



**BetterWork**

**FACTORY GUIDELINES**

# Rewarding good practice in High-performance factories

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Better Work has adopted a framework that supports the recognition of factories using objective, performance based criteria. The type and level of services provided to factories considered high-performing will differ and certain benefits will be conferred to those factories meeting the criteria.

Better Work will consider a factory to be high performing if they consistently demonstrate:

- ♦ High levels of compliance,
- ♦ Mature level of social dialogue,
- ♦ Effective management systems and
- ♦ Commitment to learning.

## What is Service Differentiation?

Service Differentiation is the process Better Work will use to tailor its core services at factory level (advisory, assessment, and training) towards different levels of factories, based on demonstrated achievement in compliance, social dialogue, management systems, and learning.

## Why is Better Work Differentiating its Services?

Starting during 2017, Better Work will differentiate factories and services according to factory performance levels in order to meet the needs of factories with different levels of performance of development, and to allow us to target interventions more effectively.



## Benefits for factories

When a factory demonstrates high levels of compliance, sustainable systems and advanced worker-management dialogue, initially, the Better Work country programme will issue a formal note to the factory as well as buyers with third party access to confirm its status as high-performing.

The following benefits are also available to these factories:

### Public recognition

High performing factories are given public recognition to acknowledge their achievement. These factories will be presented as industry leader in sustainable compliance.

### BUYER PORTAL

High-performing factories will be highlighted in the Buyer Portal with a description of the criteria and how they met them.

This creates direct visibility benefits for the enterprise as it can easily be recognized by over 100 international retailers and brands that are registered in the Better Work system.

### VISIBILITY IN PUBLIC CAMPAIGNS

Better Work will invite high-performing factories to participate in public campaigns at the national and/or global level. They will be presented as role models with the aim to leverage their good practices and to facilitate that other enterprises learn from them.

### PARTICIPATION IN BUYER EVENTS AND OTHER NETWORK OPPORTUNITIES

Better Work country programmes will invite high-performing factories to attend buyer events to present themselves towards partner buyers and national stakeholders.

### Buyer ratings

Better Work is actively influencing its buyer partners to give high-performing factories commensurately better ratings within their own brand rating systems. .

Based on the differentiation criteria, Better Work has developed a framework for brand ratings systems. The framework is designed to support buyers in using their leverage to move factories beyond short-term compliance for maximum long term impact.





Better Work is advising its partner buyers to integrate the differentiation criteria into their supplier monitoring frameworks and to reinforce these through ratings that reward factories for good performance in the areas of compliance, management systems, social dialogue and commitment to learning.

## Reduced assessment

Better Work actively advises partner buyers to reduce their dependency on auditing for factories in this category. Considering the stringency of its differentiation framework, Better Work believes that assessments of these factories can be reduced.

If the factory agrees to this, Better Work activity engages buyers with third party access to influence them in considering to accept an assessment once in 24 months instead of 12 months. Better Work will continue to track performance of the factory through ongoing advisory visits to the factory.

## Continued advisory and training services

By default Better Work will continue to deliver up to 6 advisory visits per cycle. Depending on its preferences the factory can choose to reduce to reduce the amount of visits and replace these with additional training.

In addition to this the factory can continue to make use of Better Work training services at the set amount of free training days in the country where it operates.

## Additional learning services

Better Work regards high-performing factories as 'graduates' considering their demonstrated level of high performance. As a general principle these factories are then able to determine for themselves which learning services it would like to make use of through Better Work.

Where factories are looking for learning opportunities that go beyond its own area of expertise, Better Work will act as a broker with other organizations in its network to offer access to alternative learning opportunities. Examples of themes where Better Work could help the factory gain access to learning services are following:

- ♦ Learning services to support workers and employers in collective bargaining
- ♦ Learning services to improve worker health and improve health management
- ♦ Learning services to improve business systems and processes
- ♦ Advisory on environment standards, waste management, recycling, clean energy
- ♦ Assessment on environment standards





Factories can opt into such learning services if they see added value in piloting these with external parties.

## What are the criteria to be considered as a high-performing factory

Factories will be considered as high-performing when they meet all of the following criteria:

### Compliance with publicly reported issues

No non-compliances on publicly reported issues in 2 consecutive assessments

### Effective systems to sustain changes

All elements of OSH and HR management systems are satisfied

### Effective social dialogue

- ♦ Freely chosen, representative worker members on the bipartite committee
- ♦ Sufficient decision-making authority for management representatives on the committee
- ♦ Active and effectively functioning bipartite committee
- ♦ Open communication with trade unions present in the factory; union representatives have an opportunity to join the bipartite committee; and the bipartite committee is not used as an alternative to a trade union
- ♦ Effective grievance handling procedure and mechanism

### Learning for sustainable improvement

A needs-based learning plan developed in consultation with elected worker representatives including trade union representatives, if present, and implemented

#### THE CRITERIA ARE INTERRELATED:

- ♦ Effective dialogue is needed in the bipartite committee to identify and implement needed improvements.





- ♦ Targeted learning opportunities for committee members and other factory staff help to ensure that they are able to do their work effectively.
- ♦ Effective systems for OSH and HR and sound dialogue between workers and management help to ensure sustainable compliance with (publicly reported) issues.

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## How will differentiation work?

Data from 2 consecutive assessments as well as the advisory process is used to help decide whether factories should be considered as high-performing factories.

In the assessment, EAs report on compliance as usual, and look at whether the factory has satisfied all elements of HR and OSH management systems.

The second Progress Report will be used by Better Work to indicate how a factory is progressing towards meeting the Social Dialogue and Learning criteria.

If Better Work finds that the factory meets the following criteria, a limited number of additional questions will be included in the subsequent assessment to determine whether the factory meets all the requirements for being considered as high-performing factory:

- ♦ No non-compliance findings on publicly reported issues, and
- ♦ Satisfied all elements of HR and OSH management systems, and
- ♦ On track with all social dialogue and learning criteria.

In all other cases, assessments will proceed as usual.

Final decisions on considering a factories as high-performing are made by the Programme Manager.

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## Supporting factories to high-performance

### Target setting and implementing a road map

Better Work will support all factories participating in its programme in working towards factories with high levels of compliance, sustainable systems and advanced worker-management dialogue by way of its learning and reporting services. Target setting with factory decision makers and worker-management





committees is a central element in this process. This will result in a road map for improvements that must be owned by the worker-management committee and signed off by factory top management.

Contingent on factory performance, targets can be set in the following areas:

- ♦ Compliance with issues for Public Reporting
- ♦ Information sharing and a culture of dialogue through the factory bipartite committee
- ♦ Mainstreaming social dialogue into problem solving approaches
- ♦ Improving grievance mechanisms with the active participation of worker representatives, including trade unions (if present)
- ♦ Designing and implementing internal management systems, via the Plan-Do-Check-Act cycle.

Based on the road map for improvements the designated enterprise advisor (EA) will work with the factory to set objectives for factory visits, trainings and other learning events to ensure that these contribute to implementation of the road map. Better Work will facilitate that factories can work effectively in the improvement process. The designated EA will proactively recommend trainings and actions for the improvement process in relation to targets that have been set.

## Tracking progress

Better Work will report factory progress as follows:

- ♦ Progress towards full compliance with public reporting issues can be tracked through the online improvement plan in the Better Work portal.
- ♦ Progress towards the Systems, Dialogue and Learning criteria is reported upon in the second progress report, which is released by Better Work in the 11th month of the service cycle.

Better Work is presently developing a dash board application that supports instant reporting based on assessment and advisory data. This will give factories and partner buyers with third party access real time insight in performance towards the differentiation criteria. This application will become available in the Better Work Portal in the course of 2018.

As of 2018 Better Work will include an overview of supplier performance towards the criteria in quarterly calls with partner buyers.





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## When will the benefits for high-performing factories be introduced?

Better Work plans to offer a menu of advanced learning services and additional benefits to high-performing factories. The first factories are expected to be admitted as high-performing factories in the second half of 2017.

Better Work is presently consulting factories, buyers and other relevant actors in the supply chain on priority areas for advanced learning services. Based on historical data, Better Work has mapped the factories that are on track to meet the criteria. These factories, as well as partner buyers, will be consulted through an online survey in March 2017. Through the survey the consulted firms will be able specify their preferred areas for learning.

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## How will the information on High-performing factories be shared with buyers?

Better Work will not communicate publicly on which factories have been considered as high-performing. However, factories and buyers in the programme will have access to this information through the Better Work Buyer-Supplier Portal.





## Annex: Overview of Differentiation Criteria

### Social Dialogue (on each question the factory must be marked as “On Track” in Progress Report 2)

- ◆ Freely chosen, representative worker members on the bipartite committee\*
- ◆ Sufficient decision-making authority for management representatives on the bipartite committee
- ◆ Active and effectively functioning bipartite committee
- ◆ Open communication with trade unions present in the factory; union representatives have an opportunity to join the bipartite committee; and the bipartite committee is not used as an alternative to a trade union
- ◆ Effective grievance handling procedure and mechanism

### Learning (the factory must be marked as “On Track” in Progress Report 2)

Needs-based learning plan developed in consultation with elected worker representatives including trade union representatives, if present, and implemented

### Contracts and HR Management Systems (the factory must all systems criteria in two subsequent assessments)

- ◆ Adequate Human Resources Policy
- ◆ Adequate Recruitment Procedure
- ◆ Adequate disciplinary and termination procedures
- ◆ Assignment of accountability for following policies and procedures relating to HR management and performance
- ◆ Communication and implementation of HR policies and procedures
- ◆ Investigation of performance under HR policies and procedures and adjustments as needed

### OSH Management Systems (the factory must meet all criteria in two subsequent assessments)

- ◆ Adequate OSH Policy
- ◆ Adequate emergency preparedness procedure
- ◆ Adequate hazard/risk management and control procedure
- ◆ Adequate accident investigation procedure
- ◆ Assignment of accountability for carrying out health and safety responsibilities
- ◆ Communication and implementation of OSH policies and procedures
- ◆ Investigation, monitoring and measurement of OSH performance, and adjustments as needed

### Compliance (the factory must meet all criteria in two subsequent assessments)







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Full compliance on publicly reported/differentiation issues AND

No unremediated zero tolerance issues

