw, and Prennushi 1997; Sheehan 2013;

Box 6.1: A Race to the Top: Greater Productivity and Improved Worker Welfare

Asuyama et al. (2013) delve deeper into the post-MFA (Multi-Fibre Arrangement) period, studying changes in performance of Cambodia garment firms between 2002/03 and 2008/09. They cite improved average total-factor productivity (TFP) as a key reason for how the Cambodian garment industry managed to increase its production and profits in the face of increased competition. They then ask if this was achieved by sacrificing the welfare of workers, especially low-skilled workers. The answer is emphatically no. In fact, they identify an improvement in workers' welfare, including a rise in the relative wages of the lower-skilled workers. "These industrial dynamics differ considerably from those indicated by the 'race to the bottom' argument as applied to labor-intensive industrialization in low-income countries." Beresford (2009) similarly finds no evidence of a decline in labor standards as competition increased post-MFA.

Sources: Asuyama et al. 2013; Beresford 2009

Asuyama et al. 2013) demonstrate that firm-level productivity rose in Cambodia while working conditions also improved (Box 6.1). Better Work (2014) reports that across all BW countries, factories where workers are happier with health and hygiene issues and feel comfortable raising concerns make more than 7 percent more profits. If worker turnover could be reduced through improving conditions, then the reduction in turnover could represent significant savings for the factory. Nalt Enterprise, a Vietnamese Better Work participating supplier, estimates that it takes up to three months for a new textile worker to reach full productivity. Translated into savings from reduced training costs and maintaining full productivity, a 10 percent reduction in staff turnover would save the factory 8.5 percent of total annual wage cost (IFC 2013).

Relatively straightforward policies aimed at improving working conditions have been proven to boost profitability through reducing staff turnover and absenteeism. For example, at Nalt Enterprise, a Vietnamese Better Work participating firm, staff turnover fell by one third after the company established a kindergarten for workers' children. In Bangladesh, a program that delivered health services to female workers in apparel factories demonstrated a $3 to $1 return on investment over an 18-month period, as a result of combined savings from reduced absenteeism and staff turnover (IFC 2013).

One of the most common questions concerning this literature is If improving HRM policies can improve factory performance, why haven't factories already adopted such strategies? This question is especially salient among economists who commonly assume that factories (like most economic agents) act with perfect information. Recent evidence, however, suggests that the perfect information assumption might not hold. Pike and Godfrey (2012) and Domat et al. (2013) show that managers inaccurately perceive worker's value of improved working conditions. In a highly influential article, Bloom et al. (2013) show that recommendations from outside consultants to firm management about how to improve quality control, inventory management, information-sharing, and incentives increased productivity and profits in large Indian textile firms.

These examples suggest that there is a potential role for outside engagement in improving working conditions. Other reasons for outside engagement include negative external effects generated by poor working conditions in noncompliant factories on national reputation (Basu, Chau, and Grote 2006), ineffective monitoring of working conditions by international buyers engaged in reputation risk mitigation (Polaski 2006, 2009), and inefficient

labor management technology that arises due to costly experimentation in human resource management innovation (Fung, O'Rourke, and Sabel 2001 and Domat et al. 2013).

Working Conditions and Firm Performance

Profits, productivity, and survival are all positively associated with improvements in working conditions. Several papers have taken various approaches to try to identify the relationship between firm performance and working conditions. Brown, Dehejia, and Robertson (2011), for example, consider the relationship between firm survival and improvements in working conditions. Using a panel data set from the Better Factories Cambodia (BFC) program, they find no evidence that improvements in working conditions are associated with a higher probability of closure. On the contrary, they find evidence that improving working conditions is associated with increased chances of survival.

Asuyama, Fukunishi, and Robertson (2015) build on the analysis of productivity in Cambodia by Asuyama et al. (2013). This analysis documents rising productivity in Cambodia's apparel factories at the same time improvements are seen in working conditions. They do not, however, have specific factory-level measures of working conditions. Asuyama et al. (2015) bridge this gap by combining firm-specific working conditions measures with productivity measures. The results, while still preliminary, suggest that there is a positive relationship between productivity and working conditions.

Using data from Vietnam, Brown et al. (2015) conduct a similar study but are able to calculate factory-level profits. Their results are very similar to Asuyama et al. (2015) in the sense that they find no evidence that improvements in working conditions are associated with falling profits. In fact, they conclude that there is a positive relationship between improvements in working conditions, labor productivity, and factory profits.

Although these studies all have similar findings, they suffer from the same weakness: none is able to definitively show that improving working conditions per se leads to improved factory performance. In this regard, it is also possible that more capable factory managers tend to generate better factory outcomes and improve working conditions. The lack of data about the capability of factory managers is the main reason that they could not establish causality.

Regardless of whether a common third factor (manager ability) is a factor, the interesting aspect of this result is that it seems to suggest that improving working conditions is a good decision. In other words, because highly capable managers are more likely, by definition, to make good decisions and tend to improve working conditions, then it may be unlikely that improving working conditions is the kind of decision that might hurt the firm.

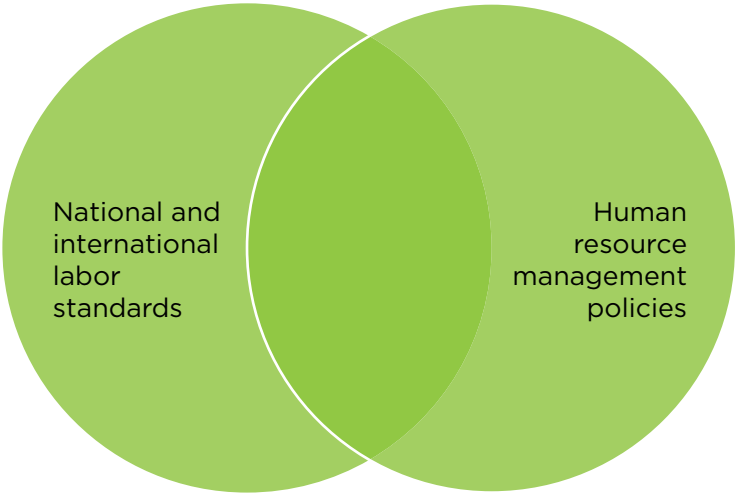
It is possible that improvements in working conditions require higher performance. If improvements in working conditions are expensive, then only firms that are *ex ante* profitable would be able to improve conditions. But if improving conditions is a voluntary move, and improvements have adverse effects, it is unlikely that managers would choose to improve them.

Human Resource Management Policies and Firm Performance

In the growing field of personnel economics, a large and growing literature uses empirical analysis to estimate the relationship between improvements in working conditions and firm performance. The terminology used in this literature defines working conditions as human resource management (HRM) policies. Human resource management policies consist of a wide range of issues, including remuneration (not only levels, but frequency, accuracy, contracts, and so on), ambient conditions (e.g., temperature, water quality, and air quality), relationships with unions, including freedom of association and collective bargaining (FACB), and other policies. Factory managers work with human resource directors to develop and enforce these policies. When HRM policies are designed to elicit specific responses from workers, such as increasing effort in a particular task or reducing turnover specifically, these polices might be called strategic human resource management (SHRM) policies. Both kinds of policies appear in the literature.

As with all policies, managers weigh the costs and benefits of different policy options when shaping HRM policies. The costs are often clear

Figure 6.1: Human Resource Management Policies and Labor Standards



and certain. For example, adding an air conditioner has a clear and certain cost. In principle, the benefits are conceptually clear. Improvements in working conditions can improve productivity if workers respond by working harder. Improved pay may elicit additional effort or may be necessary to get workers to accept dangerous tasks. Improvements may also reduce worker turnover, which means lower costs to the firms in terms of both separation costs and hiring costs. These benefits, however, are often difficult to quantify and are often uncertain.

HRM policies partially overlap with national and international labor standards (Figure 6.1). Few studies formally compare the overlap between these two areas. Many of the HRM policies covered in the economic and management literature involve worker empowerment, broadly defined as improving worker-management communication and increasing worker decision-making power. There is also a sizable literature on the link between HRM policies and firm performance that draws from both management and economics. Most of this literature, however, focuses on developed countries. As a result, the following literature review focuses on developed countries and, when possible, draws connections to developing countries.

Studies that focus on the link between HRM policies and firm performance date back at least to the 1960s. McGregor (1960) points out that firms may choose to view workers as either costs to be minimized or as talent that improves with investment. Subsequent studies engage in a lively debate over whether HRM or SHRM policies improve firm performance generally or promote specific worker responses such as loyalty or effort.

One of the key ideas in this literature is that workers care more about some job characteristics than others. For example, in some settings, workers might be willing to accept less pay in exchange for more flexibility with working hours. Improving job characteristics that workers care about can motivate workers to improve the quality of their work (Hackman and Oldham 1976). Because jobs have many different characteristics, finding those that workers care most about is important to improving firm performance.

Several recent papers find that positive working conditions can lead to higher firm value, which may be a function of improved firm performance. A recent debate centers on the findings of Huselid (1995) that positive working conditions are correlated with lower turnover, higher profits, and increased firm value. As an example of specific job characteristics valued by workers, Leblebici (2012) finds that 100 percent of employees strongly agree that supervisor relations affect their productivity. Jones, Kalmi, and Kauhanen (2010) and Lazear and Shaw (2011) find that incentive

pay and teams contribute to productivity. Singh (2004) finds that training and compensation increased perceived market performance. Using data from Better Work Vietnam, Rourke (2014) finds that factory profits decrease as worker concern over verbal abuse increases. While this causality has been debated (e.g., Wright et al. 2005), meta-analyses (Combs et al. 2006; Judge et al. 2001), and broad literature reviews (Bloom and Van Reenen 2010 and Croucher et al. 2013) suggest an emerging consensus of a positive relationship between working conditions and firm performance generally.

Other studies have suggested that the effects of improving working conditions may vary across firms and workers with different characteristics. For example, in the United States, the connection between HRM and firm performance may depend on whether or not workers are well educated (Shaw, Park, and Kim 2013) or implemented effectively (Black and Lynch 2001). Jones, Kalmi, and Kauhanen (2010), however, offer evidence suggesting that productivity gains occur even when employees are doing simple tasks and are relatively low skilled, so more studies in this area are clearly needed.

Although some specific areas of contention remain, there seems to be a growing consensus that improvements in HRM are linked to higher worker productivity. This seems to be intuitive as it is not hard to imagine that in a positive work environment, workers will perform more effectively than they would in a negative work environment. These results raise the question of whether external pressure to improve factory conditions might actually generate positive results for factories as well as workers. The main argument against external pressure to improve HRM policies is that factory managers have an innate incentive to optimize factory performance and therefore will choose the HRM policies that are optimal for the factory. As a result, outside pressure can only make the factory worse off.

Are Current HRM Policies Optimal?

One of the fundamental assumptions economists often make is that factory managers optimize their policies with the goal of maximizing profits to their firms. As a result, external pressure cannot improve factory performance. After all, if there were policies that could improve factory performance—HRM policies or other policies—factory managers would already have implemented them. The argument that factory managers optimize their policies is extremely powerful and is a fundamental tenet of economic analysis. Whether the optimizing behavior of managers leads to optimal HRM policies, however, rests on a number of assumptions.

One of the most important of these assumptions, which was mentioned earlier in the discussion of the literature, is "perfect information." The assumption is that if firms are aware of the entire set of possible policies, they will choose those that are best for their factories. Unfortunately, firms may not always have perfect information. In an influential study, Bloom and others' (2013) Indian experiments show that factory managers increased productivity after receiving "new" information about organizing the workplace.[1] The main message from these studies is that there is mounting empirical evidence against the perfect information assumption. If firms do not have perfect information, then outside efforts, especially in the form of advisory services, are more likely to introduce firms to policies that might improve factory performance.

Bloom et al. (2013) focus on India and, as such, help bridge the gap between the literature described above that focuses on factories in developed countries and factories in developing countries. Some studies, such as de Grip and Sieben (2005), find that the lack of information may be especially problematic in smaller firms. It is well known that developing country factories tend to be smaller than their developed country counterparts. In this regard, if obtaining information is a "fixed cost" for factories, larger firms will have lower costs of discovering new approaches that might be helpful to the firm. The implication is that outside efforts would be especially helpful in developing countries.

A second important point is that improvements in working conditions only affect worker

[1] The consulting industry, in which management information is shared and acquired, is huge. In 2013 estimated revenue for professional, scientific, and technical services was about US$1.5 trillion dollars. Estimated employment in the sector in 2012 was over 8 million people. See http://www.census.gov/econ/isp/sampler.php?naicscode=54161&naicslevel=5.

behavior if workers understand and value the improvements (Khilji and Wang 2006; Kuvaas, Dusvik, and Buch 2014; Bowen and Ostroff 2004). If managers do not know the value that workers place on different job characteristics, efforts to improve working conditions with the goal of eliciting more effort from workers may be ineffective. Helliwell and Huang (2005, 2007) and Helliwell, Huang, and Putnam (2009) find that firms in Canada appear to undervalue the importance of trust and workplace social capital. Moving 1 point on a 10-point workplace trust scale has the same effect on global life satisfaction as a 40 percent increase in income. In practice this finding implies that firms may make inefficient HRM decisions. Herzog and Schlottmann (1990), analyzing U.S. Census data (1965–70), find that workers were willing to give up more than enough wages to cover the costs of improving workplace safety. Using data from Better Work Vietnam, Domat et al. (2013) find significant differences between manager perceptions of worker's value of working conditions and worker's expressed preferences.

If firms do not necessarily know the optimal HRM policies, information from outside sources, such as governments or nongovernmental organizations, may help them realize the productive potential from improving working conditions. Alternatively, and perhaps ideally, empowering workers so they can speak for themselves to express their desired needs can help firms to arrive at optimal HRM policies. Worker empowerment can in turn be facilitated by BW or other outside influences.

Evidence from Better Work

There are several possible ways to analyze whether or not the improvements linked to Better Work are associated with improved firm and industry performance. We review two of them here. The first is on the *microeconomic* level, and the second is on the *macroeconomic* level. The microeconomic level has been widely written about. Here, we present information from Cambodian and Vietnamese firms. The focus on the macroeconomic level is motivated by the concern that participating in Better Work would raise firm costs and therefore make it more difficult for participating firms to compete in the global market. To address that concern, we examine the change in national apparel exports before and after joining Better Work for the treatment and comparison countries using a global database of world apparel trade. The work presented here is based on a cross-country analysis using available data, which may be valuable in making the broader argument that the benefits from programs such as Better Work can extend beyond firms to industries as a whole.

Microeconomic Evidence from Better Work

Brown, Dehejia, and Robertson (2014) analyze the relationship between factory-level compliance and factory survival. They find that factories that increase compliance between the first and second visits of the BFC are more likely to survive than factories that do not increase compliance. For example, factories that increased their compliance in payment of wages to workers had higher survival rates than factories that did not increase compliance in this area (Figure 6.2). These results control for the characteristics of the factories that affected initial compliance, which suggests that the changes in compliance were likely due to the BFC program. In addition, the results seem to be stronger in areas that are consistent with the HRM literature. Higher compliance in wage payments, for example, is likely to affect worker effort and therefore increase the performance of the factory. These results are consistent with Asuyama et al. (2013), who find that Cambodian productivity increased at the same time that other studies were demonstrating significant increases in factory compliance. Arias-Vazquez, Gamberoni, and Nguyen's unpublished research from Vietnam shows that wages at Better Work factories are higher than those of comparable factories not participating in the Better Work program. Profits, however, are comparable between the two groups, which suggests that Better Work factories are able to support higher wages without adversely affecting profits.

Macroeconomic Evidence from Better Work

As explained earlier, the BFC program began as part of a trade agreement that offered Cambodia increased quota access under the Multi-Fibre

Figure 6.2: Survival Rates of Factories

Source: Brown, Dehejia, and Robertson 2014

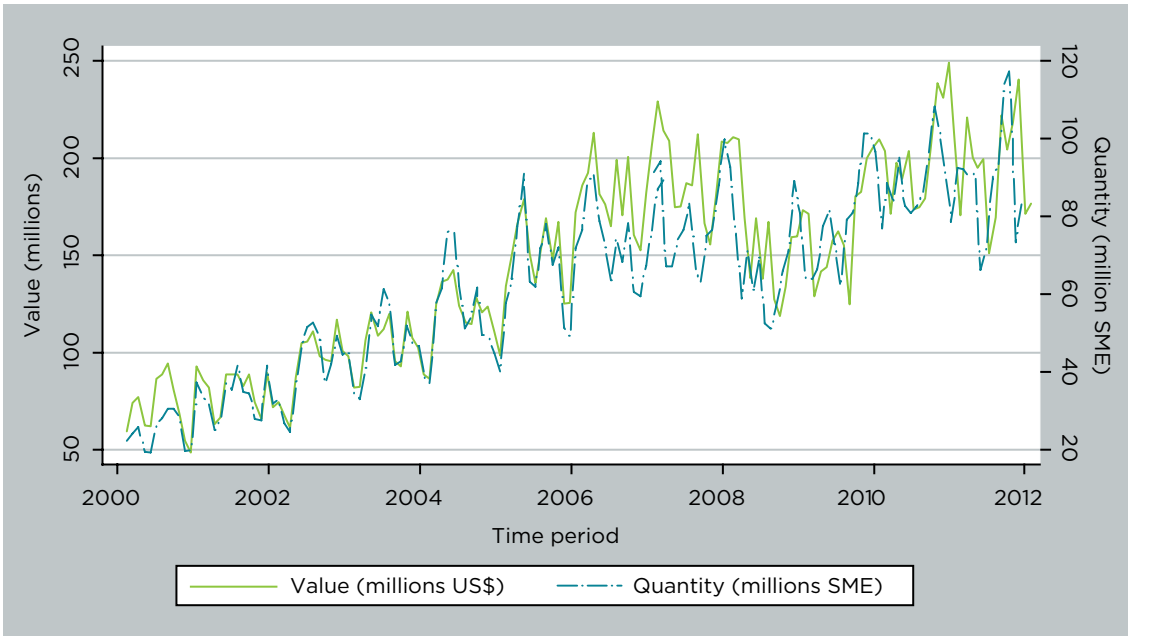
Arrangement (MFA). The MFA, however, was phased out completely in December 2004. At the time, there was concern that the end of MFA would either eliminate the incentive to participate in the BFC program or reduce exports from Cambodia as production shifted to China because the improvements associated with the BFC program increased costs in Cambodian factories. In either case, exports from Cambodia were expected to fall. However, as shown in Figure 6.3, exports continued to increase: Cambodia's exports did not decline following the end of the MFA, and its export performance was only disrupted temporarily during the financial crisis of 2008–09 before recovering strongly after the crisis. This anecdotal evidence raises the possibility that participation in the BFC program specifically, and perhaps the BW program generally, is associated with higher exports.

To evaluate this hypothesis more formally, we estimate a gravity model of apparel trade (see Appendix G). The gravity model is the standard empirical tool used to analyze trade volumes and has been applied in hundreds, if not thousands, of studies (Evenett and Keller 2002, Hanson and Xiang 2004 are just two notable examples). The basic idea behind the gravity model is that trade volumes between any two countries can be modeled as a function of the size of each economy, often measured as gross domestic product (GDP) per capita, the distance between the two countries, and a varied list of other possible factors that might affect trade, such as sharing a common border, a common language, resource differences, trade agreements, and so on.

For this exercise, we focus on apparel trade[2] (rather than trade in all goods). To emulate a difference-in-difference approach, we create a

[2] We use Harmonized System categories 62 and 63. See https://www.foreign-trade.com/reference/hscode.htm.

Figure 6.3: U.S. Apparel Imports from Cambodia



Source: Authors' elaboration using data from the U.S. Dept. of Commerce, OTEXA

dummy variable for the countries participating in Better Work, a dummy variable for the time periods in which the countries participate in Better Work, and an interaction term that is equal to one for the observations in which countries are in Better Work (and zero for all other countries and time periods). The resulting database consists of the pair-wise trade relationship for the years 1992–2012 for all apparel-trading countries in the world for which data are available (more than 100 countries are included). Country pairs appear twice in the data to capture the differences between imports and exports. When identifying Better Work countries, therefore, we focus on just the pairs in which the Better Work countries are exporters. The observations, then, are the individual country pairs, such as Cambodia and the USA, Cambodia and France, France and Mexico, and so on. The total number of observations is about 426,000 for the world sample.

For each country, we estimate the gravity model over two samples. The first sample includes all countries as both importers and exporters. The second sample is limited to just the United States being the importer. The U.S. sample restricts the sample to those countries exporting to the United States. The total number of observations, therefore, falls to 4,740. The results are shown below in Table 6.1.

The results in Table 6.1, which are meant to be suggestive rather than definitive, are consistent with the "usual" gravity model results in the sense that country size (as measured as GDP per capita) has a large, positive, and significant effect on trade, and distance has the usual large, negative, and significant effect on trade. We also control for trade prior to participating in BW. The main result of interest is the Time in Better Work variable. The estimated coefficient is large, positive, and statistically significant, which suggests that being in the Better Work program is associated with very large increases in apparel exports—both to the world generally and to the United States in particular.

The important point to make about these results is that the large and positive effects of being in the Better Work program are not the result of the time period (e.g., Better Work participation coinciding with a period of rising demand for apparel generally) because the estimated effects

Table 6.1: Better Work Gravity Model Regression Results

Variables	World	USA
Better Work country	1.435***	3.385***
	(0.080)	(0.771)
Time in Better Work	2.273***	4.620***
	(0.039)	(0.360)
Importer GDP/cap	1.607***	
	(0.004)	
Exporter GDP/cap	1.042***	0.975***
	(0.005)	(0.046)
Distance	−1.499***	−0.465***
	(0.010)	(0.138)
Constant	−5.153***	9.960***
	(0.108)	(1.419)
Observations	426,292	4,740
R-squared	0.351	0.133

Note: Standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1. Year effects included but not shown to save space. GDP/cap and distance are estimated as natural logs.

Table 6.2: Better Work Regression Results with Inputs

Variables	World	USA
Better Work country	0.670***	1.639***
	(0.072)	(0.533)
Time in Better Work	1.277***	1.929***
	(0.036)	(0.260)
Importer GDP/cap	1.556***	
	(0.004)	
Exporter GDP/cap	0.275***	−0.231***
	(0.005)	(0.037)
Knit imports	0.216***	0.907***
	(0.006)	(0.043)
Narrow imports	0.235***	0.525***
	(0.007)	(0.056)
Woven imports	−0.577***	−0.765***
	(0.007)	(0.053)
Yarn imports	0.800***	0.499***
	(0.006)	(0.048)
Distance	−1.597***	−0.524***
	(0.009)	(0.097)
Constant	−6.862***	4.567***
	(0.106)	(1.010)
Observations	426,292	4,740
R-squared	0.489	0.588

Notes: *** p<0.01, ** p<0.05, * p<0.1. Standard errors in parentheses. Year effects included in estimation but excluded from Table to save space. The imports are specific to each exporting country but vary across time.

are the difference between Better Work countries and non-Better Work countries *holding time period effects constant*. Furthermore, the results do not stem from Better Work countries being simply more significant exporters, because the estimated Time in Better Work coefficient captures the difference between the time when the Better Work countries were not in the program and when they entered.

One concern readers may have about the results is that they do not control for other relevant factors that affect apparel trade. To control for other relevant factors, we include imported intermediate inputs. Imported intermediate inputs help control for country-specific trends as well as national productive capacity and efficiency. Note that the gravity results when imported intermediate inputs are included (Table 6.2) are very similar to the previous results. In particular, the results suggest that the Better Work countries export more than other countries, but the Time in Better Work is large, positive, and significant. This coefficient estimate implies that apparel exports from BW countries increased (significantly) after entering BW. If BW were simply raising costs to apparel producers, such increases in exports would be extremely unlikely as exports would probably fall as costs increase. The large positive estimates suggest the opposite: Consequently, BW may be helping the apparel sector expand. Furthermore, the effects are larger when the importing country is restricted to being the United States. Overall, the results suggest that Better Work is associated with rising apparel exports when compared to relevant comparison countries.

Diep's Story

Age: 40

Years working in garment sector: 17

As the HR, Admin, and Compliance Manager for a factory in Vietnam with over 2,500 employees, Diep has her hands full. But she loves her job and has gradually worked her way up the ranks, spending a total of 17 years at one factory, something that is not very common in the apparel industry. She has been in her current position for over 7 years and has seen many improvements in that time. Diep spoke to several specific benefits that she attributed to the presence of the Better Work program in her factory.

First, the creation of the PICC (performance improvement consultative committees) has enabled the factory to better resolve in-house problems. For example, the PICC realized that workers were having a high number of accidents when operating the button-punching machine. They then devised a plan to address it, which included monitoring of the work stations to ensure that a proper safety protocol was followed in addition to having workers who had accidents on this specific machine to join the supervisory team and help convince other workers of the importance of following the safety protocol. Diep happily reported that ever since the introduction of the PICC initiative, the number of accidents to button-punching machine operators has fallen substantially.

Second, Diep spoke about the benefits provided by BW trainings. They received trainings in workplace cooperation, professional safety, and organizational skills. She reported three concrete positive outcomes as a result of the trainings: (1) an improved collective bargaining process, (2) reinforced use of personal protective equipment (PPE) among workers, and (3) improved dialogue between workers and factory management.

Finally, Diep also linked the improvements brought about by the BW program to higher productivity. In her own words: *"Thanks to Better Work Program, we have a better working environment. The workers are happier and are more committed to the factory. And then we have significantly reduced our turnover. Thanks to the Better Work Program, we've increased our productivity. Also, the products are much improved, and we have more clients."* From 2000 to 2013, the factory where Diep works more than tripled its sales, reaching US$90 million last year. And her factory's monthly output is now roughly 1.1 million pieces.

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Chapter 7: Expansion to Other Factories

Highlights

- Evidence of spillover effects—factories learning from other factories about human resource management due to incentives related to improve productivity—has been mixed. Therefore, intervening efforts by a third party such as Better Work (BW) seem warranted.
- Incentives for improvements in working conditions can be provided to governments of apparel-producing countries and to apparel firms.
- There are two dominant BW models at the country level: one in which participation is voluntary and one in which it is mandated through regulations.

If human resource management (HRM) policies are a form of technology, then it is possible that improving HRM policies in some factories will encourage other factories to adopt similar measures. Also, workers moving between factories may start expressing a preference for better conditions, which might persuade other factories to improve conditions to attract workers. Alternatively, factory managers may communicate with each other and share their experiences. If those experiences are positive, then other factories may follow their example and improve conditions.

While relatively straightforward conceptually, the empirical literature suggests that such spillover effects are not automatic. In this chapter, we treat HRM as a technology and explore evidence of "technological spillover." We then examine ways in which incentives can be provided, both to governments of apparel-producing countries and to apparel-producing firms. The pros and cons of operating models that Better Work has been using to expand to more factories in a country are also discussed. Finally, this chapter introduces a case study of Kenya as a hypothetical candidate for the Better Work program.

In Search of Spillover Effects

Much of the literature that focuses on technology diffusion focuses on multinational corporations (MNCs) and foreign direct investment (FDI), which include evidence of positive, negative, and zero spillovers. For example, Todo and Miyamoto (2002) analyze Indonesian data and find that the FDI from MNCs used in research and development (R&D) activities positively and significantly influences domestic firms' productivity, which the authors argue is evidence that the spillovers only occur with the presence of MNCs. Sahu and Solarin (2014) also find positive and significant spillovers to domestic firms. R&D is among the most important factors in this relationship. Because apparel firms are unlikely to invest in R&D in HRM policies, an external stimulus may be necessary to motivate firms to adopt new human resource policies.

In contrast to the positive effect of R&D on technology spillovers from Indonesia data, Lòpez-Garcia and Montero (2010) analyze Spanish firm data from 2003 to 2007 and find limited effects. Aitken and Harrison (1999) find that the spillover of foreign ownership on Venezuela's domestic economy is believed to be small. With data from 40 studies of manufacturing industries in developed, transition, and developing economies, only 22 studies saw positive and statistically significant intra-industrial spillovers (Gorg and Greenaway 2004). Chudnovsky, Lopez, and Rossi (2008) find that on average there is a neither positive nor negative spillover effect from transnational corporations to domestic firms in the Argentine manufacturing sector.

In a paper commissioned for this study, Arias-Vazquez, Gamberoni, and Nguyen's unpublished research from Vietnam matched Better Work (BW) factories with non-BW neighboring factories and compared various measures of working conditions and firm performance. Although data on working conditions are quite limited for non-BW factories (they used industrial census data, which does not focus on working conditions), they found very limited, if any, evidence of spillovers to neighboring factories. Having more BW factories in the same district, for example, had no statistically significant effect on observed factory variables. The implications of their work seem to be that the improvements in either working conditions or factory performance are unlikely to spread to other factories endogenously, which is consistent with much of the literature on technology diffusion. The lack of evidence of a spillover effect suggests that external efforts may be needed to introduce beneficial HRM policies.

Incentivizing Government Action

Evidence has shown that incentives for governments of apparel-producing countries can improve working conditions in apparel factories. A prime example is the creation of the BFC program that stemmed from a U.S.-Cambodia Trade agreement. Similarly, the Haitian Hemispheric Opportunity through the Partnership Encouragement Act of 2008 (HOPE II) offers special trade preferences to Haiti in exchange for compliance with core labor standards. In this regard, the Better Work Haiti program was launched in 2009 and covers all garment factories in Haiti exporting to the U.S. market. Existing avenues for incentivizing governments to support programs like Better Work—such as benefits from gaining export markets, welfare benefits for their citizens, and improved productivity of local businesses—have been addressed in earlier chapters of this report. However, incentives that are directed to the government could also help provide an additional push.

This section will explore ideas related to the two main types of incentives that have generally been discussed with governments of garment-producing countries. The first has to do with the possibility of linking Better Work or other measures to improve working conditions with international trade negotiation, including unilateral trade preference programs and bilateral and multilateral agreements. The second are those linked to development finance.

Trade Agreements

The United States is a major player in international trade and has been active in labor issues. The U.S. government, through the Department of Labor and the Office of the United States Trade Representative, can influence working conditions around the world by negotiating labor rights language in new trade and investment agreements and trade preference programs.

An example of an ongoing trade preference program is the African Growth and Opportunity

Act (AGOA), which also has a focus on labor standards. The U.S. government designates countries as eligible to receive its benefits if they are determined to have established, or are making continual progress toward establishing, the protection of internationally recognized worker rights. As part of the annual AGOA eligibility review process, the U.S. government examines countries' efforts to implement and enforce internationally recognized worker rights in various dimensions, including acceptable working conditions with respect to minimum wages, work hours, and occupational safety and health. A study by the Brookings Institution identified progress that has been made since the introduction of AGOA in 2000. AGOA has helped tackle inequality in African countries by creating more employment opportunities, especially for women (Karingi et al. 2010). Moreover, AGOA aimed to help boost the development of the garment industry across Africa by encouraging the development of regional value chains. Its rules of origin allow beneficiary countries to qualify for the minimum local input/processing requirements of using inputs from other AGOA beneficiaries (Moyo and Page 2010). However, few countries in Africa have taken full advantage of AGOA's benefits. Only Lesotho and Mauritius have taken advantage of the law and developed an apparel export industry.

Whether or not labor standards should be imposed through trade agreements has not been without controversy. Maskus (1997), for example, casts doubt on the prospects for labor standards to be enforced through trade agreements and argues for more effective alternatives such as International Labour Organization (ILO) monitoring and publicity efforts and compensation programs from wealthy to poor countries. Yet, our analysis leads us to conclude that countries with large markets like the United States can be effective in negotiating high labor standards in trade agreements, particularly those related to working conditions. In this regard, establishing programs such as Better Work could be part of these agreements to ensure the effective implementation of agreements, particularly in developing countries characterized by weak governance structures and low enforcement capacity. Possible upcoming trade agreements, such as the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership, may be new opportunities to introduce mechanisms to improve working conditions and job quality.

Development Finance

International Financial Institutions (IFIs) could also work with client countries on policy reforms like Better Work in order to achieve their institutions' overarching goals such as poverty reduction and gender equality. Many IFIs have budget support programs that can serve as a platform for collaborating with governments of garment-producing countries. The World Bank's Development Policy Financing (DPF) is provided in the form of non-earmarked loans, credits, or grants that support the country's economic and sectoral policies and institutions through, for example, measures to improve public finance or the investment climate, diversify the economy, and create employment. Reform measures similar to Better Work are consistent with this goal because they aim to improve the efficiency of the supply chain of garment and textile industries (or other labor-intensive sectors) while improving the poor's well-being and closing gender gaps. Moreover, Better Work also builds on a solid foundation of public-private partnership, which is one of the key policy directions that the World Bank is advocating for at the corporate level. Similarly, incentive programs like those of the United States' Millennium Challenge Corporation (MCC) could include the expansion and implementation of the Better Work program.

Mandatory versus Voluntary Subscription

As we think about how the impact of BW can be scaled up, we must first understand the two dominant models of the BW approach. The first approach is the mandatory model, which has been implemented in Cambodia, Haiti, and Jordan. Under this model, governments mandate exporting apparel factories to subscribe to the Better Work program by only issuing export licenses to factories working with BW. The advantage of this approach is that the country can maintain an industrywide reputation for ethical sourcing. However, the approach also has some drawbacks. The program cannot be truly industrywide due to

the presence of subcontracting factories, which do not require export permits and thus are not required to participate in BW. In Cambodia, the use of subcontracting factories represents a risk in sourcing. Moreover, implementing the program industrywide does not automatically imply that the factories subscribed to BW will participate in the advisory services and training offered by BW. In Cambodia, where more than 500 factories are subscribed to the program, the BFC office is still trying to increase participation in advisory and training services. To date, only 65 factories have received advisory services, and roughly 400 factories have participated in at least one of the BW training modules.

The second approach, in which program participation is voluntary, is the one that has been implemented in the five remaining BW countries. This approach can mean that more than half of the factories in a country are not subscribed to BW, as in the case of Lesotho. Yet, it also means that BW can focus more on delivering advisory services. While the Better Work Vietnam program drew heavily on the Better Factories Cambodia (BFC) model, the government decided not to mandate BW industrywide. This decision has given the BW Vietnam office the ability to offer a bundle of services, which enables factories that subscribe to BW to also receive advisory services. This can be crucial as the advisory services help factories to work on particular areas of concern that are identified through the assessments. However, the BW Vietnam office also mentioned that they are struggling to market their training services and therefore have a much lower subscription to these services. A newly introduced service delivery model will bundle training services with the rest of BW services (advisory and assessment), so this issue is expected to be resolved (see Chapter 4, "a new Better Work model," for a detailed description).

There are actions that other stakeholders can undertake to help expand the reach of the BW program. For example, in Jordan the government subsidizes the BW subscription fee for factories based on the number of local employees they hire. In Vietnam, the IFC offers an incentive to firms who are judged to have improved compliance by BW, through providing them with low-cost credit lines. The following section considers the role of external stakeholders in more detail.

Financial Incentives for Firms

Financial incentives from credit lines have been used with success to promote the Better Work program at the firm level. This type of financial incentive can make a big push for firms in textile and apparel sectors to improve their working conditions. According to IFC research, only 10 percent of exporters in emerging markets actually have access to supply chain finance. But many local commercial banks in emerging markets have limited financial products for suppliers and exporters to finance sales not backed by letters of credit. The global banks that offer supply chain finance solutions often have little experience in these markets (IFC 2014).

In 2010 the IFC launched a new fund that could help garment firms in Vietnam obtain short-term finance to boost exports. The Global Trade Supplier Finance (GTSF) program is a $500 million fund that offers short-term credit to mostly small- and medium-size exporters in emerging markets, where access to traditional forms of financing may be constrained. Under the program, the IFC works with banks and buyers across industries that source goods in emerging markets to help reach thousands of small- and medium-size suppliers.

In Vietnam, when considering lending to garment businesses, the IFC will give preference to those that are enrolled in the Better Work program. This credit line will not only allow firms to quickly convert sales into cash, but also enable them to access lower-cost finance based on the superior credit rating of their buyers. The same consideration is now being used in Bangladesh.

Choosing an Expansion Path

Given that the spillover effect of BW has yet to be substantiated, stakeholders must play an active role in expanding the program's reach. The decision is primarily between a mandatory and voluntary model. While each has its merits, our analysis suggests that the mandatory option may be less desirable. The Cambodian garment sector still faces criticism for its poor labor standards,

Kenya: An Ideal Candidate for Better Work?

To examine possible gains from implementing a program such as BW, we conducted a case study of Kenya, a country in Africa with a sizable garment sector. The field research focuses on workers' perspective; thus, it is not meant to be taken as a policy recommendation that BW should be established in Kenya. For us to make that conclusion, other criteria would need to be evaluated, which includes, but is not limited to governmental laws, regulation and support, brand interest, and donor funding. The following discussion therefore offers a brief overview of the Kenya apparel sector before identifying key issues raised by the Kenya apparel workers through focus group discussions (FGDs). A program such as Better Work seems to be well positioned to address many of the concerns regarding job quality that the workers expressed.

Mastamet-Masona and Ogembo-Kachienga (2012) identify the historically important role played by the Kenya apparel industry in the country's economic development. Ever since gaining independence in 1963, the country has relied greatly on manufacturing output and textile and apparel production in particular. The textile and apparel sector developed rapidly and employed about 30 percent of the labor force in the national manufacturing sector in the mid-2000s. Currently, approximately 170 apparel companies operate in Kenya. Of these companies, approximately 16 companies are operating in the Export Processing Zone (EPZ) and employ an estimated 24,000 workers producing garments for export. Yet, the sector's competitiveness has been seriously hampered by the loss of global markets following the elimination of the Multi-Fibre Arrangement (MFA) quotas regime at the end of 2004. Moreover, Kenya is also facing stiff competition from Asian countries that can produce apparel products at lower costs However, like many other countries in Africa, Kenya has benefited from duty-free access to the U.S. apparel market under the African Growth and Opportunity Act (AGOA). In addition to political support by the Kenyan government, buyers also suggest that African countries such as Kenya are well positioned to grow their apparel sectors (Manson 2014).

The following section highlights the main complaints voiced by workers and details how a program such as Better Work could help to address these concerns.

Long Working Hours without Pay. Several workers said they are working overtime without pay. Moreover, many workers spoke about the impact that working long hours has on their home life. The majority of female workers said working long hours is angering/frustrating their husbands, who only tolerate it for a few nights and then leave them. Others said they are short tempered with their children. *Overtime is a BW compliance point and thus this problem could at least be identified, and possibly rectified through BW assessments. The link between work and home-life satisfaction is also evident in this particular complaint. Our review has shown that improving work conditions can indeed have positive spillover effects on the quality of life outside factory walls.*

Health and Safety Issues. Basic health and safety measures, such as distribution of personal protective equipment, appears to be lacking, or, at best, inconsistent. *This reflects a shortcoming with respect to occupational health and safety policy, which can be identified, and possibly then rectified, through BW assessments.*

(continued)

Kenya: Continued

Poor Relations with Supervisors. Workers talked about supervisors using harsh language an generally poor relations between workers and supervisors. *BW supervisor trainings on communication could be conducted to equip supervisors with the necessary skills needed to better interact with workers.*

Barriers in Joining Unions. Some reported that their bosses discouraged them from joining a union (or that they were flat out denied the right to join a union). And if they did join, they felt they were discriminated against. *This problem would fall under the BW freedom to associate compliance point.*

Lack of Adequate Dispute Resolution Process. If they have a grievance, workers do not take it to a dispute resolution body/organization. Instead, they take their grievances to their shop stewards. Many workers reported that they feel their grievances go nowhere. *The performance improvement consultative committee (PICC) model that has proven so valuable is a clear solution here to help ensure that workers' concerns are adequately heard and addressed.*

Favoritism along Tribal Lines. There is favoritism based on tribalism concerning hiring, allowing leave, giving overtime hours if workers want them, etc. *This issue would be captured in the discrimination compliance point during BW assessment.*

Many of the problems raised could be addressed through a program like BW. Moreover, despite all the complaints the workers voiced, many said they appreciate having a job, despite poor job quality, because it means they can at least put food on the table. Because their working conditions are far from ideal, this reality reinforces the importance of programs such as BW that aim to improve working conditions in garment factories.

and the BFC in particular has come under serious scrutiny (see International Human Rights and Conflict Resolution Clinic and WRC 2013). These problems may occur because the program has had to focus so much of its resources to fulfill assessment services for more than 500 factories, and the factories may have become better able to "pass the audit" rather than making real improvements and effecting genuine behavior change. The voluntary model, on the other hand, invites factories to join on their own volition, which means that while the program will not be active in as many factories, it may give the program a critical mass of factories to work with in more close coordination.

Nevertheless, context clearly matters. In our discussions with the BW office in Lesotho we heard that the program would much prefer if all of the 40 apparel factories in the country were subscribed to the program because its current base of 16 factories makes it hard for the program to recoup the substantial initial investments made to establish the program. Perhaps, in a relatively minor apparel-exporting country such as Lesotho, a mandatory program may be preferable. Clearly, it depends on certain contextual factors as to which approach a country should take, but we contend that ideally the voluntary approach should be the predominant model.

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Chapter 8: Policy Implications of the Quest for Better Jobs

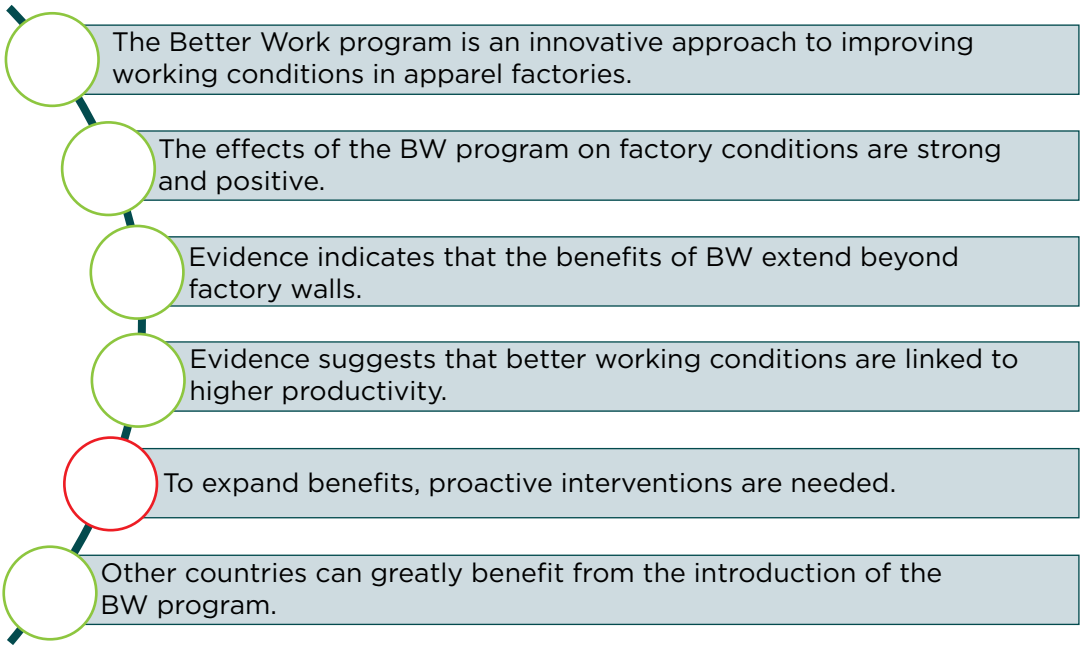
Conclusions about the Better Work Program

We note that policy makers have traditionally focused on promoting jobs as a development strategy and that the number of jobs alone may not be sufficient to alleviate poverty. Since job quality also matters, it is therefore important to focus on recommendations to improve both job quality and quantity. Apparel is a labor intensive industry with low barriers to entry for women relative to other globalized manufacturing sectors. While expanding the apparel sector is important, these jobs do not have to be in sweatshop conditions. The challenge is thus to work to improve job quality in the apparel sector and thereby increase the chances that these jobs will both advance gender equality and reduce poverty.

Much of this report studies the Better Work program as an example of how to improve job quality. The analysis in the report points to several key conclusions about the BW program (summarized in Figure 8.1) that highlight lessons learned.

1. **The Better Work program is an innovative approach to improving working conditions in apparel factories.** The program is a comprehensive attempt to improve working conditions that leverages the incentive structure of stakeholders in the apparel value chain. Innovations that have contributed to improving working conditions include: consolidated factory assessment carried out by BW staff, unannounced factory visits, and a comprehensive assessment process. Most importantly, BW complements assessment with advisory and training services to facilitate behavioral change.
2. **The effects of the BW program on factory conditions are strong and positive.** Empirical evidence largely shows that the program has helped to improve working conditions

Figure 8.1: Summary of Key Conclusions



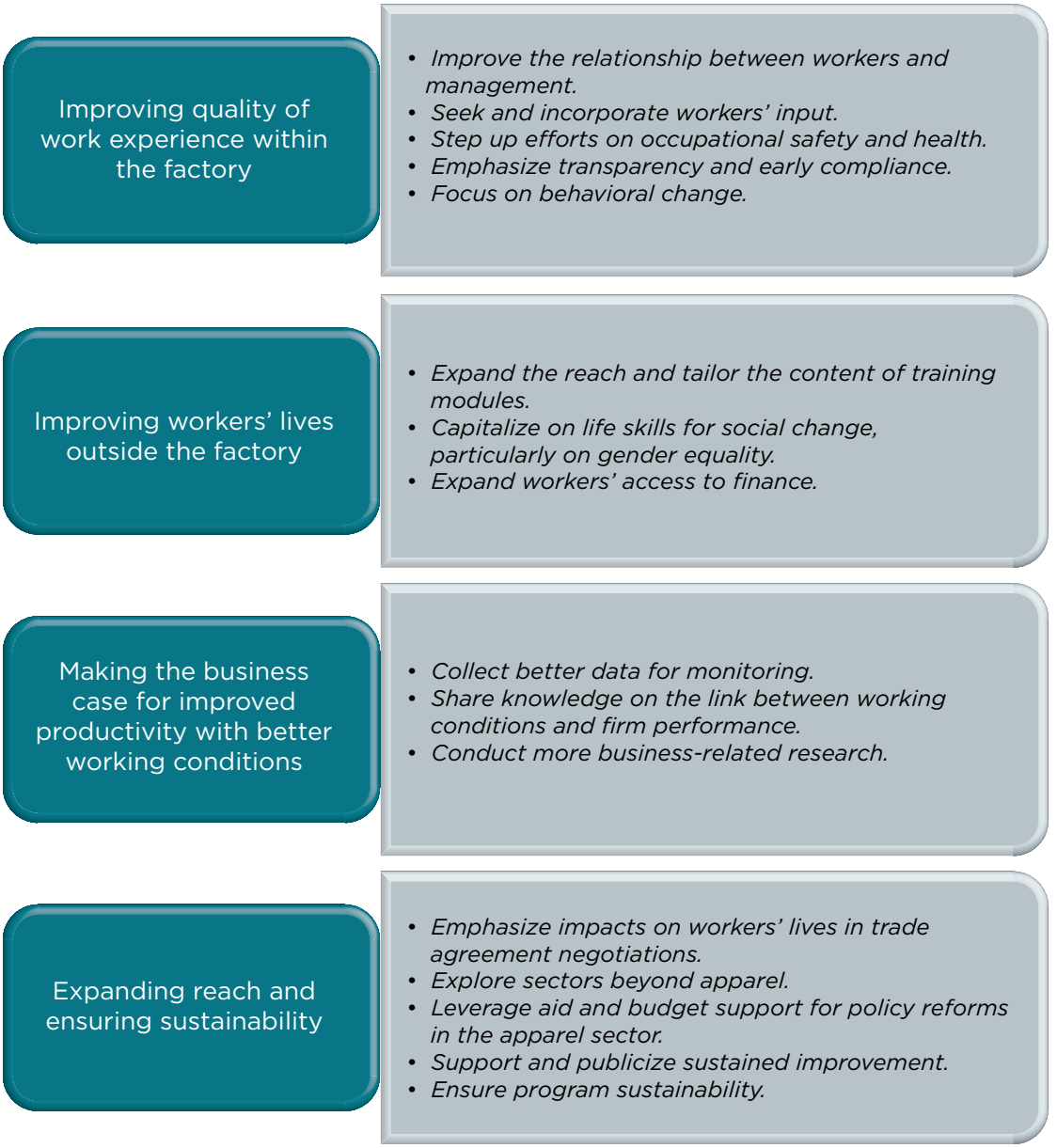
across countries. Significant improvements have been made in occupational health and safety. The relationship between workers and management has also improved with the support of performance improvement consultative committees (PICCs). These gains are also sustainable, as shown by studies in Cambodia. However, Better Work is not a panacea; challenges still remain.

3. **Evidence indicates that the benefits of BW extend beyond factory walls.** Data point to the improvements that BW involvement has on workers' lives at home. These improvements include, but are not limited to: a more equitable division of housework between spouses, less stress given more appropriate overtime and leave allocation, and knowledge about life skills (through training in communication skills, first aid, and financial literacy that workers can use in their personal lives.
4. **Sweatshop conditions are not profit maximizing.** Empirical evidence suggests that better working conditions are linked to higher productivity and superior firm performance. Nevertheless, more research is needed to explore the causality between better working conditions and better firm performance.
5. **To expand benefits, proactive interventions are needed.** At present, impacts are restricted to active participant factories, but the effect of the BW program on factories that are not subscribed to it are unclear. In this regard, proactive interventions have the potential to harness spillover effects.
6. **The introduction of BW to other countries could be greatly beneficial.** Countries with similar issues to those of the countries where BW programs are currently in place could greatly benefit from the introduction of BW program. Introducing BW to other garment-producing countries could be highly beneficial since their conditions are similar to those of Cambodia at the onset of the program. The program, which has expanded to Lesotho and other apparel-producing countries, has proven effective in a range of country contexts. Countries such as Kenya could benefit from the BW program (see the case study of Kenya in Chapter 7).

Recommendations Moving Forward

We offer the following recommendations (summarized in Figure 8.2) to advance job quality for garment workers. The recommendations are organized in terms of the main themes addressed by each of the chapters in this report: within the factory, outside the factory, making the business case, and finally, scaling up and ensuring the sustainability of initiatives such as BW. Many of the recommendations, which are drawn from the BW case study, are probably applicable to other programs seeking to improve job quality in developing countries. The recommendations have not been assigned to particular stakeholders

Figure 8.2: Summary of Recommendations



because they are all interconnected and stand to gain by working together.

Improving Quality of Work Experience within the Factory

The most direct way to improve the quality of jobs of garment workers is to ensure that they are working in collegial, comfortable, and safe environments. This requires a comprehensive and sustained approach. We offer several specific recommendations below based on lessons learned from the BW experience.

Improve the Relationship between Workers and Management. According to the worker surveys in Lesotho, Vietnam, and Kenya, garment workers universally value a "good relationship between workers and management" among the top four features for job quality. Therefore, improving the relationship between workers and management could be a cost-effective way to improve job quality and motivate workers. In addition, stakeholders should enhance multicultural communication. The apparel industry is part of the global value chain, involving stakeholders from all over the world. Practical issues arise when people from different countries with different cultures and communication styles work side by side. In addition, conflicts have arisen in many instances before being remedied. Data show numerous cases of conflict between foreign supervisors and local apparel workers (particularly in Lesotho). In this regard, using local knowledge to try to anticipate potential conflicts that might develop from cultural differences would help to improve communication between stakeholders. Training courses could also be designed based on experience from countries that have been exposed to foreign direct investment (FDI) for some time. This could help prevent entrenched animosity that would be difficult to remedy at a later stage.

Seek and Incorporate Workers' Input. Surveys in four countries suggest that workers also want more than just core labor standards. Data from focus group discussions with workers consistently show that a collegial working environment is the most important factor in shaping their perceptions of job quality. In this regard, supervisory trainings and mechanisms designed to improve the relationship between workers and management, such as BW's PICCs, suggest there is scope for developing a method to measure and systematically monitor the "friendly relationship between workers and management." Such a monitoring tool could be useful for human resource (HR) managers in factories as it would enable them to continuously gauge workers' feelings on a variety of issues, which would in turn directly contribute to workers' satisfaction and productivity.

Step up Efforts on Occupational Safety and Health. Compliance data from various methods of analysis show that occupational safety and health (OSH) is one of, if not the, most significant area of concern. BW baseline noncompliance rates are high and stay high even with successful improvement. The current approach is working, but it may not be working fast enough. Moreover, some of the issues under OSH are more difficult to change than others. Activities aimed at addressing these OSH issues as well as designing alternative methods of measuring compliance may need to be considered.

Emphasize Transparency and Early Compliance. One of the key findings from the mechanism design literature is that transparency tends to improve behavior. That is, when designing a mechanism to align incentives and behavior, a lack of transparency makes it more likely that agents will act in ways that are inconsistent with the desired outcomes. Ang et al. (2012) show how this idea applies in Cambodia. When the transparency of monitoring was reduced by the decision to no longer publish factory-specific reports, the rate of improvement in compliance fell. At least in part due to this finding, Better Factories Cambodia (BFC) recently reversed its policy and returned to a policy of posting factory-specific compliance reports. This idea has been echoed by BW critics, and transparency is now understood to be a helpful tool in improving compliance outcomes. In addition, factories should be encouraged to comply as early as possible, given the knowledge that compliance tends to sustain. In this regard, BW programs may have to put forth a great deal of effort when new factories join the program and schedule as many activities with the factory early on, while factoring in the absorptive capacity of factories. Other mechanisms to encourage factories to comply early might include setting

compliance targets and recognizing high performers with awards.

Focus on Behavioral Change. Clearly change in working conditions, especially in safety and health, cannot come from efforts by factory management alone. It needs cooperation from workers to change their behavior. BW has already worked closely with factories through its advisory service. However, it may be worth exploring an alternative approach, shifting the mindset away from "compliance for audits" to "self-improvement," with some advice from outsiders. To this end, the BW program is moving to a model whereby factories that sign up for the program are given an immediate 100-day period of advisory services, which is then followed by an assessment along compliance points.[1] This approach might be a good model for other programs as well.

Improving Workers' Lives outside the Factory

Programs aimed at improving job quality need to consider workers' lives more broadly. Below we list several concrete actions designed to ensure that program activities will not only benefit job quality but also enhance workers' quality of life.

Expand the Reach and Tailor the Content of Training Modules. Empirical evidence suggests that offering training services is extremely valuable for factories and workers. Currently, BW programs around the world offer training modules on a wide variety of subjects, including labor laws and rights, fire safety, and communication skills. If training comes at an extra cost, factories may be less likely to purchase such services. Yet, some factories have indicated that training has been greatly beneficial and have expressed that they would be willing to pay higher rates than they currently pay, thus creating room to expand training services. What is also important, is that the training modules are developed to also take into consideration possible benefits that extend beyond the factory. Such training modules include training in health and finance that are specifically tailored for factory settings. Moreover, coordination between Better Work and other NGOs working with apparel workers could also increase the overall effectiveness of training programs.

Capitalize on Life Skills for Social Change, Particularly on Gender Equality. A common theme across the three BW countries where we conducted field research is that gender norms at home are moving toward gender equality. Women use the communication skills that they learn from BW to negotiate age-old gender norms. Traditionally, in most countries across the world, women are assigned societal responsibilities concerning household chores. However, even as women increasingly work outside the home, some societies remain slow to change, and women still bear a disproportionate share of household chores. With respect to this issue, surveys in case study countries reveal encouraging patterns whereby husbands increasingly help their wives with household chores. Given that the garment sector employs a large number of women in formal sector jobs, it appears that it is a driver for this social change. In addition, the data also suggest that training in communication skills from BW has been a catalyst for this change. Clearly, there is more opportunity to formally capitalize on life skills training.

Expand Workers' Access to Finance. The Cambodia workers survey shows that only about six percent of female workers and eight percent of male workers have bank accounts, even though they work in formal sectors and are paid through formal channels. Thus, there is an opportunity to significantly improve workers' access to finance, and financial products for garment workers should be adapted to meet their needs. Mobile banking could be an avenue worth exploring, given the high rate of cellphone ownership (about 92 percent for both men and women). Interventions aimed at expanding access to finance could also be delivered in conjunction with financial literacy training, which has proven to be successful in Lesotho.

Making the Business Case for Improved Productivity with Better Working Conditions

Businesses may be hesitant to implement policies to improve job quality for their employees. Yet, after realizing the potential bottom line gains to be had, they may be more likely to initiate

[1] For more information, see: http://betterwork.org/global/?page_id=7380

change. We suggest three actions in particular to strengthen the link between job quality and firm profitability.

Collect Better Data for Monitoring. Data from workers surveys in our case study countries have proven to be useful in capturing progress on compliance and revealing new issues related to working conditions. Many interesting findings emerged such as those relating to PICCs, wages, and use of fixed-term contracts. In addition, outcome data are important. For example, in addition to monitoring compliance with occupational safety rules, it would also be useful to monitor the number of accidents. In addition, collecting data directly from workers would allow for a breakdown of the data by sex and help stakeholders address gender gaps (some of which could also disadvantage men). Such data need not be collected only by BW; other stakeholders, such as factory management and buyers who want better information to help them make better business decisions could also support efforts to collect better data.

Share Knowledge on the Link between Working Conditions and Firm Performance. Recent research has shown that firms may not always have complete information about human resource management and how it can contribute to higher productivity. In addition to increasing efforts to disseminate such knowledge, it would also be useful to explore ways that factories could receive and share such information. As effective modes of communication may differ across garment-producing countries and types of factories, a survey of BW enterprise advisers across countries could recommend effective communication strategies suitable for different types of firms and environments.

Conduct More Business-Related Research. More research is needed to document the positive impacts of improving working conditions on productivity and profitability. We have presented some research pointing to this relationship, but if information on productivity and compliance is more closely monitored, the relationship could be further substantiated. In this case, we would expect a "race to the top" where factories would actively seek to improve working conditions, not just because it is the right thing to do, but also because it makes good business sense.

Expanding Reach and Ensuring Sustainability

Active and engaged action is required to expand the reach of programs such as Better Work. Moreover, the sustainability of such initiatives needs to be well thought out and ensured.

Emphasize Impacts on Workers' Lives in Trade Agreement Negotiations. Trade agreements and international discussions often include agendas related to labor rights. Although these issues are important, analysis in this report has shown that other aspects of workers' lives are also important. In this regard, trade is a powerful tool leading to development gains. Gender equality is one of the key issues that many developed countries (who are also major apparel importers) tend to regard as an important policy agenda. At the same time, it may also be necessary to broaden the audience in importing countries' governments.

Explore Sectors Beyond Apparel. Garment factories are not the only sites often characterized by poor working conditions. Many other labor-intensive manufacturing sectors can be considered. To this end, BW is preparing to expand into the shoe manufacturing industry in Cambodia. This expansion is natural because the shoe and apparel industries share many similarities. The food processing industry—particularly products destined for export markets—is another sector that could benefit from a BW-type intervention. Canned tuna is a prime example of this industry. In this regard, the food-processing industry in many developing countries employs a large proportion of low-skilled female workers. Concerns about health, safety, and environmental degradation can attract the attention and scrutiny of consumers in the West, which in turn could make buyers reputation sensitive.

Leverage Aid and Budgetary Support for Policy Reforms in the Apparel Sector. Bilateral donors and International Financial Institutions (IFIs) could use their aid and budgetary support to work with client countries on policy reforms like Better Work to improve working conditions. Reform measures needed to implement Better

Work are consistent with donors and IFIs' goals because they aim to improve the efficiency of the supply chain of the garment and textile industries (and other labor-intensive sectors) while improving the poor's well-being and closing gender gaps. Moreover, Better Work also builds on a solid foundation of public-private partnership, which is one of the key policy directions that the World Bank is advocating for at the corporate level.

Support and Publicize Sustained Improvement. Highlighting key gains helps increase the perceived value of participation in BW programs, especially in countries where participation is voluntary. Moreover, by continuously working with factories through advisory services, the program can help to ensure that the identified problem areas are effectively addressed. In this manner, workers will also gain a sense of trust in processes that not only exposes but also helps remedy poor working conditions. Although certain issues are relatively straightforward to address, new issues constantly arise. Therefore, it is crucial, that programs be creative and flexible. Finally, by doing a better job of publicizing key instruments proven to be effective, the program may be able to facilitate spillover effects. This would happen by garnering the interest of factory owners who may not be subscribed to the program, but may nonetheless be interested in improving the job quality of their employees and their bottom lines.

Ensure Program Sustainability. The BW country programs are not yet self-sustaining; rather, they all rely to some extent on external donor support. This is problematic because funding priorities change, and the program could be forced to shut down. Several different actions can be taken to avoid this scenario: (1) seek more financial support from buyers, who receive the benefits of risk insurance in terms of knowing the working conditions in the factories they are sourcing from; (2) support key HR investments early on in light of the finding that factories that have made such investments tend to sustain compliance even in the face of external shocks (such as the end of the MFA or financial crisis); and (3) persuade governments to assume greater ownership of the program. If the broader economic benefits of an ethical sourcing reputation are evident, governments may be more willing to take on a larger financial burden. A possible way to help ensure greater buy-in from factory managers, buyers, and governments might be to recast the message of improving working conditions as one of technology-sharing. Sharing technology that improves factories might be received differently than externally imposed standards. Given the benefits to stakeholders, the prospects for sustainable programming seem bright.

Knowledge Gaps and Suggestions for Future Research

Due to the limitations of this project, we could not collect qualitative and quantitative data from all BW countries. However, findings from this report open up new avenues for research. Future studies on BW could include the following actions:

1. **Explore differences of remittances from male and female workers.** Our field research pointed to the important role of remittances on workers' welfare; however, this issue could be explored further. Data from Cambodia show that although women tend to work longer hours and earn more, there is no difference between male and female workers in terms of their poverty level. Moreover, women tend to own *fewer* assets. It appears that remittances could play a role in explaining this seemingly counterintuitive observation. That women send more money back home while they endure longer hours in the factories can be traced to the socialization of girls to be care providers to younger siblings or older parents (in the form of money, if the care is provided remotely). More research could be done to confirm this hypothesis, as well as to explore whether female workers have used the communication skills they learned from BW to negotiate a more gender-equal arrangement in providing care and financial support to family members in rural areas.
2. **Understand the link between working conditions, wages, and firm performance.** If improvements in working conditions improve firm performance, then it would be easier to spread human resource management

(HRM) technology to other firms. A positive link between working conditions and factory performance would also have implications for earnings, because better-performing factories may be able to afford higher wages and attract better workers. More research is needed in this area to in order to better understand these relationships.

3. **Understand managers' perspectives.** Much of this study has focused on workers' perspectives as they are important indicators of working conditions in factories. However, while workers' views are a significant consideration, it is also important to collect information on and analyze the perspectives of factory managers who make HRM decisions. Understanding their views and, in many cases, resistance to improving working conditions could be useful in designing strategies aimed at addressing managers' concerns so that obstacles to improving factory-level working conditions can be overcome.
4. **Explore the gender dimensions of improving job quality and subsequent development impacts.** Recent and previous quantitative research establishes that job quality for the predominantly female workforce is improving due to interventions like the BW program. Qualitative research carried out suggested that training in subjects such as negotiation skills and worker-management cooperation has spillover effects, which has promoted greater gender equality within workers' households. On the other hand, a survey in Kenya (a non-BW country) showed that men insist on their traditional roles at home and are not willing to share household responsibility with their wives. Thus, more research is needed in order to identify the causes of changes in gender roles for men and women. More qualitative and quantitative research could establish linkages between improvements in job quality for women, their gender roles, and development impacts. This research could include a pilot program that will provide outreach to both men and women in garment factory worker households.

References

Ang, Debra, Drusilla Brown, Rajeev Dehejia, and Raymond Robertson. 2012. "Labor Law Compliance and Human Resource Management Innovation: Better Factories Cambodia." Review of Development Economics 16 (4) (November): 594–607.

Appendix A: Data Analysis Outputs

A.1 Cambodia, Jordan, and Vietnam Noncompliance Analysis

Table A.1: Comparison Tables by Category and Sub-Category

Ambient conditions

	Subcategory				
Country	**Water**	**Temperature**	**Toilets**	**Air**	**Light**
Cambodia	0.174	0.471	0.157	0.29	0.025
Jordan	0.25	0.222	0.375	0.042	0.042
Vietnam	0.021	0.132	0.123	0.082	0.041

Electrical safety

	Subcategory			
Country	**Exits**	**Electrical**	**Equipment**	**Fire**
Cambodia	0.078	0.19	0.138	0.249
Jordan	0.477	0.306	0.312	0.222
Vietnam	0.256	0.23	0.344	0.13

Wage policies

	Subcategory		
Country	**Contracts**	**Wages**	**Overtime**
Cambodia	0.156	0.337	0.433
Jordan	0.215	0.172	0.083
Vietnam	0.248	0.116	0.19

Freedom of association and collective bargaining

	Subcategory		
Country	**FA**	**Management**	**CB**
Cambodia	0.069	0.013	0.000
Jordan	1	0.003	0.028
Vietnam	0.997	0.119	0.126

Table A.1.2: Noncompliance by Country and Category, in Percent

	Country		
Group	**Cambodia**	**Jordan**	**Vietnam**
Ambient conditions	20.8	18.6	7.4
Safety	15.2	33.5	26.6
Wage policies	28.5	15.1	16.5
FACB	3.1	24.2	28.2

Note: Noncompliance rates are the arithmetic average across all factories in all time periods within each country and category. All available years of data are included. FACB = freedom of association and collective bargaining.

Figure A.1.3: Noncompliance over Time by Category and Country

Source: Authors' calculation from factory-level compliance data.

Table A.1.4: Regression Results

Variables	Estimate
Log employment	−0.020***
	(0.000)
Female share	−0.020***
	(0.002)
Visit number	−0.001***
	(0.000)
Ambient conditions	0.090***
	(0.002)
Safety	0.035***
	(0.001)
Wage policies	0.117***
	(0.001)
FACB	−0.012***
	(0.002)
Time	−0.001***
	0.000
Jordan	0.012***
	(0.001)
Vietnam	0.029***
	(0.001)
Constant	0.685***
	(0.006)
Observations	1,820,799
R-squared	0.016

Note: Standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1. The dependent variable is noncompliance at the question level, so that negative coefficients suggest rising compliance. FACB = freedom of association and collective bargaining.

Table A.2: Probit Regressions of Job Satisfactory Status, 2015 Cambodia Apparel Worker Survey

Variables	(1) Model 1	(2) Model 2	(3) Model 3
Women	0.454***	0.445***	0.451***
	(0.152)	(0.152)	(0.153)
Age	−0.0186*	−0.0175	−0.0182*
	(0.0106)	(0.0107)	(0.0110)
Married	0.199	0.201	0.198
	(0.124)	(0.124)	(0.131)
Education: completed class 9 or higher	−0.0284	−0.0351	−0.0563
	(0.143)	(0.143)	(0.145)
Factory category B	0.418**	0.423**	0.476**
	(0.182)	(0.182)	(0.186)
Factory category C	0.228	0.255*	0.322**
	(0.142)	(0.144)	(0.150)
Factory size: medium	0.679***	0.745***	0.737***
	(0.147)	(0.152)	(0.153)
Factory size: small	0.458***	0.606***	0.525***
	(0.156)	(0.179)	(0.186)
Union member	−0.370***	−0.355***	−0.365***
	(0.135)	(0.136)	(0.137)
Has fixed term contract	−0.135	−0.126	−0.135
	(0.137)	(0.137)	(0.138)
Factory has H&S committee	1.044***	1.024***	0.975***
	(0.313)	(0.314)	(0.318)
Received OSH training?	0.183	0.182	0.193
	(0.118)	(0.119)	(0.120)
Heard of BFC	−0.00377	−0.00694	0.00661
	(0.130)	(0.131)	(0.134)
Know PICC	0.165	0.176	0.158
	(0.133)	(0.133)	(0.134)
Hours worked per week		0.0124*	0.0119*
		(0.00718)	(0.00719)
Worker personally own:			
Washing machine			0.00468
			(0.631)
Motorcycle			−0.0188
			(0.137)

Variables	(1) Model 1	(2) Model 2	(3) Model 3
TV			0.0166
			(0.123)
Cellphone			−0.131
			(0.212)
Bank account			0.422
			(0.263)
Constant	−1.133**	−1.920***	−1.748**
	(0.462)	(0.650)	(0.679)
Observations	565	565	565

Standard errors in parentheses, *** p<0.01, ** p<0.05, * p<0.1
Note: Base group categories include factory category A and large factory.

Table A.3: Earning Regressions of Workers, 2015 Cambodia Apparel Worker Survey

Variables	(1) Earnings-level	(2) Earnings-log
Hours worked last week	1.553***	0.00844***
	(0.233)	(0.00122)
Days worked last month	5.127***	0.0348***
	(0.669)	(0.00349)
Factory category B	20.50***	0.102***
	(5.982)	(0.0313)
Factory category C	18.68***	0.0964***
	(5.096)	(0.0266)
Women	2.320	0.00780
	(5.432)	(0.0284)
Education: completed class 9 or higher	11.09**	0.0526**
	(4.996)	(0.0261)
Age	0.377	0.00220
	(0.392)	(0.00205)
Married	−2.943	−0.0220
	(4.158)	(0.0217)
Tenure: years in the clothing industry	3.646**	0.0179**
	(1.576)	(0.00824)
Tenure squared	−0.113	−0.000808
	(0.104)	(0.000541)

(*continues*)

Table A.3: Continued

Variables	(1) Earnings-level	(2) Earnings-log
Received OSH training?	2.362	0.00793
	(4.022)	(0.0210)
Heard of BFC?	7.647*	0.0313
	(4.305)	(0.0225)
Union member	-3.249	-0.00737
	(4.492)	(0.0235)
Job in factory:		
Cutter	-14.95	-0.0776
	(10.22)	(0.0534)
Spreader	4.974	0.0113
	(8.079)	(0.0422)
Checker	-16.57*	-0.106**
	(8.650)	(0.0452)
Packer	-7.646	-0.0606
	(7.811)	(0.0408)
Quality control	6.853	0.0218
	(8.347)	(0.0436)
Supervisor	27.48**	0.0682
	(11.27)	(0.0589)
Helper	14.97	0.0672
	(18.76)	(0.0980)
Other job	-16.90***	-0.114***
	(5.551)	(0.0290)
Constant	-53.56***	3.766***
	(20.19)	(0.105)
Observations	565	565
R-squared	0.322	0.382

Standard errors in parentheses, *** p<0.01, ** p<0.05, * p<0.1
Note: Base group categories include: Factory category A and Job in factory as a sewer.

Table A.4: Full Model Specification of Children's Education and Mother's Work from Cambodia

Pr[kid attends school]	Coef.	SE	dy/dx	SE
Child's age (linear)	1.560***	(0.124)	0.197	(0.018)
Child's age (quadratic)	−0.071***	(0.006)	−0.009	(0.001)
Child is female	−0.045	(0.083)	−0.006	(0.011)
Childworks	−0.513***	(0.102)	−0.065	(0.013)
Child receives wage	4.111*	(2.205)	0.520	(0.283)
Child's log wage	−0.466**	(0.187)	−0.059	(0.024)
Child's father has primary education	0.009	(0.110)	0.001	(0.014)
Child's father has lower secondary education	0.266	(0.165)	0.034	(0.021)
Child's father has higher secondary education	1.159***	(0.453)	0.147	(0.055)
Child's father has higher university or more education	1.102**	(0.478)	0.139	(0.061)
Child's mother has primary education	0.262***	(0.092)	0.033	(0.012)
Child's mother has lower secondary education	0.125	(0.212)	0.016	(0.027)
Child's mother has higher secondary education	−0.340	(0.403)	−0.043	(0.051)
Child's mother has higher university or more education	5.670***	(0.465)	0.717	(0.086)
If the mother of the child is the only parent working	−0.781	(0.780)	−0.099	(0.097)
If the father of the child is the only parent working	−0.553	(0.413)	−0.070	(0.052)
If both parents work	−0.657	(0.781)	−0.083	(0.098)
Child's mother works in textile	0.321	(0.290)	0.041	(0.037)
Child's mother works in comparison sectors	−0.644***	(0.201)	−0.081	(0.026)
Child's mother works in textile * Child is female	0.239	(0.384)	0.030	(0.049)

Source: Biprobit estimation results, CSES 2011: Child's equation.
Note: *Significant at the 10% level, ** significant at the 5% level, and *** significant at the 1% level.

Pr[child attends school]	Coef.	SE	dy/dx	SE
Child's mother works in comparison sector * Child is female	0.048	(0.275)	0.006	(0.035)
Child's mother works as an employee	-0.075	(0.257)	-0.009	(0.032)
Child's mother has high wage	0.002	(0.199)	0.000	(0.025)
Child's mother's log wage	-0.003	(0.022)	0.000	(0.003)
Child's father has high wage	-0.034	(0.157)	-0.004	(0.020)
Child's father's log wage	0.005	(0.009)	0.001	(0.001)
Child lives in urban area	0.042	(0.129)	0.005	(0.016)
Child lives in Banteay Mean Chey	-0.252	(0.276)	-0.032	(0.035)
Child lives in Bat Dambang	-0.310	(0.347)	-0.039	(0.044)
Child lives in Kampong Cham	-0.172	(0.301)	-0.022	(0.038)
Child lives in Kampong Chhnang	-0.645**	(0.309)	-0.082	(0.040)

(*continues*)

Table A.4: Continued

Pr[child attends school]	Coef.	SE	dy/dx	SE
Child lives in Kampong Speu	0.001	(0.353)	0.000	(0.045)
Child lives in Kampong Thum	-0.352	(0.323)	-0.044	(0.041)
Child lives in Kampot	-0.107	(0.321)	-0.014	(0.041)
Child lives in Kandal	-0.142	(0.321)	-0.018	(0.041)
Child lives in Kaoh Kong	0.325	(0.628)	0.041	(0.079)
Child lives in Kratie	0.034	(0.384)	0.004	(0.048)
Child lives in Mondul Kiri	6.124***	(0.379)	0.775	(0.083)
Child lives in Preah Vihear	-1.016***	(0.341)	-0.128	(0.045)
Child lives in Prey Veaeng	-0.314	(0.325)	-0.040	(0.042)
Child lives in Pousat	-0.652*	(0.362)	-0.082	(0.047)
Child lives in Rattanak Kiri	-1.729***	(0.446)	-0.219	(0.060)
Child lives in Siem Reab	-0.221	(0.300)	-0.028	(0.038)
Child lives in Krong Preah Sihanouk	-0.313	(0.439)	-0.040	(0.056)
Child lives in Stueng Traeng	-0.250	(0.462)	-0.032	(0.059)
Child lives in Svay Rieng	-0.090	(0.355)	-0.011	(0.045)
Child lives in Takaev	-0.113	(0.342)	-0.014	(0.043)
Child lives in Oudor Mean Chey	1.424***	(0.419)	0.180	(0.053)
Child lives in Krong Kaeb	-0.112	(0.612)	-0.014	(0.077)
Child lives in Krong Pailin	-0.164	(0.404)	-0.021	(0.051)
Number of child's siblings aged between 0 and 5 in the household	-0.061	(0.090)	-0.008	(0.011)
Number of child's siblings aged between 6 and 9 in the household	-0.109	(0.085)	-0.014	(0.011)
Number of child's siblings aged between 10 and 15 in the household	-0.144*	(0.082)	-0.018	(0.011)
Household wealth	0.129***	(0.039)	0.016	(0.005)
Household is poor	-0.189**	(0.092)	-0.024	(0.012)
Constant	-7.175***	(0.849)		
Number of observations	2,764			

Source: Biprobit estimation results, CSES 2011: Child's equation (continuation).

Pr[mother works]	Coef.	SE	dy/dx	SE
Mother's age (linear)	0.091*	(0.050)	-0.001	(0.001)
Mother's age (quadratic)	-0.001**	(0.001)	0.000	(0.000)
Mother has primary education	0.085	(0.091)	-0.001	(0.001)
Mother has lower secondary education	0.098	(0.166)	-0.001	(0.002)
Mother has higher secondary education	0.065	(0.212)	0.000	(0.002)
Mother has higher university or more education	0.319	(0.392)	-0.002	(0.005)

Pr[mother works]	Coef.	SE	dy/dx	SE
If the spouse works	-0.101	(0.128)	0.001	(0.002)
Mother lives in urban area	-0.337***	(0.099)	0.002	(0.005)
Mother lives in Banteay Mean Chey	0.455***	(0.172)	-0.003	(0.006)
Mother lives in Bat Dambang	1.155***	(0.220)	-0.009	(0.015)
Mother lives in Kampong Cham	0.838***	(0.156)	-0.006	(0.011)
Mother lives in Kampong Chhnang	0.390*	(0.217)	-0.003	(0.005)
Mother lives in Kampong Speu	1.226***	(0.253)	-0.009	(0.016)
Mother lives in Kampong Thum	0.752***	(0.213)	-0.006	(0.010)
Mother lives in Kampot	0.679***	(0.251)	-0.005	(0.009)
Mother lives in Kandal	0.954***	(0.169)	-0.007	(0.013)
Mother lives in Kaoh Kong	6.540***	(0.298)	-0.048	(0.086)
Mother lives in Kratie	1.276***	(0.357)	-0.009	(0.017)
Mother lives in Mondul Kiri	0.328	(0.455)	-0.002	(0.006)
Mother lives in Preah Vihear	0.130	(0.275)	-0.001	(0.002)
Mother lives in Prey Veaeng	0.921***	(0.192)	-0.007	(0.012)
Mother lives in Pousat	0.680***	(0.240)	-0.005	(0.009)
Mother lives in Rattanak Kiri	1.333***	(0.354)	-0.010	(0.017)
Mother lives in Siem Reab	0.802***	(0.179)	-0.006	(0.011)
Mother lives in Krong Preah Sihanouk	1.100***	(0.361)	-0.008	(0.015)
Mother lives in Stueng Traeng	6.262***	(0.441)	-0.046	(0.087)
Mother lives in Svay Rieng	0.795***	(0.246)	-0.006	(0.011)
Mother lives in Takaev	1.474***	(0.273)	-0.011	(0.020)
Mother lives in Oudor Mean Chey	0.806**	(0.329)	-0.006	(0.011)
Mother lives in Krong Kaeb	0.419	(0.540)	-0.003	(0.007)
Mother lives in Krong Pailin	0.345	(0.373)	-0.003	(0.005)
Household wealth	0.218***	(0.021)	-0.002	(0.003)
Number of children aged between 0 and 5 in the household	-0.290***	(0.063)	0.002	(0.004)
Number of children aged between 6 and 9 in the household	0.089	(0.072)	-0.001	(0.001)
Number of children aged between 10 and 15 in the household	0.021	(0.055)	0.000	(0.001)
Constant	-3.458***	(1.035)		
Number of observations	2,764			

Source: Biprobit estimation results, CSES 2011: Mother's equation.
Note: *Significant at the 10% level, ** significant at the 5% level, and *** significant at the 1% level.

Table A.5: Cambodian Workers' Perceptions on Compliance Issues, in Percent

	Sex		Category of services			
	Female	**Male**	**A**	**B**	**C**	**All**
Union member	32	21	45	6	36	30
Have been discouraged from joining unions*	18	17	17	44	17	18
Can talk to shop steward easily*	86	71	98	67	78	84
Paid minimum wage or above	94	82	97	78	97	92
Signed contract	90	82	93	76	92	88
Have fixed-term contract	71	70	79	48	79	71
Contract was explained	82	71	81	70	84	80
Reported factory has H and S committee	96	94	100	85	100	96
Reported factory has H and S policy	84	88	84	80	87	85
Received any OSH training	59	56	51	51	66	59
Work longer than 55 hours per week	81	70	82	72	80	78
Never been asked to do unwanted overtime**	67	65	63	66	69	67
Received leave when asked	93	96	92	93	95	94

Source: 2015 Cambodia Apparel Worker Survey. Note:* If union members; ** over the past 3 months; H and S=health and safety; Category of services from BW: A: receive only assessments, B: assessment and training, and C: assessment, training, and advisory.

Appendix B: Organizations and Initiatives Working to Improve Working Conditions

Business for Social Responsibility (BSR) HERproject

BSR is a global nonprofit organization that works with its network of more than 250-member companies to build a just and sustainable world. HERproject empowers women working in global supply chains through workplace-based programs, capacity building of local civil society, and advocacy with business and government. It is a global public-private partnership to empower low-income women working in global supply chains through workplace programs promoting health and financial inclusion. Launched in 2007, HERproject is active in 13 countries with more than 40 international companies, 300 factories and farms, and 20 civil society partners reaching more than 250,000 women.

Clean Clothes Campaign (CCC)

The CCC works to expand and establish basic labor rights for workers in the global garment and sports-wear industries. The CCC was founded in 1989 and is now allied with 16 different European countries and more than 200 organizations and unions. The CCC believes in basic, yet inarguably important, principles regarding labor rights: the establishment of minimum standards, safety in the workplace, and transparency from corporations, among others. These principles have set a new standard for labor rights in Europe.

Electronic Industry Citizenship Coalition (EICC)

The EICC was founded in 2004 by a group of leading electronic companies that were interested in promoting the well-being of workers and communities involved in the global electronics supply chain. Members of the EICC are not only held to core social, environmental, and economic standards, but also are encouraged to engage with governments and institutions to hone expertise and expand perspective. Today, 100 companies are members of the EICC, which directly employs 5.5 million people and has an annual revenue of $2.6 trillion.

Ethical Trading Initiative (ETI)

The ETI is a leading alliance of companies, trade unions and NGOs that promotes respect for workers' rights around the globe. Its stated vision is a world where all workers are free from exploitation and discrimination and enjoy conditions of freedom, security, and equity.

Fair Labor Association (FLA)

The FLA works to protect the rights of workers in a wide range of supply chains. Members of the FLA are held to its code of conduct, and the FLA conducts its own external assessments. By uniting universities, civil society organizations, and companies, the FLA hopes that key labor issues can be addressed and goods can be produced in a more ethical manner.

Fair Trade

Fair Trade is a third-party organization that oversees transactions between U.S. companies and international suppliers. Farmers and workers producing Fair Trade Certified goods are paid living wages, work in a safe environment, and receive the proper funds to empower their communities. Fair Trade also aims to spread awareness among consumers and works to bring more manufacturers into its system.

Fair Wear Foundation (FWF)

The FWF is an independent, nonprofit organization that works with companies and factories to improve labor conditions for garment workers. FWF's 80-member companies represent over 120 brands and are based in seven European countries. Member products are sold in over 20,000 retail outlets in more than 80 countries around the world. FWF is active in 15 production countries in Asia, Europe, and Africa. FWF keeps track of the improvements made by the companies it works with. And through sharing expertise, social dialogue, and strengthening industrial relations, FWF increases the effectiveness of the efforts made by companies.

Global Social Compliance Programme (GSCP)

The GSCP was founded in 2006 to provide consistent compliance codes across supply chains and address the root issues surrounding noncompliance. The GSCP works to identify and reconcile discrepancies between current codes and move toward a more unified standard. The GSCP is currently composed of 39 companies and actively engages civil society stakeholders in its programs.

Good Electronics

Good Electronics works to preserve and protect labor rights in the electronics supply chain. The Common Demands on the Electronics Industry, formulated by the Good Electronics network, addresses human rights issues not only within production plants but also throughout the production cycle.

International Labour Organization (ILO)

The IILO, founded in 1919, is committed to the promotion of social justice and labor rights. Main goals of the ILO include promoting rights at work, encouraging employment opportunities, enhancing social protection, and establishing dialogue on work-related issues. The ILO has 185 member states and works to alleviate a wide array of labor-related human rights violations.

Labour Behind the Label

The Labour Behind the Label campaign is part of a larger campaign network throughout Europe that strives to enhance workers' rights worldwide. Labour Behind the Label engages with trade unions and their local branches, consumer organizations, campaign groups, and charities to bring about meaningful and positive change in the garment industry. The campaign hopes to raise awareness within the general public, pressure companies to assume more responsibility for their workers' rights, support and empower workers in their fight for more humane working conditions, and lobby governments and policy makers to legislate for workers. Labour Behind the Label is the UK platform of the Clean Clothes Campaign.

Levi Strauss Foundation

The Levi Strauss Foundation advances the human rights and well-being of underserved people touched by its business. The foundation supports progressive leaders and organizations that take risks and innovate as they address the most pressing social issues of our time: from HIV/AIDS and human rights to promoting long-term assets among low-income people and improving the lives of apparel workers.

Love Fashion Hate Sweatshops (War on Want)

The Love Fashion Hate Sweatshops campaign was started by War on Want, an organization committed to the fight against global poverty, inequality, and injustice. The Love Fashion Hate Sweatshops campaign is concerned with the implications of a globalized garment industry and the ways in which workers' rights are influenced by the 21st century clothing market. Main goals of the campaign include the establishment of legally binding regulations that will solidify basic rights for laborers, greater transparency of corporations, and heightened awareness among consumers.

Sustainable Apparel Coalition (SAC)

The SAC is a trade organization composed of brands, retailers, manufacturers, government, and nongovernmental organizations and academic experts, representing more than a third of the global apparel and footwear market. The coalition is working to reduce the environmental and social impacts of apparel and footwear products around the world. SAC's focus is The Higg Index, a suite of assessment tools that standardizes the measurement of the environmental and social impacts of apparel and footwear products across the product life cycle and throughout the value chain.

SweatFree Communities

SweatFree Communities is a campaign of the International Labor Rights Forum. The campaign aims to assist, empower, and support sweatshop workers in their struggle to improve working conditions and form and join unions. The first SweatFree Communities were started in Maine, Minnesota, New York, Washington, and Wisconsin to ensure that tax dollars were not being spent on clothing and uniforms made in sweatshops. Today, numerous cities, counties, and school districts have adopted "sweatfree" policies, outlined by SweatFree Communities.

The Institute for Global Labour and Human Rights (formally National Labor Committee)

The Institute for Global Labour and Human Rights (the Institute) is a nonprofit human rights organization

dedicated to the promotion and defense of internationally recognized worker rights in the global economy. Founded in 1981 as the National Labor Committee, the Institute's research, in-depth reports, high-profile public campaigns, and widespread media coverage have been instrumental in creating the anti-sweatshop movement in the United States and internationally. The Institute is headquartered in Pittsburgh with regional offices in Dhaka and San Salvador and research/advocacy partnerships in China, Jordan, Central America, and South Asia.

United Nations (UN)

The UN was founded in 1945 following World War II with the aim of promoting world peace, protecting and expanding human rights, and encouraging social and economic development. Today, 193 nation-states sit are members of its general assembly. The UN is actively involved in research within the realm of global trade and is a credible body concerning both labor and human rights.

Worker Rights Consortium (WRC)

The WRC is concerned with the production and consumption of college and university-related apparel. A great deal of this apparel is produced by large companies with intricate global supply chains, and universities have little say in the code of conduct adopted by these companies. The FLA, which has over 175 college and university affiliates, works to make the production of this clothing more ethical and humane.

Worldwide Responsible Accredited Production (WRAP)

WRAP works to make the production of goods in the sewn products sector safe, humane, and sustainable. WRAP-certified facilities receive a gold, silver, or platinum rating based on compliance to standards. WRAP has 1,725 certified factories, which employ over 1.5 million people.

Appendix C: Methodology for Conducting Qualitative and Quantitative Data Gathering

Our team conducted original field research in four countries: Cambodia, Kenya, Lesotho, and Vietnam. Below is a table summarizing the scope and reach of our research in each country.

1. Cambodia

The data collected from Cambodia came from 4 focus group discussions (FGD) involving 26 workers, as well as questionnaires completed by 565 workers.

The World Bank commissioned the Nuppun Institute for Economic Research to conduct a survey with garment workers to seek their views on the Better Factories Program (BFC) in Cambodia. The survey interviewed 565 workers in 12 different factories in Phnom Penh and its surrounding areas. Four factories were deemed small (less than 500 workers), four were medium size (500 to 1,000 workers), and four were large (more than 1,000 workers). We also tried to get a spread of factories in terms of the country of ownership. The final sample of factories were owned by firms from Australia, Cambodia, China, the Republic of Korea, Singapore, Sweden, and the United States.

To better understand the difference between levels of service offered by BFC, our team the sample by level of service as follows:

- Category A—Monitoring services only
- Category B—Training services offered in addition to monitoring
- Category C—Advisory and training services offered in addition to monitoring

To ensure that a sufficient number of members of Performance Improvement Consultative Committees (PICC) answered the questionnaire and were part of the FGDs, we over-sampled factories in category C, given that it the PICCs are typically established as part of the advisory services package offered by BFC. The table below details our sampling framework.

Following the selection of factories from a list provided by Better Factories program, our research team mapped the exact locations and addresses of the factories through phone calls. This is an important process to determine the exact location before the team goes to conduct the interview.

Table C.1: Overview of Original Field Research Conducted by Our Research Team

		Survey	Focus Group Discussions	
Country	**Date of research**	**Number administered**	**Number held**	**Number of workers participating**
Cambodia	March 2015	565	4	24
Kenya	July 2013	n/a	13	131
Lesotho	May–Dec. 2011; Sept. 2013	377	37	290
Vietnam	March 2015	n/a	4	32

Table C.2: Sampling Frame for Primary Sampling Unit (factory)

BFC services offered/factory size	Small = X<500	Medium = 500<X<1000	Large= X>1000
Monitoring (A)	1	1	1
Training and monitoring (B)	1	1	1
Training, advisory, and monitoring (C)	2	2	2

The field survey was conducted from March 5 to March 12, 2015. The field survey team was organized into three teams. Each team has five members—one field team leader and four data collectors—and each team is responsible for interviewing workers in four factories. The team leader interviewed one worker and used the rest of his or her time to check and verify the completed questionnaires from the team members. The other team members were responsible for interviewing up to five respondents. The interviewers were assigned in different locations in front of the factory gate to ensure that he or she could follow one worker and asked for permission for the interview. After having permission from the interviewee, the interview could take place at restaurants, nearby factories, or at interviewees' rooms or homes.

The Cambodia survey questions were adapted from the model used in Lesotho. Using CSES (Cambodia Socio-Economic Survey) data from 2012 and taking into consideration general knowledge about the particular contextual factors, questions were removed or added. The final questionnaire consists of approximately 65 items related to working conditions and work/gender dynamics at work and at home. The main purpose of the questionnaire is to cover a wide range of issues and, therefore, focus on breadth.

The data from quantitative survey were analyzed using Stata, a statistical software.

Focus Group Discussions

The researchers held four FGDs on March 7 and 8: with six female workers from two different category C large factories; with six male workers from two different category A small factories; with eight female workers from two different category A small factories; and with four female and two male supervisors from two different medium-size factories (two from category A and four from category C factories. The questions for the FGD were adapted from the Lesotho FGD template. The FGDs were held at various locations including a restaurant, office building, and a coffee shop.

2. Kenya

The data collected from Kenya came from 13 focus group discussions involving 131 workers.

In July 2013, 13 focus groups were held with 141 workers from 17 factories in the Athi River Export Processing Zone (EPZ). A union organizer from the Tailors and Textile Workers Union (TTWU) recruited participants, with the assistance of two shop stewards from the union. Ten of the focus groups were held with females, two with males, and one with a mixed gender group. The focus group guidelines consisted of four modules: Module 1 dealt with working conditions and labor standards compliance; Module 2 with available remedies and tools for addressing issues; Module 3 with employment relations; and Module 4 with gender relations.

The focus groups lasted approximately 1 to 1.5 hours and were both digitally and video recorded. Most participants spoke in English and, for those who needed assistance, the junior consultant translated.

Table C.3: Focus Group Guidelines for Discussion

Module 1: Working conditions and labor standards compliance	• What is good and what is bad about work? • Similar issues for women and men? • Do employers comply and who monitors them? • What needs to change in order to have job quality? • Do improvements in job quality lead to improvements in welfare?
Module 2: Available remedies/tools for addressing issues	• If you have an issue, what do you do about it? • What, if any, grievance procedures are in place? • Are available remedies effective at improving job quality?
Module 3: Employment relations	• Relations between workers and supervisors. • Same for women and men? • Structures in place for promotions, employee involvement, etc. • Barriers to equal opportunity for advancement/agency.
Module 4: Gender relations	• Norms surrounding female and male roles at work and at home. • Equal access to economic opportunities for women and men. • Breadwinners and decision makers; impact of work on home life. • Women's participation in unions and collective actions.

3. Lesotho

The data collected from Lesotho came from 37 focus group discussions involving 290 workers, as well as questionnaires completed by 377 workers.

Workers' Questionnaire

In preparing the 2011 questionnaire to administer to workers, we drew on the literature on labor standards in the global apparel industry. In the initial stages of drafting the questionnaire, we relied on previous literature, news articles, and stakeholder interviews for information about issues for workers in the clothing industry. The questionnaire included items related to the workers' previous work experience, wages, hours, conditions of work, health and safety, dispute resolution, buyers and audits, and relationship with managers.

To administer the questionnaire, one session was held with roughly 60 workers at a hostel auditorium in Maseru in May 2011, and a second session was held with another roughly 60 workers in the training center in Maputsoe in December 2011. Union organizers were responsible for recruiting the participants. With everyone seated at a desk or table, my translator and I worked through the questionnaire with everyone, with each person completing one question at a time altogether. Approximately 120 questionnaires were fully completed.

The 2011 questionnaire was slightly revised for the 2013 data collection to include questions dealing with (1) the impact of Better Work (BW) over time, and (2) job quality. The recruitment method was also revised, realizing that a broader audience could be reached by training shop stewards on how to facilitate the questionnaire and then sending them out to the industrial areas, union meetings, and villages to get workers to complete it. In 2013 we trained several shop stewards on how to facilitate the questionnaire, making sure they understood each and every question, and that they would be able to answer any questions that workers might pose to them. These shop stewards then hand-delivered the questionnaires to workers, both at the industrial areas and in their villages. This method gave them more time and flexibility to distribute and collect a larger number of questionnaires. Ultimately, approximately 250 fully completed questionnaires were collected.

The workers' questionnaire itself consists of approximately 115 items related to working conditions and work/gender dynamics at work and at home. In addition to simple yes/no questions, there are also many opportunities to leave a comment or to elaborate further. However, the main purpose of the questionnaire is to cover a wide range of issues and, therefore, focus on breadth. The broad range of feedback will also generate some patterns in terms of predominant issues and what, if any, shifts there have been in workers' feedback from the baseline questionnaire in 2011. The 2013 questionnaire was modified only slightly to maximize comparability with the earlier data collection in Lesotho. With the exception of a few additional questions, it is very similar to the questionnaire used in Lesotho in 2011.

The questionnaires were analyzed using SPSS predictive analytics software (2011) and STATA statistical software (2013). For this study, statistics were pulled together into tables to facilitate comparison between workers' feedback in 2011 and 2013. The results are further broken down according to gender and Better Work status.

Focus Group Discussions

In 2011 union organizers recruited participants for focus group discussions (FGD), which was somewhat a limitation of the study in that there was no nonunion representation in the focus groups. In 2013 participants for the focus groups were recruited in two ways: union members were recruited by their union organizers, and nonunion members were recruited by Better Work Enterprise Advisors, who had nonunion contacts through the Performance Improvement Consultative Committees (PICCs) in different factories.

In Maseru, it was easiest to meet with one focus group per day, after work from 5:30 to 7:30 pm. Maseru is the capital of Lesotho and also the busiest city, with many villages surrounding the city center. Two industrial centers, Ha Thetsane and Maseru West (also known as Station), are located relatively close to town, where the Better Work Lesotho office is, and where all of the focus groups took place.

In Maputsoe all of the focus groups took place on Sundays from 9:00 to 11:00 a.m., 12:00 to 2:00 p.m., and 3:00 to 5:00 p.m. Maputsoe is 80km north of Maseru and is also a relatively large city, though not as big as Maseru, and more spread out. It is also known to be more dangerous than Maseru. Workers in Maputsoe are reluctant to stay later than 6:30 or 7:00 p.m., as they want to be able to walk home before dark. It also took them longer to get to the meetings, which could then begin only by around 6:00 p.m. This situation is what motivated the decision to hold multiple focus groups on Sundays, when no one had to work and all meetings could be held before nightfall. All meetings took place in the Lesotho National Development Corporation (LNDC) building.

In 2011, the year that the baseline data were collected, 17 FGDs were conducted with 149 workers (approximately 8 or 9 workers per group). Almost all

of the groups had both male and female participants. The discussions focused on understanding their perceptions of labor standards compliance in their factories, as well as their personal health and well-being.

In each focus group, demographic information about workers was gathered by making a note of their gender and asking them to state (a) which factory they work at; (b) how many years/months they have worked there; (c) what their specific job is; (d) the factory owner's nationality; (e) the country they supply to; (f) whether they participate in Better Work; and (g) whether they are a shop steward or; (h) a supervisor.

In 2013, 20 FDGs were conducted with 141 workers (approximately 7 workers per group): 10 in Maseru and 10 in Maputsoe. All groups except one (due to a communication error) met separately according to gender, including 14 female groups, 5 male groups, and 1 mixed group. Within those groups, it is possible that some will be working at factories that have subscribed to Better Work and others may be working at factories that have not. As with the 2011 focus groups, demographic information was collected to be able to look for differences between workers by factory, gender, tenure, etc.

Workers were asked to discuss what they like and do not like about their jobs and what needs to happen to improve them. This question served as an icebreaker and generally helped to provide a springboard for the discussion. Topics included working conditions—what are the standards, the practices, and do their employers comply—as well as the relationships and dynamics around those issues.

The focus group transcripts were analyzed using qualitative software known as NVivo.[1] NVivo allows researchers to code the personal attributes of the participants involved in the research and tie it to each of the statements they have made in an interview. It also allows researchers to then sort the data from the transcripts by themes. To do this, the researcher creates folders, highlights the sections of the transcripts that apply, and drags/drops these highlighted sections into the appropriate folders. In this study, folders were created in 2011 according to the Better Work (BW) compliance clusters. New folders were created to capture themes that came up in addition to the Better Work compliance clusters. If the personal attributes have also been coded, it then becomes possible to query the data according to different attributes. The results might indicate, for example, that females spoke more frequently about problems with health and safety than did the males, or that workers at a particular factory spoke more about health and safety problems than did workers at any other factory. The frequency is determined by the number of times a particular issue is mentioned in a focus group discussion.

In 2013 new folders were created to capture "improvements since BWL" as well as "persistent problems" and "other issues." Workers' feedback was coded broadly in these categories and, more specifically, according to the BW compliance clusters. This made it possible to analyze patterns of improvement within the (comparable) context of the BW compliance clusters used in 2011 as well.

4. Vietnam

The World Bank commissioned the Life Center for Promotion of Quality of Life to conduct FGDs with garment workers. Four FGDs were held on March 15 at a factory in Ho Chi Minh City. Each FGD had eight participants and was facilitated by two members of the Life Center team. The discussions were all held in a garment factory subscribing to Better Work (BW) services, and they took between 1.5 and 2 hours to complete. They were conducted in Vietnamese, but a member of our team was also present to deal with any questions that may arise.

This sampling framework enables us to better understand any possible differences between men and women, between BW and non-BW, and between workers and supervisors. For the most part, the questions used across the FGDs were the same, although we did administer specific question relating to BW instruments only to BW workers. We also tried to get at similar issues and instruments in discussion with non-BW affiliated factory workers). In addition to all the same guiding questions in the three other FGDs, the supervisors received one question about the process by which they were promoted.

[1] Although it makes no noticeable difference in the results, it is worth noting that version 9 of NVivo was used for the 2011 data, whereas version 10 was used for the 2013 data.

Table C.4: Composition of Participants in Focus Group Discussions

Focus group discussion (FGD)	Number of participants	Criteria for participants in the FGDs							
		BWV factories			Participants				
		YES		NO	PICC members		Working experience	Sex	
		Assessment services only for at least 2 years	Assessment and advisory services for at least 2 years		YES (for at least a year)	NO	5 years in garment/ textile industry and at least 3 years in current factory	Male	Female
FGD 1—BWV fty female workers	8	4			2	2	4		4
			4		2	2	4		4
FGD 2—Non-BWV fty female workers	8			4		4	4		4
				4		4	4		4
FGD 3—Male workers	8	4			2	2	4	4	
			4		2	2	4	4	
FGD 4—Supervisors	8	4			2	2	4	2	2
			4		2	2	4	2	2

Note: fty means factory

Appendix D: List of Job Quality Characteristics

Table D.1: Economic and Social Indicators of "Job Quality" According to Workers in Kenya

Economic

Wages
- Increased salary
- Paid on time
- Bonuses offered

Hours
- Reasonable hours (maximum 45 hours normal working time)
- Achievable targets (don't raise targets when wage doesn't increase accordingly)

Job security
- Move from casual to permanent status after 3 months

Health and safety
- Protective gear/masks/safeguards
- Company nurse/health clinic

Benefits
- Paid leave
- Transport stipend
- Increased house allowance

Social

Fairness
- Good relationship with managers
- No tribalism or racial discrimination
- Qualified HR who can resolve problems
- Transparency between workers and management
- Same salary for all operators/all workers to be treated equally (including rest breaks for everyone)

Recognize work–life balance/needs
- Crèche (day care/baby care) available at work. Mothers get 2 hours to breastfeed and mingle with children on work site
- Managers should be understanding if workers have domestic problems/permission to leave if problem at home/permission to tend to urgent matters

Physical health and comforts
- Cool, clean, and airy environment
- Provide milk
- Provide lunch at work and food for night workers
- Tea break (10 minutes rest)
- Recreation facilities

Emotional well–being and personal freedoms
- Feel appreciated
- Freedom of speech/expression
- Allowed to join union freely

Table D.2: Economic and Social Indicators of "Job Quality" According to Workers in Lesotho

Economic	Social
Wages • Living wage • Bonuses • Loans/scholarships **Hours** • Reasonable hours • Reasonable targets **Job security** • Contracts/permanent status **Health services** • Factory doctor/clinic • Regular check–ups **Benefits** • Longer (paid) maternity leave • Accident compensation • Life insurance	**Fairness** • Good employment relations • No discrimination • Freedom of speech • All workers in same job category get same pay • Don't cut salary without consent • No double punishment for mistakes • Free movement/go to toilet when needed **Physical health and comforts** • Clean toilets and workplace • Milk for those working with chemicals[2] • Tea time/hot water to drink • Heaters or 'freezer suits' • Be allowed to have extramural activities **Emotional well–being** • Feel appreciated (bonuses, gifts, holiday party) • Be relaxed and happy/love and peace

Table D.3: Economic and Social Indicators of "Job Quality" According to Workers in Vietnam

Economic	Social
Wages • High salary • Paid on time • Bonuses offered **Hours** • Reasonable hours (not too much overtime) **Job security** • Stable income **Health and safety** • Safe working environment (free of accidents) • Basic health needs ensured **Benefits** • Above or according to Labor law	**Fairness** • Good treatment by supervisors and management (management listen to workers' opinions, shop stewards/supervisors care for workers' well-being, and management does not have condescending attitude/behaviors toward workers) • Opportunity for professional development and promotion **Physical health and comforts** • Cool and airy environment • Better meals • Clean environment • Factory to organize sports and social events **Emotional well-being** • Feel appreciated (especially by management) • Be relaxed without stress • Good relations with co-workers

[2] As pointed out by a representative from the Ministry of Labor, it is a myth that milk will help those working with chemicals. The government has been working to try to discourage workers from believing in this. A representative from BWL also remarked that they do trainings on chemical management and that they are emphasizing that providing milk will not help them in any way.

Appendix E: Baseline Synthesis Report Profiles

Table E.1: Baseline Synthesis Report Profiles

Country	No. of factories assessed in 1st synthesis report	No. of workers	% of women workers	Period covered
Haiti	21	22,172	62.0	Oct 2009–Dec 2009
Indonesia	20	40,562	88.0	Jul 2011–Mar 2012
Jordan	15	13,338	56.0	Mar 2009–Feb 2010
Lesotho	10	18,971	82.5	Mar 2011–Jan 2012
Nicaragua	20	32,598	53.1	Feb 2012–Mar 2013
Vietnam	32	61,388	84.0	Dec 2009–Jun 2010
Total	**118**	**189,029**	**74.8**	

Note: Authors' calculation based on first synthesis reports.

Appendix F: Application of SWIFT's Survey-to-Survey Imputation Method to the Better Work Program in Cambodia

The basic idea behind the Survey of Well-being via Instant and Frequent Tracking (SWIFT)'s survey-to-survey imputation is to estimate consumption and poverty based on a prediction model rather than measuring consumption expenditures directly. SWIFT's modeling approach adopts the multiple-imputation (MI) paradigm originally presented by Rubin (1987) and addresses the shortcoming of single-imputation inference that overstates the precision of an estimate.

Analytical Process

The survey-to-survey imputation comprises two major steps—model selection and consumption imputation—each with several substeps. First, the model selection step entails the estimation of consumption models from consumption expenditure survey data by means of regression analysis. This step builds the best consumption prediction model by identifying a set of explanatory variables that are significantly correlated with household consumption expenditures.

Second, the consumption imputation involves feeding data on consumption correlates from a nonconsumption survey into the consumption model. The SWIFT's MI approach generates multiple rounds of simulated household consumption expenditures. To get a single inference based on multiple imputations, the mean of a statistic, such as poverty rate, from each round is then averaged out across all the imputations (while taking into account both variability between imputations and variability within each imputation).

Consumption Data for Model Estimation

Consumption expenditure data in Cambodia were compiled through the Cambodia Socio-Economic Survey (CSES) 2012 conducted in 2012/13. The CSES is a comprehensive, annual face-to-face survey conducted by the National Institute of Statistics of the Ministry of Planning. The survey consists of multiple modules, such as demographic characteristics, housing, agriculture, education, labor force, health and nutrition, victimization, and household income and consumption. The sample size of CSES 2012 is 3,835 households, of which 777 are in Phnom Penh, 699 are in other urban areas, and 2,359 are in rural areas.[3]

Model Selection

Candidate Variables

To find the best consumption prediction model, a set of candidate variables from the CSES 2012 survey were selected and put into the model selection regression that estimates the log of per capita household consumption levels. There were about 60 candidate variables prepared in total.[4] The candidate variables were either continuous or dummy/indicator variables, and included location variables, demographic characteristics, education and employment variables, housing characteristics, and asset ownership variables. Any of the following candidate variables were subsequently dropped: variables that had too many missing values; variables whose construction required information from complex questions; and variables that showed no or very small variation in the garment workers survey data.

For model selection, the forward stepwise selection method was employed with a significance level for entering the model of 0.05 and for staying at the model of 0.05. This selection method starts from an "empty" regression model. That is, if the most significant excluded variable is statistically significant at the prespecified 0.05 level for entering, the selection method adds the variable and re-estimates the model. Meanwhile, if the least significant included variable becomes insignificant at the prespecified 0.05 level for staying, the method removes it and re-estimates the model. The selection repeats this process until neither is possible so that every variable in the regression model is significant at the level for staying and every variable outside the model is insignificant at the level for entering.

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[3] Of 777 households in Phnom Penh in the CSES 2012 data, 40 come from in rural areas.

[4] For a complete list of candidate variables, see the KH_ModelProjections_CSES2012_GarmentRVSD_ 150331xlsx file.

Table F.1: Model for Urban Phnom Penh Households with at Least One Textile Worker

Dependent variable: Log of per capita household consumption

Variable description	Coefficient	Std. Err.	t	|Prob|>t
Own asset: car (1/0)	0.48809	0.18115	2.69	0.01
Own asset: motorcycle (1/0)	0.19667	0.04570	4.30	0.00
Own asset: television (1/0)	0.24672	0.09835	2.51	0.01
Own asset: washing machine (1/0)	0.42655	0.05659	7.54	0.00
Floor: earth, clay	−0.11375	0.05079	−2.24	0.03
Household size	−0.08253	0.00791	−10.43	0.00
Lighting: publicly provided electricity	0.11272	0.04545	2.48	0.01
Ratio of children below 15 in household	−0.30950	0.10230	−3.03	0.00
Wall: concrete, brick, stone	0.17080	0.04382	3.90	0.00
Constant	9.17196	0.08372	109.55	0.00
Adj. R-squared: 0.5860				

Source: CSES 2012 data.

Robustness of the Model

Because the sample size in the CSES 2012 data is quite limited for urban Phnom Penh households with at least one textile worker, it was decided to compare the model with two different models and compare their projection performances subsequently.[5] Those three models are: (1) urban Phnom Penh households with at least one textile worker; (2) urban households with at least one textile worker; and (3) urban households. For the third model, the strategy was to develop the consumption model using all urban households but apply the selected model only to urban Phnom Penh households with at least one textile worker. The performances of the three models were then tested by comparing the predicted and observed poverty rates, as discussed below.

To further test the robustness of the urban Phnom Penh model, two additional checks were also conducted. First, to test the stability of the model, the car ownership variable was dropped out of the model, and the coefficients of the remaining variables were compared with those in the original model. This was done because there had been a concern that the car ownership variable may have picked up a disproportionately large effect from a small number of households with very high consumption per capita. Even after dropping the car ownership variable, the coefficients of other variables were quite stable.

Second, a test for overfitting was undertaken because the performance of the selected model outside the sample may be vulnerable to overfitting problems, when the sample size used for developing the model is

Table F.2: Sample Size and Observed Poverty Rate

Model	Sample size (N)	Observed poverty rate
Urban Phnom Penh households with at least one textile worker	157	8.3
Urban households with at least one textile worker	204	8.5
Urban households model *applied to*: Urban households with at least one textile worker	1436/157	8.5

Source: CSES 2012 data.

[5] Textile worker is defined as those who work in the Textiles and Apparel Industry (Q15/C06b, >1200 & <1500) as an employee (Q15/C08, =1) and aged between 15 and 64. For details, also see the KH_ DescTextileWorkers Draft1Revised_150213.docx and KH_DescTextileWorkersDraft2Revised_150213. docx files.

Table F.3: Model for Urban Phnom Penh Households with at Least One Textile Worker, Including and Excluding the Car Ownership Variable

	Dependent variable: Log of per capita household consumption							
	Own asset: car included				Own asset: car excluded			
Variable description	**Coefficient**	**Std. Err.**	**t**	**|Prob|>t**	**Coefficient**	**Std. Err.**	**t**	**|Prob|>t**
Own asset: car (1/0)	0.48809	0.18115	2.69	0.01		Dropped		
Own asset: motorcycle (1/0)	0.19667	0.04570	4.30	0.00	0.20735	0.04575	4.53	0.00
Own asset: television (1/0)	0.24672	0.09835	2.51	0.01	0.25770	0.10044	2.57	0.01
Own asset: washing machine (1/0)	0.42655	0.05659	7.54	0.00	0.48008	0.07614	6.31	0.00
Floor: earth, clay	−0.11375	0.05079	−2.24	0.03	−0.11750	0.05515	−2.13	0.04
Household size	−0.08253	0.00791	−10.43	0.00	−0.08107	0.00774	−10.47	0.00
Lighting: publicly provided electricity	0.11272	0.04545	2.48	0.01	0.10936	0.04781	2.29	0.02
Ratio of children below 15 in household	−0.30950	0.10230	−3.03	0.00	−0.28915	0.11216	−2.58	0.01
Wall: concrete, brick, stone	0.17080	0.04382	3.90	0.00	0.18814	0.04915	3.83	0.00
Constant	9.17196	0.08372	109.55	0.00	9.14938	0.08934	102.41	0.00
Adj. R-squared:	0.5860				0.5407			

Source: CSES 2012 data.

very small. The results of 10-fold cross-validation suggested, however, that the exactly same set of variables would have been chosen when had the model with the smallest root mean square error (RMSE) been selected.[6] This result demonstrates that the urban Phnom Penh model is free from overfitting issues as well.

Model Performance

To test their poverty prediction performances, the estimated model parameters were first applied back to the CSES 2012 data (with consumption data converted into missing). For the urban Phnom Penh household with textile workers model, the difference between the predicted and observed rates is about one percentage point.

Table F.4: Predicted and Observed 2012/13 Poverty Rates

Model	Predicted	Observed
Urban Phnom Penh households with at least one textile worker	9.5	8.3

Source: CSES 2012 data.

[6] The selected model was checked for the potential problem of over- or under-fitting by applying the *k*-fold cross-validation method. See by way of comparison, Garth et al. 2013.

Table F.5: Predicted 2015 Poverty Rates

Model	Predicted (2015)	Observed (2012/13)
Urban Phnom Penh households with at least one textile worker	4.8	8.3

Source: CSES 2012 data and garment workers survey 2015.

Next, to predict the poverty incidence of the households to which the garment workers surveyed-respondents belong, the estimated urban Phnom Penh model parameters were applied to the garment workers data. The predicted poverty rate becomes 4.8 percent for the sample of the garment workers survey data.

Caveat

A key assumption that must hold is that the typical household consumption behavior identified by the selected model has not changed substantially between the CSES 2012 survey and the garment workers 2015 survey. One potential issue is that the concept of household in the garment workers survey is not the same as that in the CSES survey, as the CSES 2012 data indicate that no room-sharing workers are counted as a household. In fact, the summary statistics of the selected model show unusual patterns.[7] While the percentage of asset ownership is consistently lower in the garment worker survey than in 2012 CSES for all items, housing characteristics such as floor materials, wall materials, and lighting sources all indicate improvement. Furthermore, the household size and the children ratio are substantially lower in the garment worker survey than in 2012 CSES. All these results would rather suggest that the garment workers data were collected using a sample frame different from the CSES 2012 surveys.

In any case, it must be careful when making any generalization beyond the given sample, as the garment workers survey is not based upon a probability-based sampling.

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[7] Mean is a household-weighted mean.

Table F.6: Summary Statistics for the Model for Urban Phnom Penh Households with at Least One Textile Worker

	CSES 2012 (2012/13)				Garment workers (2015)			
Label	**Obs**	**Mean**	**Min**	**Max**	**Obs**	**Mean**	**Min**	**Max**
Own asset: car (1/0)	157	0.02663	0	1	565	0.01239	0	1
Own asset: motorcycle (1/0)	157	0.87449	0	1	565	0.36637	0	1
Own asset: television (1/0)	157	0.94645	0	1	565	0.45310	0	1
Own asset: washing machine (1/0)	157	0.03558	0	1	565	0.01239	0	1
Floor: earth, clay	157	0.02155	0	1	565	0.00531	0	1
Household size	157	4.85086	1	14	565	3.38407	1	10
Lighting: publicly provided electricity	157	0.98230	0	1	565	1.00000	1	1
Ratio of children below 15 in household	157	0.18172	0	0.67	565	0.06024	0	1
Wall: concrete, brick, stone	157	0.37717	0	1	565	0.92743	0	1

Source: CSES 2012 data.

Appendix G: Gravity Model

The gravity model is now considered to be an important part of the empirical analysis of trade flows. The basic idea behind the gravity model is that trade flows between country pairs can largely be explained by the size of, and the distance between, the two countries. The gravity model's empirical relevance became understood in the 1970s and was followed by theoretical foundations (see Anderson 2011 for a review of the theoretical development of the gravity model).

The gravity model has been applied to many important questions in international economics, including the analysis of trade policies. Rose (2004) used the gravity model to make the controversial suggestion that the WTO did not increase trade flows among members. Subsequent research by Subramanian and Wei (2007) and Baier and Bergstrand (2007) and others built on Anderson and van Wincoop (2003) to revise the gravity methodology to show how trade agreements contribute substantially to trade flows. Readers interested in further details about the gravity model are referred to the references below, and especially Bergstrand and Egger (2009) who review some of the more recent contributions to the gravity model literature.

The gravity model applied in this paper is a very simplified version of the gravity model that appears in at least hundreds of papers in the literature. The first main simplification is that the data focus on both global pair-wise trade flows and just U.S. imports. The second is that the data focus on apparel rather than total trade flows. The third main simplification is that the data use dummy variables to capture the effect of the Better Work program, as explained in the text.

The primitive gravity model equation we use is as follows.

$$trade_{ijt} = \beta_0 + \beta_1 dist_{ij} + \beta_2 GDP_{it} + \beta_3 GDP_{jt} + BX_{ijt} + e_{ijt}$$

Trade is the bilateral (apparel) trade between countries i and j. The variable dist represents the distance between countries i and j. The GDP terms represent the gross domestic product of each country. The variable X includes a range of other variables, which may include country controls, multilateral resistance controls (Anderson and van Wincoop 2003), shared border, language, being landlocked, and so on. In our exercise, we also add variables to capture the exporter's production characteristics (such as the amount of imported inputs).

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