



► **Understanding impact:**  
Research insights from Better Work  
2017-2022

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## Better Work's impact

- ▶ The holistic, factory-level interventions from Better Work lead to improved working conditions and empowered workers
- ▶ Workers in Better Work factories experience better working conditions, workplace communication and conditions for social dialogue than peers in non-enrolled factories
- ▶ Workers in Better Work factories report higher pay and fewer hours of work, driven by higher compliance with legal regulations
- ▶ Better Work's interventions contribute to curbing sexual harassment, a pervasive industry problem
- ▶ Training to improve women's empowerment and workplace leadership must be complemented by addressing social norms
- ▶ Enforcement of maternity protection benefits can help close the gender pay gap
- ▶ Better Work's compliance assessments and advisory activities help vulnerable workers the most, including women with childcare responsibilities
- ▶ Firms enrolled in Better Work gain in revenue and profitability, both through higher export volumes and higher prices
- ▶ Better Work has successfully harnessed trade policy incentives to drive better labour governance
- ▶ Better Work's impact can be extended through the capacity building of supply chain actors

## The development potential of garment jobs

- ▶ Garment jobs with improved working conditions empower workers, leading to better workplace communication, mature social dialogue, better pay, and fewer working hours
- ▶ With decent working conditions, worker retention improves, and workers view garment jobs as a long-term career option for investing in themselves and their families
- ▶ Curbing sexual harassment, building leadership skills for women, and enforcing maternity protection benefits drive women's empowerment and helps close the gender pay gap but must be complemented by addressing social norms
- ▶ Workplace unionization and collective bargaining are associated with better working conditions related to salaries and benefits, contracts, occupational safety and health (OSH), and welfare standards
- ▶ There is a business case for better working conditions, driven by higher export volumes and higher prices set by the supply chain
- ▶ Transparency of factory non-compliance drives better working conditions
- ▶ Trade policy incentives can be harnessed to support good labour governance



## Introduction

The global garment industry has the potential to contribute to job-rich growth, which is well-recognized as a key element for recovery from recent global shocks and to a human-centred future of work. At the same time, if the millions of jobs in this sector are not decent and well regulated, workers risk exploitative conditions that keep them further from social and economic development. Better Work, a joint initiative of the International Labour Organization (ILO) and the International Finance Corporation (IFC), works in 12 garment producing countries to raise compliance with international labour standards and national laws, while also improving the competitiveness of participating firms. It combines compliance assessments in factories with advisory services and training at the factory and industry levels. The programme focuses on communication and social dialogue both at the workplace and sector-wide to support its dual aims. As the ILO's flagship programme for the garment industry, Better Work builds on the Organization's tripartite structure of engagement with national governments, employers' organizations and workers' organizations, and it combines this with a strong partnership with global supply chain actors, such as global brands, retailers, and global manufacturers. The ILO's convening role, and expertise in the sector, can be leveraged in conjunction with government agencies and labour inspectorates, employers' associations and trade unions, as well as firms in the supply chain in order to build their capacity, facilitate and strengthen social dialogue, promote the gradual transition to formality and help build resilience through stronger systems of social protection.

Since the early stages of the programme, Better Work has invested in impact evaluation research to identify the causal impact of the programme's activities in the global garment sector on working conditions, firm performance, and the socioeconomic status of workers and their families. Impact evaluations identified and quantified the positive outcomes driven by Better Work in workers' lives, within and outside the workplace, and in businesses' productivity and profitability.

**LESSONS LEARNED FROM PRIOR IMPACT EVALUATION RESEARCH (2010-2016)<sup>1</sup>****I. Better Work's approach to improving compliance works**

Evidence across multiple countries demonstrated that the Better Work programme had a significant and positive impact on working conditions. This included reducing the prevalence of abusive workplace practices, increasing pay and reducing excessive working hours as well as creating positive effects outside the factory for workers and their families. The combination of services that Better Work provides to factories was found to be critical in achieving the Programme's objectives, including monitoring for compliance with ILO standards and national legislation. Furthermore, social dialogue was shown to play an important part in improving workers' outcomes, provided that certain conditions for representativeness are in place, including gender equity and fair elections of worker representatives.

**II. Empowering women is critical**

Having female workers represented and empowered in bipartite workplace committees were among the preconditions necessary for fostering well-functioning bipartite committees that generate benefits at the workplace. Training female supervisors through Better Work's Supervisory Skills Training proved to be an instrumental strategy for achieving better working conditions and improving productivity.

**III. Improving working conditions is an investment, not a cost**

Impact evaluation research demonstrated that improving working conditions could go hand-in-hand with firm performance, rather than simply be a cost for firms to accommodate. Factories where workers reported better working conditions, where compliance was higher and where supervisors were well-equipped for their jobs were more productive and found to be more profitable. Abusive treatment such as verbal abuse or sexual harassment, in addition to being morally objectionable, were also found to be negatively correlated with business performance.

**IV. A holistic approach is needed to address global supply chain pressures**

Undue sourcing pressures from lead buyers in apparel supply chains presented challenges for achieving decent work in supplier factories. Practices such as uncertain orders, last-minute technical changes and late delivery penalties were linked with deterioration in worker wellbeing, as such practices adversely affected working hours and pay. They also influenced supervisor stress and behaviour by creating unpredictability in production schedules. Establishing a business case for high quality jobs was found to require all stakeholders – brands, retailers, factories, policymakers, NGOs and workers and their representatives – to develop a holistic approach to finding solutions across the global supply chain.

<sup>1</sup> International Labour Office/International Finance Corporation, *Progress and Potential* (2016). Available from: <https://betterwork.org/portfolio/impact-assessment>

Better Work has since maintained a consistent commitment to investing in research to understand programme impact and provide insight on industry dynamics to programme stakeholders. While maintaining the focus on evaluating the impact of the programme, Better Work's research agenda has evolved. The programme's unique factory- and worker-level data, as well as its access to workplaces and workers, have the potential to inform policies and practices beyond its direct coverage and impact. In its 2017-2022 phase, the programme's research agenda focused on five main themes:



Strategic engagements with leading academic partners have produced a varied body of research using Better Work data over the past five years on these different thematic streams. This report summarises the highlights from these research activities and collaborations, which will inform the programme and its work with stakeholders in the programme's next strategic phase.

### RESEARCH COLLABORATIONS

Better Work actively cultivates and maintains a network of scholars to help generate analysis and insights about the dynamics of labour, production and regulation in global supply chains. The programme works with individuals and teams from the following institutions, among others.

- ▶ Columbia University
- ▶ Cornell University
- ▶ JETRO Institute of Developing Economies
- ▶ London School of Economics
- ▶ Massachusetts Institute of Technology (MIT)
- ▶ Penn State University
- ▶ Rutgers University
- ▶ SOAS University of London
- ▶ Texas A&M University
- ▶ The Graduate Institute, Geneva (IHEID)
- ▶ Tufts University
- ▶ University of Bern
- ▶ University of Indonesia
- ▶ University of Jordan
- ▶ University of Nottingham
- ▶ York University



## Key Findings

### 1. THE DEVELOPMENT POTENTIAL OF GARMENT JOBS

Can jobs in garment supply chains fulfil their development potential and not be stuck in a “race to the bottom”? If so, under what conditions, and what is Better Work’s role in helping enable these conditions?

Enabled by expansions in trade, the development of export-oriented sectors, such as the garment industry, can contribute to economic growth. While the garment industry creates employment opportunities for millions of workers, such jobs can be plagued by poor working conditions, including excessive working hours, low wages and OSH hazards as well as by abusive practices such as sexual harassment, verbal and physical abuse of workers.

To better understand the dynamics of achieving more decent jobs in garment supply chains, Better Work and its engagement with thousands of workplaces offer an entry point for comparison with non-Better Work firms, who tend to be less connected with well-known brands and retailers. Factories enrolled in Better Work are more likely to be formal enterprises interested in management innovation and more likely to have better supply chain positioning with linkages to reputation-sensitive buyers. Enrolment in Better Work is thus assumed to signal better working conditions from the outset. Worker surveys in and outside Better Work factories confirm this assumption, with workers in Better Work factories systematically reporting better working conditions in the areas of hours worked, pay received, benefits related to maternity protection and communication at the workplace. This aligns with prior expectations, given that factories enrolled in Better Work are frequently seen as better connected to key buyers in supply chain and more likely to be open to compliance adherence and improvement.

## Improving working conditions empowers workers.



Measured by the extent that workers feel able to voice their concerns and opinions at the workplace, workers in Better Work factories are more empowered than similar counterparts. Workers in Better Work factories experience better workplace communication and conditions for social dialogue than peers in similar but non-enrolled factories. Researchers measured the communication environment in workplaces by using surveys to ask workers how open management is to hearing about worker ideas, complaints, and by asking how easy is it to get information from supervisors and human resources.<sup>2</sup> They also asked about mechanisms for raising one's voice at the workplace. Workers in Better Work factories have greater access to formal representation mechanisms (.09 points more likely on a five-point scale) and felt more comfortable seeking help from supervisors, managers, workplace committees, unions representatives present in the factory and from the Human Resources department (also .09 points more likely on a five-point scale). The relatively better communication environment in Better Work factories is linked both to a higher likelihood of worker confidence in their ability to do their job, and to whether they feel empowered to express their thoughts at the workplace. Job confidence and empowerment are correlated with a higher likelihood that workers think their job is worthwhile.



Furthermore, workers in Better Work factories were less likely to report various types of abuse at work related to interpersonal work relations (.09 points less likely on five-point scale), to feel less dehumanized (.05 points less likely) in their interactions with supervisors and managers and to report less physical and emotional stress.<sup>3</sup>

<sup>2</sup> Tufts University, Universitas Indonesia, *Empowering Women through Humane Workplaces* (RTA Analytics, 2020).

<sup>3</sup> A. Antolin, L. Babbitt, D. Brown, and L. D. Trung, "SEM Brief 1: Empowerment at Work", (Tufts Labour Lab and RT Analytics, 2020).

**Workers in Better Work factories report higher pay and fewer hours of work.**

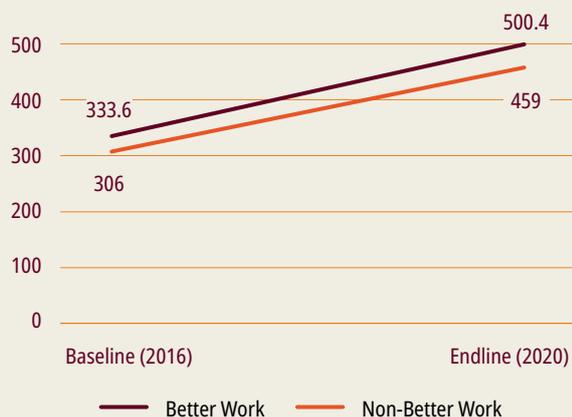


Evidence from different country contexts, time periods and research study methodologies points to a similar two-fold conclusion: workers in factories enrolled in Better Work tend to work fewer hours for higher take-home pay, and the conditions for workers’ hours and pay tend to continue to improve the longer a firm engages with Better Work. At the outset of a five-year, two-country study started in 2016, the average monthly take-home pay was US\$ 306 in Viet Nam and US\$ 210 in Indonesia. In Viet Nam, garment workers employed in Better Work-enrolled factories were paid an estimated US\$ 27.63 more per month compared to their non-Better Work counterparts. Both workers in and out of Better Work factories had significantly higher wages at the endline of about US\$ 150, or 44 per cent more than at baseline, with workers in Better Work factories maintaining their advantage.

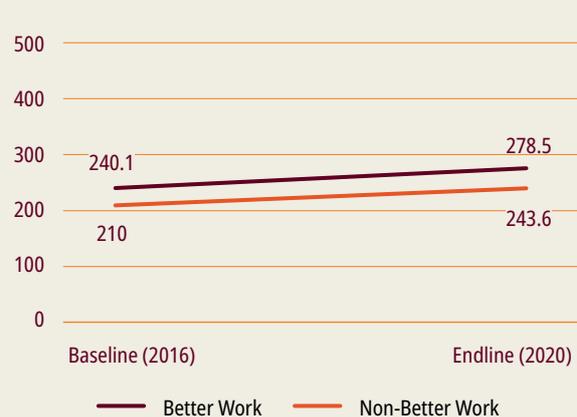
In Indonesia, Better Work employees were paid an estimated US\$ 30.09 more per month compared to their non-Better Work counterparts. Over the span of the study, all Indonesian workers’ wages increased by about 16 per cent.

In addition, overtime pay in Better Work factories was more likely to start at the end of the regular workday rather than after the quota was complete, increasing average hourly pay by US\$ 1.07 per hour. Weekly hours of work were on average 1.4 hours lower than in non-Better Work factories. The positive gains achieved in take-home pay among workers in Better Work factories results from greater compliance enforcement of minimum wage and overtime standards, and conditions on both fronts continued to improve as factories participated in the programme.

**WORKER-REPORTED TAKE HOME PAY (USD), VIETNAM**



**WORKER-REPORTED TAKE HOME PAY (USD), INDONESIA**



Similarly, workers in firms enrolled in Better Work Bangladesh earned an hourly wage up to 3-4 per cent higher relative to comparable workers in other factories, holding constant demographic, work and firm characteristics. When the same workers in the sample switched jobs from a non-Better Work to a Better Work factory, their hourly wages became 2 to 3 per cent higher.<sup>4</sup>

In Cambodia, where participation in Better Factories Cambodia is mandatory for exporting firms, increased compliance with wage regulations during a time of rising minimum wages occurred in tandem with greater compliance with working time. As instances of excessive working time were curbed through participation with the programme, data (from 2015-2018) show this reduction in working time does not ultimately reduce workers' reported take-home pay. In fact, some estimates early in the study suggest the effective pay per hour for workers rose by 41 per cent, holding external factors constant.<sup>5</sup>

### Despite improvements, non-compliance with proper OSH conditions remains relatively common.



OSH concerns are frequently the most visible manifestation of poor working conditions. The garment industry has seen high-profile cases of industrial disasters that put the safety and even lives of workers at risk. The COVID-19 pandemic further highlighted the need to protect the health and well-being of individuals at the workplace. In its June 2022 session, the ILO's International Labour Conference, ILO constituents recognized the right to a safe and healthy workplace as a fundamental right at work.

Despite improvements during multiple years of programme operation, Better Work's own assessment data show that firm compliance with national OSH standards continues to be a challenge throughout the garment industry. At the same time, variation among firms in the industry can be seen. Better Work data suggests that workplaces enrolled in the programme tend to have better ambient conditions in the workplace. When comparing to workers in factories not enrolled in the programme, workers in Better Work factories are less likely to report that they are uncomfortable at work with the general working environment. For example, they are less likely to report instances of being uncomfortably thirsty or hungry at work, issues frequently occurring in production settings like the garment sector that include long working hours and close regulation of workers' break times. Potentially as a result, workers in Better Work factories also report less fatigue on the job. Workers in Better Work-enrolled factories also tended to report fewer problems with feeling uncomfortably hot or cold factory temperatures.<sup>6</sup>

4 J. Cajal-Grossi and R. Macchiavello, Internal Final Report for the ILO on the impact of Better Work Bangladesh, 2022.

5 A. Antolin et al., "Is Social Compliance Win-Win for Workers and Firms? Evidence from Better Factories Cambodia", ILO-IFC: Better Work Discussion Paper no. 39, 2020.

6 Tufts University, Universitas Indonesia, *Empowering Women through Humane Workplaces*, (RTA Analytics, 2020).

Management systems, including for wages, affect the health environment for in factories. In particular, piece rate pay – paying workers per piece completed – negatively affects the health and safety outcomes of garment workers. Workers with high-powered production incentives, like piece rate wages, are more concerned by the possibility of accidents and management of dangerous equipment as well as air quality and chemical hazards. This could be because workers are less likely to take proper safety precautions that could slow their pace of work.<sup>7</sup> Further investigation on this topic has shown that confusion on behalf of workers, and lack of transparency over how pay is calculated, are key elements correlated with poor OSH outcomes. Therefore, dialogue and transparency on wage setting are essential for providing safe working environments.

### Working in garment factories with improved working conditions has a positive impact on workers' livelihoods and wellbeing.



Garment workers often face challenging home lives and a high degree of financial stress, but improved working conditions in Better Work factories extended beyond the workplace, both in terms of material achievements such as health and education of workers' children and in terms of women workers' voice in the household. Where working conditions are better, women workers are able to gain tools for empowerment including access and skills to personal finance tools. Quantitative analyses of the differences between Better Work and non-Better Work factories suggest that better working conditions, as denoted by participation in Better Work, contribute to greater income security, workers' belief that promotions will be based on performance and compliance with overtime pay, while simultaneously making workers feel a greater sense of resilience. In addition, workers in these factories were more likely to borrow and pay back money successfully. These workers borrowed amounts on average 31 per cent larger than workers outside of Better Work factories, opening the possibility to invest in life-improvement projects at home or in children's education. Not only did workers in Better Work factories borrow more money than other workers, but they also paid off larger amounts. Workers in Better Work factories paid off 15 per cent more per month of any debt they held, in comparison to workers outside Better Work factories.<sup>8</sup> This behaviour was correlated with compliance with overtime regulations and improving the environment for promotions, suggesting paying according to law and allowing for upward mobility at the workplace enable better development outcomes.

7 Mary E. Davis, "Does piece rate pay impact perceived occupational hazards in garment factories?" ILO-IFC: Discussion Paper no. 26, 2018; Floriana Borino, "Piece rate pay and working conditions in the export garment sector", ILO-IFC: Better Work Discussion Paper, 2018; Mary E. Davis, "Piece rate, productivity and occupational health in the global economy", ILO-IFC: Discussion Paper no. 44, 2021.

8 Tufts University, Universitas Indonesia, (RTA Analytics, 2020).

**Through Better Work, garment jobs have the potential to become long term careers.**



It is often thought that garment workers job hop from one factory to another, with limited prospects for career progression. The main reason is that workers, specifically women, are often recruited as unskilled workers with temporary contracts, on which training and promotion opportunities are seldom available. Absent a comprehensive decent work framework, even the employment and earnings gains achieved with garment jobs do not translate into lasting opportunities.<sup>9</sup> Participation in Better Work opens up the possibility for garment jobs to become a long-term career option. Evidence shows that in Indonesia and Viet Nam, workers in Better Work factories were less likely to quit their jobs than workers in non-Better Work factories, and this likelihood further reduced over time as working conditions improved. Contrary to the hypothesis that a garment sector job serves primarily as an initial foothold to move on to higher-paid employment, in Indonesia and Viet Nam workers employed in jobs with decent working conditions - proxied by factories' participation in Better Work - were less likely to seek to change jobs. In fact, they were more likely to view their work as a long-term career and strategy to ensure decent livelihoods.<sup>10</sup> In Bangladesh, workers' stated intention to look for another job was markedly lower in factories that had made investments in daycare facilities, ensuring compliant maternity leave provisions and where participatory committees functioned.<sup>11</sup>

9 Girum Abebe, Niklas Buehren, Markus Goldstein, "Short-Run Welfare Impacts of Factory Jobs: Experimental Evidence from Ethiopia", Policy Research Working Paper No. 9325, World Bank, Washington, DC, 2020.

10 Tufts University, Universitas Indonesia, (RTA Analytics, 2020).

11 J. Cajal-Grossi and R. Macchiavello, 2022



## 2. STRIVING FOR GENDER EQUALITY AND ADDRESSING GENDER NORMS

Most garment production workers are women. The most recent monitoring and evaluation data (from mid-2022) from Better Work countries shows this figure ranges from 47 per cent of the total garment sector workforce in Egypt to 88 per cent in Ethiopia. Guided by past research showing that the effective empowerment of women – including their involvement in dialogue processes at the factory and the management of production processes – enables Better Work’s impact, the programme has redoubled efforts to promote gender equality. Better Work’s gender strategy includes a focus on eliminating all forms of gender-based discrimination and giving due consideration to unpaid care work as well as supporting equal pay and women’s career development. Moreover, recent evidence gathered from the implementation of specialized training in the context of Better Work Bangladesh suggests that efforts to equip women with the skills and opportunities to grow their careers must occur in tandem with addressing the broader social context in which they live (see Box 3). The programme aims to create change on all these fronts. Analysis demonstrates how programme activities help improve representation, equality and sense of empowerment as well as the skills sets of women workers, along with helping promote behavioural change and addressing entrenched social norms. This section highlights some of the most recent key research findings related to these dynamics.

**Better Work has impacted blatant forms of discrimination, while other forms of discrimination persist.**



Posting job vacancy announcements that call for only women applicants is a violation of non-discrimination standards. This practice was evident in at least 11 per cent of factories in Viet Nam during their initial compliance assessments but has been virtually eliminated among the same sample of factories when tracked over multiple years. However, other forms of discrimination persist. As recently as 2019, up to half of factories participating in Better Work Jordan were found to violate discrimination standards by allowing for pregnancy tests during recruitment or mandating contraceptive use among workers. With increased visibility of the issue enabled through documentation of non-compliance, advising factories on legal regulations and engagement at the sectoral level, non-compliance with this form of discrimination decreased by nearly half by 2021.

## Better Work's interventions contribute to curbing sexual harassment, a pervasive industry problem.



To assess the prevalence of sensitive issues at the workplace such as sexual harassment, Better Work complements in-factory assessments with independent impact assessment research based on anonymous input from workers gathered through surveys. Triangulation through worker surveys shows that sexual harassment is widespread in apparel workplaces. Questions about sexual harassment have been added and evolved to focus on specific behaviours, attitudes and experiences related to gender dynamics in the factory.

Better Work has played a role in helping factories address the drivers of sexual harassment. In 2015 baseline surveys, there was significant evidence of sexual harassment in the 57 factories enrolled in Better Factories Cambodia participating in the research. Among worker survey respondents, 56 per cent report some teasing or joking, 45 per cent report some uncomfortable talking or touching, 31 per cent report sexualized talking and touching and 19 per cent report that supervisors and managers sometimes try to have a sexual relationship with them. In the sample, 71 per cent of workers work in factories where the HR manager acknowledges that quid pro quo harassment occurs and 64 per cent work in factories where the HR manager acknowledges that quid pro quo harassment has some degree of acceptability. Better Factories Cambodia has had a significant impact in addressing these worker concerns. By the second Better Factories Cambodia assessment report during the course of the study, workers' concern with sexual harassment reduced almost one point lower on a 5- point scale. Better Factories Cambodia's main modalities for reducing sexual harassment are wage compliance and aligning pay incentives between workers and supervisors. Enforcement of minimum wage laws reduces the fraction of worker pay that is linked to productivity. Reducing productivity-linked pay, in turn, reduced vulnerability to quid pro quo sexual harassment from line supervisors who control workers' pay.<sup>12</sup>

Surveys conducted in Jordan indicate that approximately 20 per cent of workers consistently state that sexual harassment is a problem in their workplace. Starting in 2021, Better Work implemented an intensive project with the IFC to address gender-based violence at factories in one industrial zone. This included training for workers and middle managers to raise awareness and change norms of acceptable behaviour, including identifying the use of sexualized language and vulgar language when disciplining workers as unacceptable workplace practices. Estimations of programme impact showed an 11-17 per cent decrease of concern with verbal abuse and use of vulgar language on shop floors among workers in workplaces that underwent this specialized training.<sup>13</sup>

<sup>12</sup> L. Babbitt et al., "Sexual harassment – causes and remediation", ILO-IFC Better Work Discussion Paper no.38, 2020.

<sup>13</sup> Tufts University, "Report on Impact Evaluation of Interventions targeting Gender-based Violence, 2022, *mimeo*."



### **THE POTENTIAL AND LIMITS OF TRAINING FOR WOMEN'S EMPOWERMENT**

The Gender Equality and Returns (GEAR) training programme – developed by the International Finance Corporation (IFC) and delivered as part of Better Work's training and advisory services – aims to help female garment workers advance in their careers, empowering them in both their work and home life spheres. The programme anticipates that women will be able to experience greater empowerment with progression into supervisory positions, challenging pre-conceived notions of women's abilities and the gender imbalances seen at the management level in the sector. GEAR simultaneously work with factory management to bolster their ability to select, promote and support female talent in their workforce.

Female trainees of the programme partake in classroom-based and on-the-job capacity building training on the topic of leadership capabilities and management techniques, primarily to help them manage line workers and support line productivity. Classroom-based training covers various hard and soft skills relevant to a supervisory role. Soft skill sessions cover communication, confidence building techniques, and how to be an effective supervisor. The technical skill sessions cover various production-related topics such as line balancing, solving bottlenecks and quality control.

IFC commissioned an impact evaluation of a precursor to the GEAR programme, the Progression and Productivity Toolkit. By following a large cohort of trainees over time, the study found that the training led to high rates of subsequent promotion to supervisory roles. It also increased women's self-assessed confidence in their ability to perform, but this was result was contingent upon training in both soft and hard skills. Productivity increased in lines supervised by trained women participants, by up to 5 per cent, and absenteeism in the same lines decreased. Support from a trainee's family members to participate in the training correlated with their completion of the programme.

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Subsequently, Better Work commissioned an in-depth comparative case study of GEAR. Using qualitative interview techniques in two facilities implementing the programme, the study provided further insight into both the transformative potential of training as well as the persistent headwinds it faces. Through analysis of responses, it was found that soft skills training was successful in addressing individual-level constraints to self-perceived job efficacy, such as fear and self-doubt. For those women driven to achieve promotions in their work, participation in GEAR was found to ease the process of achieving such a promotion. Those promoted reported increased earnings, which in some cases eased overall household financial insecurities.

However, clear barriers remained for training participants. Training women in soft and hard skills does not change their broader environment. Childcare duties and maternity leave were cited as key barriers against women's workplace advancement. Some women interviewed described the additional burden of completing domestic chores after work – along with childcare. This work is often perceived as exclusively for women, and many women indicated feeling guilty if they were not able to give it their full attention. Some women participants found supervisory roles created a more demanding environment for them at work – mentally and physically – which, when compounded with home duties, could negatively affect their health. As with previous studies, whether family members supported or discouraged participation in GEAR had a large influence. Overall, the case study suggested the broader cultural environment, including perceptions of women's roles at home at work, must be addressed for training programmes to create and sustain positive effects.

International Finance Corporation (IFC), *Cutting Through the Cloth Ceiling: Assessing how IFC's Work-Progression & Productivity Toolkit helps female workers achieve promotion and boost productivity in Bangladesh's readymade garment factories*, (Washington, D.C., 2018).

A. Afros, "The Caring Mother, Supportive Wife, and Ambitious Supervisor", A Qualitative Evaluation of the Gender Equality and Returns (GEAR) Program in Bangladesh. Forthcoming Better Work Discussion Paper

### In an industry dominated by women workers, a gender pay gap remains, but Better Work has narrowed it.



Systematic differences in take-home pay reported between women and men are common across contexts in which Better Work operates. Recent evidence from Bangladesh controlling for total hours worked shows female workers earning on average up to 10.5 per cent less than their male counterparts.<sup>14</sup> Such gaps can result from occupational segregation – with men gaining access to higher paying jobs more easily than women – and from inconsistent benefit payments. While outright pay inequity between women and men within the same job category is less common,<sup>15</sup> cases of both occupational segregation and within-job pay discrimination remain present, according to recent data.

In Jordan, recent analysis of industry-wide survey data gathered from 2019 to 2021 suggests much of the pay gap is explained by occupation, with men in Jordan tending to work in higher paid positions than women. However, a statistically significant gender pay gap of 6 per cent remains among women and men's self-reported take-home pay, even when controlling for demographic and job-specific characteristics. In Ethiopia, recent qualitative research documented that occupational segregation driven by gender stereotyping results in women applying only for lower-paid machine operator positions, whereas higher-paid positions in the cutting and washing departments are perceived as male jobs. Cutting, which the industrial norm recognized as a masculine role, paid much better than operators and even supervisors.<sup>16</sup>

In prior work completed for the impact assessment of Better Work in 2016, gaps in take-home pay were found in Viet Nam, after controlling for job category and worker demographics, and in Nicaragua and Haiti if such demographic controls are not taken into account. In each country, a positive effect on take-home pay, which serves to close these gender pay gaps, is observed and attributed to Better Work.<sup>17</sup> In more recent analysis (2019), a pay gap of \$0.19 per hour is found between men and women in Better Work Viet Nam factories when not considering controls for job category – in other words there is some evidence of gender differences in pay across job categories. By the fourth Better Work compliance assessment, 85% of this pay gap is closed.<sup>18</sup> Past research using national wage data has found a 17% reduction in the gender pay between men and women in the Cambodia garment sector between 1996-2007. This trend aligns with the initial establishment and growth of Better Factories Cambodia's.<sup>19</sup>

14 J. Cajal-Grossi and R. Macchiavello, 2022

15 D. Djaya et al., "An impact evaluation of Better Work from a gender perspective", ILO-IFC: Better Work Discussion Paper no. 30, 2019.

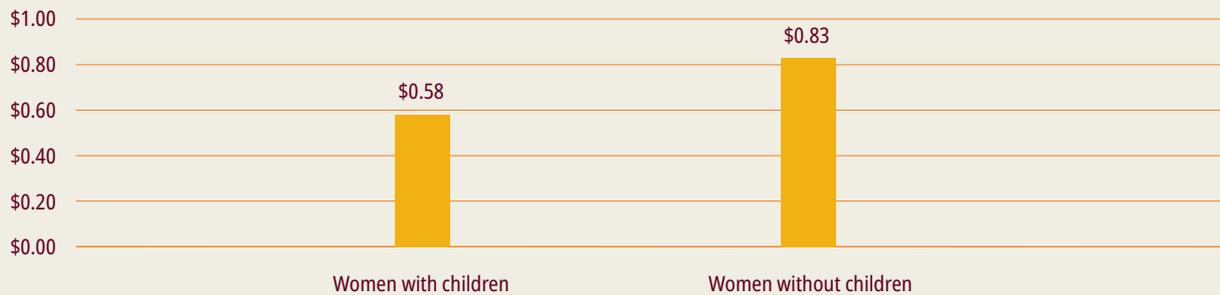
16 Internal report prepared for the Gender Equality and Inclusion Strategy and Action Plan in Ethiopia, 2022.

17 ILO-IFC, *Progress and Potential: How Better Work is improving garment workers' lives and boosting factory competitiveness*, 2016.

18 D. Djaya, et al., ILO-IFC: Better Work Discussion Paper no. 30, 2019.

19 R. Robertson, "Apparel Wages Before and After Better Factories Cambodia", ILO-IFC: Better Work Discussion Paper no. 3, 2011.

## HOURLY PAY DISPARITY BASED ON CARETAKING DUTIES (HAITI)



**Women workers with children, especially those with lower education levels, face additional challenges and barriers at the workplace.**



Unpaid care work can affect women's take-home pay. Women who have children generally report less take-home pay, potentially due to this additional responsibility and demand on their time, or due to incorrect payment of maternity benefits or withholding of pay during breastfeeding breaks. Discrepancies in pay within the same job could be due to systematic differences in voluntary bonuses received for attendance or productivity, which may be correlated with gender-related issues that would affect women and men differently – such as leave taken for pre-natal or maternity reasons. A mix of these factors are likely present in Haiti, where women with children were previously found to earn on average just 70 per cent of what women without children earn – or on average \$.58 per hour compared to \$.83 per hour for women without children.<sup>20</sup> However, with exposure to Better Work, pay increases in Haiti for both men and women, and the pay gap based on family status for women closes after five years of programme operation.<sup>21</sup>

Moreover, the working conditions related to maternity protection provisions have a clear effect on retaining workforce talent. Implementation experience in Cambodia suggests that workers in their mid-30s with significant experience and skills often resign and return to their home provinces because they cannot find adequate childcare while employed. In Bangladesh, workers' general overall satisfaction is higher in factories with daycare facilities and maternity leave provisions - these workers are also less likely to be searching for another job, according to recent analysis.<sup>22</sup> Consequently, a gender-sensitive approach is key when assessing and advising factories on issues of pay and hours compliance. As with working time, not all workers in the same factory experience

<sup>20</sup> D. Dyaja et al., ILO-IFC: Better Work Discussion Paper no. 30, 2019.

<sup>21</sup> D. Dyaja et al., ILO-IFC: Better Work Discussion Paper no. 30, 2019.

<sup>22</sup> J. Cajal-Grossi and R. Macchiavello, 2022

the same pay conditions. Workers experience different conditions of hours and take-home pay based on the jobs and promotion opportunities to which they have access and their varied demographic backgrounds.

**Better Work's services have addressed the disparities faced by workers with caregiving responsibilities.**



Compliance with maternity- and care-related requirements and provisions has improved over the years of participation in Better Work. For example, non-compliance on the provision of day care services, where legally required, decreased across countries by 15 percentage points from 2016-2020. In Nicaragua, 31 per cent of factories were non-compliant with safety and health measures to protect pregnant workers in their first year with Better Work. Enrolled factories achieved a steady downward trend in this non-compliance, with zero non-compliances found by their fifth year of participation. Generally positive trends have been achieved across country programmes related to maternity payments and protection measures, including a sharp reduction in non-compliance on correctly paying for maternity leave.



### **SPOTLIGHT ON THE MOTHERS@WORK PROGRAMME IN BANGLADESH**

Mothers@Work is a national programme initiated by UNICEF Bangladesh in response to government priorities to strengthen maternity rights and breastfeeding support in the workplace. The programme is implemented through a partnership between Better Work Bangladesh, BRAC and Phulki. Mothers@Work was launched jointly by the Ministry of Health and Family Welfare (MoHFW) and with Ministry of Labour and Employment (MoLE) in August 2017. The programme supports factories to implement national and international standards and remove common barriers faced by young working mothers, including: paid maternity leave; provision of breastfeeding and childcare facilities; flexible working arrangements; health protection; medical benefits; employment protection; and non-discrimination. Better Work Bangladesh has introduced the Mothers@Work programme in its affiliated factories. Supported through Better Work advisory services and training, the programme also leverages the skillsets of partners such as BRAC and UNICEF to promote maternity protection, breastfeeding and childcare. Better Work is working closely with sectoral constituents, including building the capacity of labour inspectors, to implement and scale the programme. To date, Mothers@Work runs in 103 factories, covering over 6,500 pregnant and lactating mothers and 12,000 children under the age of 2.

The efforts have shifted new rules and practices into norms in several of the factories studied. Workers interviewed in six factories in mid-2022 discussed how pregnant and nursing mothers in their workplaces no longer need to negotiate for legal entitlements with their line supervisors. Rather, shifts have occurred such that there is common understanding about the needed access to breaks and services are provided. Participants noted the necessity of having support from top management and the need for continuous training and support groups to help ensure shifting norms remaining in place at work (Better Work 2022).

Potentially as a result of these and similar efforts, Better Work Bangladesh factories are performing better than their peers in this area. Workers at Better Work factories are more likely to state that they know the statutory provisions for maternity leave. Among those who state they know their rights, workers in Better Work factories are more likely to state that their plant complies with the mandatory maternity leave duration and payments. In addition, workers at Better Work factories are less likely to be victims of unjustified terminations due to pregnancy or childbirth (Cajal-Grossi and Macchiavello).

### Empowerment gains can have spillover effects in workers' households.



A recent multi-country study on garment workers examined the question of whether a woman's formal job in the garment industry changes gender norms and dynamics in her home life. The authors used focus group discussions and interviews with garment workers outside the workplace over multiple years to track their expectations and roles in their household, decision making power and division of labour and bargaining within the household. Although the study authors note that much of the home lives of workers remain influenced by cultural expectations of gender roles, they find that women working in a factory enrolled in Better Work have found some ability to exert greater agency over their earnings within the context of household resource allocation, and that the programme has decreased the negative effects of ongoing and systemic financial insecurity. Study participants mention that increased communication and negotiation skills learned at the workplace can be applied in their home setting.<sup>23</sup>

### 3. THE CRITICAL ROLE FOR SOCIAL DIALOGUE AND INDUSTRIAL RELATIONS SYSTEMS

Better Work's approach emphasizes that effective social dialogue and sound industrial relations are key dimensions to achieve decent work in the garment industry. By promoting social dialogue in factories, Better Work supports management and workers to identify their needs and improve their working relationships and communication.

Building trust and cooperation among workers and managers is at the core of Better Work's approach to improving compliance in factories. To facilitate improvement processes, Better Work helps establish (or improve) joint worker-management committees (sometimes referred to as Performance Improvement Consultative Committees (PICCs) or bipartite committees) through its advisory services. The bipartite committee's key function is to identify and drive changes in the factory by developing and implementing improvement action plans. Factories often also have other dedicated committees, such as OSH committees, to drive improvements in more specific areas. Bipartite committees are meant to meet on a regular basis to collectively identify issues and deliberate solutions. In addition to engaging with factories, the programme also builds partnerships with industry stakeholders to help strengthen their participation in industrial relations processes. At the factory, country and global levels, Better Work continues to work with workers and employers to promote dialogue and establish sustainable mechanisms for consultations and negotiations.

<sup>23</sup> K. Pike; B. English, "Better Work Beyond the Workplace: A Comparative Study of Gender Dynamics in Bangladesh, Cambodia, Kenya, Lesotho, and Viet Nam", ILO-IFC: Discussion Paper no. 35, 2020.

## The quality of bipartite committees matters for fostering improvement in working conditions.



Previous research has suggested that workers in factories with bipartite committees were more likely to report improvements in their conditions of work. More specifically, fewer workers reported verbal abuse, and workers reported better ambient working conditions in factories with established committees. Workers were also more likely to seek their trade union representatives in the presence of worker-management committees.<sup>24</sup> However, the same research suggested that not all bipartite committees achieve similar success: in order for them to lead to positive outcomes, **key characteristics – including freely elected representatives and the inclusion of women representatives – must be present.**

Further investigation into the effects of bipartite committees stressed that PICCs should incorporate factory as well as larger institutional dynamics and industrial relations. Research from Indonesia, Jordan and Viet Nam shows that functional features of PICCs – including union representation, election process, women’s representation and management support – and country contexts are important factors in determining how PICCs impact compliance outcomes.<sup>25</sup> In some cases, union representation was correlated with higher compliance violations, which suggests an activation effect of workers’ voice enabling more workplace issues to come to light. Properly functioning committees, including those with fair election processes, were more efficient in resolving compliance issues. The functional features of committees and operating context suggest there are different pathways that PICCs may take in increasing compliance to labour standards.

A deeper look at committees and their functioning in Bangladesh suggested that committees can play an important role in filling a general gap in communication between management and workers. Although not used for addressing sensitive or cost-implicating issues, committees nonetheless helped complement more established systems in workplaces. Existing systems are often dominated by informal leadership and communication channels among workers, which workers were more likely to rely on than committees to raise and address their concerns.<sup>26</sup>

24 ILO-IFC, *Progress and Potential: How Better Work is improving garment workers’ lives and boosting factory competitiveness* (2016).

25 M. Khan. “Worker Voice and labour Standards – Study of Participation Committees in Supply Chains”, ILO-IFC: Better Work Discussion Paper no. 41, 2021.

26 A. Afros. “Workers’ Voice within and beyond Participation Committees: A Case Study of Two Bangladeshi Garment Factories”, ILO-IFC: Forthcoming Better Work Discussion Paper

### Broader industrial relations mechanisms, including the presence of collective bargaining agreements, are correlated with better working conditions.



Analysis of aggregate compliance assessment results across six Better Work countries (Cambodia, Haiti, Indonesia, Jordan, Nicaragua and Viet Nam) showed that factories with both a collective bargaining agreement (CBA) and union presence had, on average, non-compliance rates that were nearly 10 percentage points lower than factories with no CBA or union presence.<sup>27</sup> Delving deeper into specific areas of working conditions, the stronger an industrial relations system in a workplace, the more likely factories are to meet and uphold compliance with regular and overtime wages, paid leave requirements and contracts.<sup>28</sup> In the case of this analysis, the industrial relations system is measured by Better Work assessments, and include the variables of union presence, freedom of unions to operate, CBA presence and effective implementation of a CBA. Based on analyses of factory assessment data over repeated cycles of capacity-building and monitoring, workplace unionization and collective bargaining are associated with lower non-compliance in salaries and benefits and contracts as well as OSH and welfare standards. Findings, however, are much less definitive for working hours. No correlation is detected for compliance with working time, suggesting this may be a more entrenched issue. These findings indicate that the stronger the industrial relations system, the more likely that factories have structure and processes to ensure compliance. The process, rather than strictly the content, of engagement with unions and negotiating CBAs may have positive effects for improving working conditions.

### Collective bargaining agreements are also correlated with better working conditions, and particularly OSH, in time of industry stress such as during COVID-19.



Analysis of data on compliance with OSH measures in 393 garment factories in Cambodia, Jordan and Viet Nam during the COVID-19 pandemic shows that workplaces where collective agreements are present and effectively implemented maintain better OSH compliance. Across a range of OSH categories – including OSH management systems, worker protection protocols, working environment and health facilities and first aid – non-compliance with OSH standards was lower in factories with a collective agreement than in those without one.<sup>29</sup>

27 S. Kuruville, *Private regulation of labour standards in global supply chains: Problems, progress, and prospects* (Cornell University Press, 2021).

28 L. Lupo and A. Verma, "Labour standards compliance in the global garment supply chain", ILO-IFC: Better Work Discussion Paper no. 37, 2020.

29 ILO, *Social Dialogue Report 2022: Collective bargaining for an inclusive, sustainable and resilient recovery* (Geneva, 2022).

**Better Work’s model has a discernible effect on the willingness of workers to speak up to address problems.**



Across several questions that cover sensitive topics, such as verbal abuse or sexual harassment, workers demonstrate an increasing willingness to express their opinion. Responses of “I don’t know” or “I don’t want to answer have decreased significantly since baseline surveys began. The reduction in these responses suggests workers are increasingly comfortable with voicing grievances in the factory. Furthermore, workers show a greater willingness to take their concerns with abusive behaviour to their supervisor or manager, which may suggest greater use or trust in grievance mechanisms in the factory.<sup>30</sup> Some disparities, however, persisted in the ways in which workers were able to exercise voice and agency. According to analysis of Better Work factories in Haiti, Jordan and Nicaragua, women with lower education, for instance, were found to be systematically less likely to voice their concerns about sensitive issues, such as sexual harassment, not only relative to men, but also compared to women with higher levels of education.<sup>31</sup> In some instances, these disparities narrowed as factories became more mature in their participation to Better Work. Qualitative evidence on women’s participation in PICCs and their impact on women’s ability to raise concerns provides additional insights on these dynamics. In fact, findings show that bipartite worker-management committees not only contributed to breaking down barriers created by weak relations between workers and supervisors but also initiated a process of positive change in workers’ lives.<sup>32</sup>

#### 4. THE BUSINESS CASE AND SUPPLY CHAIN DYNAMICS

Better Work aims to ensure that participating factories in the programme improve working conditions while simultaneously making gains in their business performance. Past research indicates that the average firm enrolled in Better Work experienced productivity and profitability improvements in line with the length of time committed to the programme. Such effects were attributed to better cooperation and communication at the workplace, better line productivity due to more humane and innovative management techniques and mixed evidence of positive incentives received from global buyers in supply chains regarding order sizes and price per order. Further analysis conducted in the past several years reinforces and extends the understanding of these dynamics.

30 ILO-IFC, *Progress and Potential: How Better Work is improving garment workers’ lives and boosting factory competitiveness* (2016).

31 D. Djaya et al., Better Work Discussion Paper no. 30, 2019.

32 K. Pike and B. English, “Better Work Beyond the Workplace: A Comparative Study of Gender Dynamics in Bangladesh, Cambodia, Kenya, Lesotho, and Viet Nam”, ILO-IFC: Better Work Discussion Paper no. 35, 2020.

**Firms enrolled in Better Work gain in revenue and profitability, both through higher export volumes and higher prices.**



Factories in the Better Work programme experience increases in average revenue, and some, depending on the supply chain positioning and conditions, experience higher profitability.

After enrolling in Better Work, factories in Bangladesh grow at a significantly higher pace relative to factories outside the programme, both in terms of export revenues and volumes. On average, in the period following enrolment, factories export revenues and volumes are 50 per cent higher than non-Better Work firms. While this difference is a continuation of the trajectory of Better Work and non-Better Work firms studied, the prices obtained for product by Better Work enrollees jumps by five per cent and represents a clear break from pre-existing trends.<sup>33</sup>

Improvements in profitability are observed in Indonesia and Viet Nam, where the higher costs from compliance with wages and working hours are exceeded by improvements in supply chain conditions – including access to buyers, price offered for product and order size. In Indonesia, analysis shows that by the fourth year of participation in Better Work, quarterly profits have more than doubled from baseline for the average firm. Profitability impacts are even more marked in Viet Nam, where a doubling of profit levels is estimated each year from years two through five of participation – this reinforces prior research which estimated that after four years of participation in the programme, the average firm experienced a 25 per cent increase in their revenue-cost ratio. These large effects are deemed feasible considering the fast expansion of the industry during the time of the study. The research suggests that participating firms are performing better due to more advantageous commercial relations with their principal buyers, including larger order sizes and to a lesser extent, higher prices.<sup>34</sup>

<sup>33</sup> J. Cajal-Grossi and R. Macchiavello, 2022

<sup>34</sup> D. Brown et al., “The impact of Better Work: Firm performance in Viet Nam, Indonesia and Jordan”, ILO-IFC: Better Work Discussion Paper no 27, 2018.

## Better Work leads to higher per worker productivity.



Efficiency rates, as measured by workers' reported time to achieve their daily and hourly production target, increased between 22-46 per cent compared to firms, which had not yet fully participated in the Better Factories Cambodia programme from 2016-2019. Factories in Better Factories Cambodia were simultaneously increasing their production targets and planned production.<sup>35</sup> A focus on better workplace communication, problem solving and better soft skills of supervisors drives these changes. The findings from this period reinforce similar analysis in Viet Nam, which estimated workers reached production targets on average nearly 90 minutes faster due to engagement with Better Work services over five years.<sup>36</sup>

### SOURCING PRACTICES AND WORKING CONDITIONS

Previous research using Better Work data established an empirical link between high-pressure sourcing practices and negative outcomes at the factory workplace, including higher levels of verbal abuse, delays in salary payments, and increased violations in excessive working time. Additional analysis of data drawn from Cambodia leverages insights on sourcing practices as perceived by management and workers' assessment of their factory environment. It shows that sourcing practices can have negative effects on workplace outcomes. Uncertain orders, changes in order size, rush orders, and changes to technical requirements after production negatively impact working conditions. This is especially the case related to contracts, working time, and compensation issues. Rush orders and changes in technical requirements are associated with increases in short-term contracts. And delayed payments from buyers to suppliers tends to decrease worker wages.

On the other hand, positive and long-lasting business relationships with lead buyers can promote improvement. For example, customer requirements for safety equipment have a positive impact on OSH. A longer business relationship between buyers and suppliers improves conditions related to compensation, contracts and OSH.<sup>37</sup>

35 A. Antolin et al., "Is Social Compliance Win-Win for Workers and Firms? Evidence from Better Factories Cambodia", ILO-IFC: Better Work Discussion Paper no. 39, 2020.

36 ILO-IFC, *Progress and Potential: How Better Work is improving garment workers' lives and boosting factory competitiveness* (2016).

37 F. Münch, "Sourcing Practices in the Garment Industry, The Root Cause for Poor Working Conditions", ILO-IFC: Better Work Discussion Paper no. 45, 2022.

### Improving compliance imposes costs on firms that are not always offset by improved productivity but must be compensated by actors in the supply chain.



In Cambodia, the costs to firms associated with maintaining compliance with increases in hourly pay outpace increases in productivity. As compliance with pay and hours increases, costs to the firm increase. Rising costs of compliance could be offset by rising productivity, yet workers in some cases are capturing a greater benefit of higher social compliance, relative to firm management. This suggests the need for supply chain adjustments, including better pricing terms from buyers, which are likely needed to ensure a return to the firm from higher compliance, allowing it to gain from higher worker productivity.<sup>38</sup>

### Diversification and resilience improve with Better Work.



Competitiveness for garment factories is determined by factors beyond price received for products and volume produced. Diversification in terms of product, export destination and customer base helps firms expand business opportunities while reducing dependence for any one narrow set of buyers or product.

Across multiple country contexts, analysis shows that factories enrolled in Better Work are more diversified in terms of products, destinations and buyers.<sup>39</sup> Factories benefit from greater exposure to new brands as well as new modes of human resource management and production techniques through their participation in Better Work.

Retaining a skilled workforce is a component of competitiveness in garment manufacturing. Low promotion rates and high-pressure work environments encourage churn among workers. Yet there is evidence that worker retention has improved as a result of better working conditions. As stated above, workers in Better Work Indonesia and Viet Nam factories were less likely to quit their jobs, and this likelihood is further reduced over the factory's length of time of participation in Better Work. Likewise in Bangladesh, workers were less likely to be looking for another job when communication mechanisms and workplace improvements like compliance with maternity provisions were present.<sup>40</sup>

38 A. Antolin et al., "Is Social Compliance Win-Win for Workers and Firms? Evidence from Better Factories Cambodia", ILO-IFC: Better Work Discussion Paper no. 39, 2020.

39 J. Cajal-Grossi and R. Macchiavello, 2022

40 J. Cajal-Grossi and R. Macchiavello, 2022

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Establishing communication among managers and workers, as is encouraged by Better Work, can help firms maintain a competitive edge when downturns in production occur. The bipartite committees established with the help of Better Work played a key role in maintaining communication between workers and managers during the disruptions of the pandemic. While it was challenging for factories to hold meetings during the pandemic, the majority of the bipartite committee members surveyed reported meeting and participating in workplace negotiations in 2020 and 2021, with the average committee meeting eight times in 2021. Members of the committees indicated that they covered negotiations on critical topics such as temporary suspensions of work and payments of allowances.<sup>41</sup> Keeping workers and their representatives engaged and involved in decision making at critical junctures in the business cycle encourages trust and resilience in firms.

## 5. POLICY LEVERS AND SUSTAINABILITY

Better Work seeks to create positive change that is durable, lasting beyond the time the programme operates in any particular place and context. In addition, stakeholder recognition of the promising approach of the programme has led to demands for it to grow and operate in new industries and geographic contexts. Given there are inherent limits of scale of an intervention that has historically been anchored with workplace-level action, it is particularly relevant to identify elements of the best approaches for sustaining impact and scaling the work of the programme for the future.

To-date, Better Work has transitioned out of operations in just one country, Lesotho. Operating from 2010-2016, the exit of the programme from the country is instructive. Following the departure of Better Work Lesotho, there was an overall decline in workers' perceptions of compliance, in large part attributable to the deterioration of the bipartite worker-manager committees.<sup>42</sup> While conditions such as the environment for voicing concerns and occupational health improved with the presence of Better Work advisors, without continued monitoring and advising of the programme much of the positive benefit dissipated in subsequent years. This lesson was essential for Better Work to double its efforts to invest in the sustainability of its approach.

In addition, far from being static, the garment industry will continue to transform in the coming years in response to recent shocks, including COVID-19 and the prospect of technological disruption. Against this backdrop, the key insights below have informed the reorientation of the programme's strategy, which seeks to sustain impact by bolstering the capacity of national actors to include state actors such as labour administrations and inspectorates of garment-producing countries, employers' and workers' organizations, and others. Policies with a mix of incentives – including transparency reporting and trade incentives, can also help bring forth and sustain the impact of the programme.

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41 ILO, *The Impact of Better Work Indonesia: A ten-year review*, 2022.

42 K. Pike, "Voice in Supply Chains: Does the Better Work Program Lead to Improvements in labour Standards Compliance?", *International Labour Review* 73, No. 44(2020), 913–938.

### UNDERSTANDING GARMENT INDUSTRY DISRUPTIONS AND TRANSFORMATIONS

The COVID-19 pandemic highlighted the fragility of the global garment sector and negative effects of this fragility for workers. Global garment trade virtually collapsed in the first half of 2020, with imports from garment-producing countries in Asia to major buying countries dropping by as much as 70 per cent. For workers, this severe disruption in demand meant facing furloughs, closed workplaces and sudden negative income shocks in environments with often little social safety net support.<sup>43</sup>

Pandemic disruptions also brought further attention to on-going industry changes such as supplier consolidation, supply chain geographies and trends in production automation.

Research conducted among a leading segment of Better Work's buyer partners revealed the transition to automated garment manufacturing has been and is likely to continue to be gradual. Large-scale changes in machinery and production systems were deemed unlikely in the short-term. Technical bottlenecks related to sewing procedures and limited factory budgets for procuring new machines and training workers were seen as inhibiting a fast transformation. Moreover, the expected displacement effect of automation on total employment was deemed by interviewees to be small. Those most likely to be affected by the eventual introduction of automated techniques will be workers with lower education and narrower skill sets than required to engage with more sophisticated production techniques.<sup>44</sup>

### Local labour governance can be effectively supported and complemented by Better Work.



JORDAN



INDONESIA

Better Work operates alongside and collaborates with existing national institutions. Laws regulating labour are frequently well-established but not well-enforced in garment supply chains. Applied research and recent experience suggests that collaboration with such institutions can be effective to create and sustain positive effects for governance of working conditions.

For example, case study evidence of Better Work in Indonesia suggests there is an important reinforcing and complementary role the programme can play with the public labour administration and inspection institutions. A range of interactions – both planned and spontaneous, formal and informal or ad-hoc interactions – between Better Work and the government complements the regulatory functions of public institutions. Generalizing beyond Indonesia, the complementarity

43 ILO, *The Supply Chain Ripple Effect: How COVID-19 is affecting garment workers and factories in Asia and the Pacific*, 2021.

44 Bárcia de Mattos et al., "Automation, employment and reshoring in the apparel industry", ILO-IFC: Better Work Discussion Paper no. 36, 2021.

of regulatory functions of public labour inspectorates are likely to vary depending on the specific context and are likely to come to fruition only through “trial and error... [and]...the persistence of interaction.”<sup>45</sup> A further specific case examines regulation activities in Indonesia related to contract and minimum wage renegotiations in the mid-2010s. It finds Better Work’s presence and activities reinforce state institutions, given workers’ organizations are present and applying pressure to state institutions. This case also emphasizes the need for sufficient capacity among state institutions to clarify legal ambiguities in ways that effectively inform and affect the interpretation of legal regulations by employers.<sup>46</sup>

In Jordan, Better Work has been particularly active in initiating collaboration and joint learning with government stakeholders, including labour inspectors from the Ministry of Labor. As a hybrid form of private governance, Better Work is positioned well to engage closely with state actors to improve their ability to regulate labour markets. Formal collaboration between Better Work and the Ministry of labour in Jordan dates to the inception of the programme in 2008, with ties deepening since then, suggesting a promising future for programme sustainability.<sup>47</sup> In recent years, the programme has embarked on efforts to directly train labour inspection personnel on methods for compliance assessments through a secondment programme that embeds labour inspectorate staff in the Better Work programme. The process of instituting the secondment programme has strengthened the collaboration and trust between Better Work Jordan and the labour inspectorate.

### **Leveraging the Better Work model through supply chain actors can extend the reach of the programme.**



#### **BUSINESS PERFORMANCE**

Brands and retailers seeking to conduct business responsibly in their sophisticated and complex supply chains have long engaged with Better Work to receive greater transparency in compliance assessments and to attain unique industry insights and expertise. Certain brand partners of the programme have also engaged more deeply, committing their own staff as participants in the in-depth training of Better Work assessment, advisory and training methods. The Better Work Academy initiative works at a strategic level with brand partners to shift the mindset and practices of the compliance staff of brands and retailers. Global brands’ staff participating in the Better Work Academy are equipped with skills that allow them to carry out training and advisory activities among their supplier base, focused on improving workplace cooperation mechanisms and problem solving,

45 O. Dupper et al., “The Interaction of Labour Inspection and Private Compliance Initiatives: A Case Study of Better Work Indonesia”, ILO-IFC: Better Work Discussion Paper no. 21, 2016.

46 M. Amengual; and L. Chirot, “Reinforcing the state: Transnational and state labour regulation in Indonesia”, *International Labour Review* (2016).

47 K. Kolben, “Sewing in the sand: How trade preferences created, and labour abuses nearly killed, the Jordanian garment industry”, in *Handbook on Globalisation and Labour Standards*, ed. Kimberly Ann Elliot (2022).

rather than taking a purely compliance-driven approach to their supply chain sustainability efforts. The Academy curriculum encourages strategies to foster more effective communication in factories, allowing for creative, long-term solutions to address the root causes of non-compliance. In practice, this means that buyer staff are moving away from audit and compliance-based interactions to instead engage with supplier staff in a coaching, communications-driven role. Ultimately, the aim of these efforts is to improve working conditions and increase productivity through better worker-management relations in factories.

Better Work's first successful rollout of this kind of training, with Gap Inc. across their supply chain, focused especially on how to foster communication and cooperative work relationships in supplier firms. In this experience, improvements in communication fostered more cooperative work relationships, with positive benefits witnessed such as enhanced confidence among workers, greater open mindedness among workers and managers, and greater agency and ownership for addressing compliance improvement plans at the factory. The soft skills training Gap Inc. staff transferred to their suppliers with the help of Better Work enabled managers and workers to better address workplace concerns through productive problem solving, functional grievance channels and proactive risk assessments. Interviews among a range of factory stakeholders suggested this process in turn had a positive impact on motivation, productivity, product quality, turnover and absenteeism.<sup>48</sup>

Training brands and retailers and their staff by Better Work empowers important supply chain actors to shift their way of conducting business toward one that supports what has been proven to work in Better Work contexts. This approach also has potential to be expanded beyond where Better Work has direct operations, addressing a key barrier to the sustainability and scale of the programme.<sup>49</sup>

### Transparent reporting of non-compliance contributes to improvements in working conditions.



Through its Transparency Portal, Better Work discloses the names of registered apparel factories and their compliance with key national and international labour standards. This kind of transparent reporting represents a policy incentive intended to motivate improvement among suppliers and their buyers in the garment supply chain.

Analysis shows that factory-level transparency reporting in fact spurs higher compliance with labour standards, but implemented alone, it is not a panacea for sustainable improvement.

48 K. Pike, "Impacts on the shop floor: An evaluation of the Better Work – GAP Inc. program on workplace cooperation", ILO-IFC: Better Work Discussion Paper no. 40, 2020.

49 ILO-IFC, "Oversight and openness", Better Work research brief, 2022.

In Cambodia, despite the discontinuation of publicly reporting factory names alongside non-compliance areas in late 2006, compliance among factories remained high, though the pace of improvement slowed. The public disclosure of compliance data helped prompt factories to experiment with innovations in HR practices and make other changes in the factory. The fact that factories did not reverse these changes after public disclosure ended suggests factories found compliance with labour standards to support productivity. Better Factories Cambodia re-introduced transparency reporting in 2013. Overall, the transparency programme has been effective in increasing compliance for key compliance issues, and backsliding once compliant is rare.<sup>50</sup>

Similarly, in Viet Nam, research has shown a positive effect of transparency reporting on a range of compliance issues both targeted for disclosure and those that are not included as public disclosure issues. Public disclosure has a particularly strong effect on compliance points related to OSH and working time. Larger firms, firms earlier in their lifecycle with Better Work and more non-compliant firms at baseline are more likely to respond to public disclosure with lower rates of non-compliance.

However, such incentives are not enough to create uniform improvements that are sustained over time. Transparent reporting is less likely to have an impact among the least compliant factories, suggesting a segment of manufacturers may be left behind. Paired with other research showing the positive effects of linkages to reputation-sensitive buyers on compliance, these insights suggest that including information on buyers in transparency reporting can serve as another tool to promote labour standards compliance.

### Trade policy incentives can be harnessed to support good labour governance.



BANGLADESH



CAMBODIA



ETHIOPIA



HAITI



JORDAN



NICARAGUA



VIET NAM

The garment industry is heavily dependent on global trade, and Better Work has proven to be a tool to harness trade and investment incentives at the country level for improving compliance and competitiveness. Trade liberalization in the 1980s and 90s set the stage for the sprawling global garment industry and its complex supply chains that produce the world's clothing today. Trade preferences and policies, including those that facilitate access to end markets, have played an important role in enabling the growth of labour-intensive manufacturing in many countries where Better Work operates. Such policies from the US and EU (such as the GSP, GSP+, and Everything but Arms) include labour provisions that aim to commit trading partners to adhere to core labour standards and conditions for withdrawal of trade preferences in the presence of violations.

Better Work has been successful in leveraging trade incentives, such as trade preferences embedded in bilateral trade agreements, to establish programmes in Cambodia, Haiti and Jordan. Better

<sup>50</sup> R. Robertson, "Lights on: How transparency increases compliance in Cambodian global value chains", *International Labour Review* (2020).

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Factories Cambodia, the precursor to the Better Work programme, began as a means to monitor compliance with international labour standards and law in fulfilment of a trade agreement with the United States that linked market access with compliance performance. The establishment and success of Better Factories Cambodia suggests that targeted incentives at the firm-level can be easier to implement and produce more reliable compliance improvements than incentives targeted more broadly at governments, such as the partial withdrawal of EBA trade benefits to Cambodia by the EU in 2020.<sup>51</sup>

The number of labour provisions in trade agreements has continued to grow since the establishment of Better Factories Cambodia. As the programme has grown in reputation, stakeholders in the garment sector have recognised the value of good labour governance to support their efforts to increase garment exports and jobs. Instead of hampering trade flows or competitiveness, labour provisions in trade agreements reduce trade costs and increases employment opportunities, particularly for women.<sup>52</sup> Better Work aims to improve compliance with labour regulations intended to ensure decent working conditions in such jobs. As with labour provisions in trade agreements, the presence of Better Work in a given garment-producing country does not hamper an industry's competitive positioning. On the contrary, recent analysis of trade flows has demonstrated that garment exports from producing countries increase with the presence of a Better Work programme.<sup>53</sup>

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51 S. Polaski, "The strategy and politics of linking trade and labour standards: An overview of issues and approaches", in *Handbook on Globalisation and Labour Standards*, ed. Kimberly Ann Elliott (2022).

52 ILO, *Assessment of Labour Provisions in Trade and Investment Arrangements*, 2016.

53 R. Robertson, "Labor Compliance and Trade Flows: Evidence from Better Work", ILO-IFC: Forthcoming Better Work Discussion Paper.



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## Conclusion

Thanks to a continued investment in learning, knowledge and evidence generation and research, in the last five years Better Work has produced a significant body of evidence summarised in this report. We now have, more than ever before, a nuanced understanding of the impact of the programme and the significance of these lessons for broader policy advice.

Through rigorous impact evaluations carried out in this period, we have a resounding confirmation that Better Work's impact is positive and measurable on both workers' lives at the workplace and beyond, and on businesses. This is particularly significant in the context of massive supply chain disruptions and economic crises which may have put some of the gains in jeopardy. Research shows that workers in Better Work factories fare better than those in non-Better Work factories thanks to higher pay, fewer hours, better working environments and stronger empowerment and agency as demonstrated by more mature social dialogue at the workplace.

Building on the awareness that gender equality and social dialogue are integral vectors for improved working conditions, recent research shows that the programme needs to be even more inclusive in integrating gender equality in its programme design, and that social dialogue needs to be anchored in institutional industrial relations mechanisms, going beyond Better Work's own established bipartite committees.

Similarly, one of the key findings at the core of the Better Work approach – that there is a business case for improved working conditions – now has been further strengthened by more empirical analysis, demonstrating the need for a holistic supply chain approach that identifies incentives and the rewards of compliance across different levels of the supply chain. If this does not materialize, businesses and ultimately workers will be negatively impacted, as shown by the COVID-19-driven demand shocks and related consequences for the apparel industry.

The empirical evidence at hand encourages us to think about innovative ways to identify which elements of the Better Work approach can produce equally impactful outcomes in other industries, sectors or in a future where Better Work is no longer present. This entails a forward-looking, collaborative approach in bringing national labour institutions along as key partners and not substituting their roles and mandates. It also includes building the capacity of supply chain actors such as global brands and retailers, who can shift and apply a more inclusive approach to their supply chain management well beyond Better Work's own coverage. Finally, it speaks to the opportunity of harnessing incentives to improve working conditions. For example, Better Work's transparency reporting has been successful in driving compliance behaviour and could be applied beyond the programme's direct reach. At a broader policy design level, the programme has been highly successful in linking trade and market access to decent work, effectively implementing labour provisions in trade agreements, and providing an entry point for broader policy and legal reform.

As the programme continues to adapt, innovate and grow, we continue to need to learn and investigate the best mechanisms to ensure that both workers and businesses in the garment supply chain can thrive.

The Better Work Programme is supported by participating brands and factories, and the following key development partners (in alphabetical order):

- ▶ Australia (Department of Foreign Affairs and Trade, DFAT)
- ▶ Denmark (Ministry of Foreign Affairs, Danida)
- ▶ European Commission (Department for International Partnerships, INTPA)
- ▶ Germany (Federal Ministry for Economic Cooperation and Development, BMZ)
- ▶ Netherlands (Ministry of Foreign Affairs, MFA)
- ▶ Switzerland (State Secretariat for Economic Affairs, SECO)
- ▶ United States (US Department of Labor, USDOL)