

Nicer work?

Impactt's Benefits for Business and Workers Programme 2011-2013

Better jobs for workers in Indian and Bangladeshi garment factories



WHO ARE WE?

IMPACTT

Impactt enables organisations to improve working conditions and livelihoods across global supply chains in a way that brings clear business benefits to both ends of the chain. We are a leading consultancy specialising in ethical trade, human rights, labour standards and international development. Impactt works with a wide range of stakeholders, from large retailers and government bodies to factory workers and local communities. Often the experiences and languages of these different stakeholders are so far apart that they do not ‘see’ or interact with each other. Impactt helps to bridge the gap and deliver real change on the ground. Impactt’s approach is change-focused, innovative and practical. We are a passionate and committed team with extensive local experience. We have offices in the UK, China, Bangladesh and India, and a network of Impactt associates across Cambodia, Ethiopia, India, Kenya, Malaysia, Poland, Romania, South Africa, Sri Lanka, Turkey, Thailand, Vietnam and elsewhere.

RAJESH BHEDA CONSULTING

Rajesh Bheda Consulting (RBC) is a knowledge organisation focused on enhancing competitiveness of fashion industry organisations. Since its inception in 2006, RBC has been working to make the fashion industry aware of its improvement potential, draw strategies for improvement and supporting in implementation of these strategies. Led by founder, Dr. Rajesh Bheda, previously Professor and Chairperson with the National Institute of Fashion Technology, New Delhi, the team at RBC includes globally known highly accomplished senior consultants and professionally qualified associates who are committed to working with clients for achieving their goals.

RBC is associated with leading apparel manufacturers, retailers, industry associations, non-profit organisations and development agencies. Over 200 organisations in India, Bangladesh, Sri Lanka, China, Kyrgyzstan, Tajikistan, Fiji Islands, UK and USA have benefitted from the consulting advice of RBC.

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ACRONYMS

RAGS	Responsible and Accountable Garments Sector fund
BBW	Benefits for Business and Workers programme
RBC	Rajesh Bheda Consulting

EXECUTIVE SUMMARY

BRANDS AND RETAILERS HAVE LONG been looking for the silver bullet to solve the problems of social compliance in their supply chains. Audits, training and ‘beyond auditing’ approaches are all much discussed, and the flaws and benefits of each are increasingly understood. However, as Impactt’s 2012 publication ‘Nice Work’¹ makes clear, workers around the world are experiencing increasing levels of exploitation, working ever harder for wages which can buy them less of what they need. The tragedies in Bangladesh demonstrate all too clearly that compliance alone has not been able to achieve a transformation in the ability of many factories to be good businesses providing good jobs for their workers.

Impactt’s work since 2001 has demonstrated that such a transformation can be achieved,² by supporting better quality jobs funded through productivity and quality improvements. However, this approach is expensive, and therefore not scalable. In 2011, with the launch of the UK Department for International Development’s RAGS (Responsible and Accountable Garments Sector) Challenge Fund, we saw the opportunity to build a coalition of retailers, brands and factories to develop a replicable and cost effective methodology to strengthen export garment factories in India and Bangladesh and support them to become better businesses offering better jobs for workers. This report, ‘Nicer Work’, presents the Benefits for Business and Workers Programme (BBW),

its results and the lessons we learned. We hope that others will find it useful.

BBW aims to develop a virtuous circle of competitive businesses with skilled, well paid, safe and loyal workforces producing excellent product. The programme focused on export garment manufacturers in India and Bangladesh and was supported by a coalition of retailers and brands, initially Arcadia Group, Marks & Spencer, Mothercare, New Look, Sainsbury’s and Tesco, subsequently joined by Ralph Lauren and Varner Group. All 73 participating factories made financial contributions and the programme benefited from matched funding from the Department of International Development’s RAGS Challenge Fund.

Working with Rajesh Bheda Consulting, Impactt developed a 6 month training course for participating factories, training key managers in problem-solving and

The tragedies in Bangladesh demonstrate all too clearly that compliance alone has not been able to achieve a transformation in the ability of many factories to be good businesses providing good jobs for their workers



decision-making techniques, and upping their skills in HR management, communications, production and quality management. In Bangladesh, we also added a health and safety module to support better decision-making and more effective management, particularly of fire safety. Factories contributed the equivalent of £2,000 to participate. Over its two years, BBW reached a total of 102,110 workers, 54,186 (53%) of them women. In Bangladesh we reached 41 factories employing 80,526 workers (57% women) and in India, we reached 32 factories employing 21,584 workers (38% women).

The results are extremely positive across the board – BBW does seem to support an improvement in both the capability of businesses and the quality of jobs for workers. The programme champions investment in the workforce, proper induction systems, better communications and better access to skills development and promotion, increasing employee satisfaction and prompting a sense of self-worth.



IN BANGLADESH

Efficiency improved by 18.28%. Cut-to-ship ratio by improved by 1.14%, meaning that factories were able to ship (and get paid for) more garments from the same inputs. This represents a significant cost saving for factories. On average, participating factories saved £40,293; a 6-month ROI of 21.

Absenteeism reduced by 33.67% on average, indicating that workers were more motivated to come to work each day. In perhaps the most pleasing result, worker turnover is down on average across all factories by 52.16%. This means that fewer than half the number of workers were leaving every month than at the start of the programme.

Overall, year 2 factories saw an increase in average take-home pay of 491 Taka per month or 7.63% – equivalent to an increase in annual pay of £3.4 million across the 67,640 workers employed by participating factories. Factories also performed strongly on hourly pay, increasing this by 11.94%. Workers’ quality of life was also improved by significant reductions in working hours, with the percentage of workers working more than 60 hours per week falling by 43.48%.

BBW aims to develop a virtuous circle of competitive businesses with skilled, well paid, safe and loyal workforces producing excellent product

¹ <http://www.impacttlimited.com/resources/nice-work-are-workers-taking-the-strain-in-the-economic-downturn>
² 2011 – Impactt: Finding the Sweet Spot, section 3.1 2008 – Impactt: Ethical Trading in the Downturn, Section 3.1
http://www.impacttlimited.com/wp-content/uploads/2012/01/Getting-Smarter_Ethical-Trading-in-the-Downturn1.pdf, 2007 – Impactt:

IN INDIA

Efficiency improved by 26.25% and cut-to-ship ratio by 1.38%, enabling Indian factories to realise £24,919 of savings due to cut-to-ship and efficiency improvements, a 6-month ROI of 13. Absenteeism reduced by 26.73% and worker turnover by 26.08%. In year 2 factories, average take-home pay increased by 264.60 Rupees or 5.09%. This would be equivalent to an increase in annual pay of £614,000 across all the 17,442 workers employed by participating factories. Factories also performed well on hourly pay, increasing this by 7.99%.

We compared the performance of BBW factories to a comparable group of 28 factories which did not participate in the programme. Factories in both groups were broadly similar, in terms of location, product type, price point, export volume and type of customer. We looked at BBW factory performance at the end of the programme. We found that BBW factories performed far better overall on all key labour issues in which we monitor, in both India and in Bangladesh.

This may indicate that BBW participants have improved their labour standards performance during the programme, and/or may show that the type of factory willing to join and invest in such a programme is likely to have higher standards. At the very least, better factories, which are more open to change and prepared to make a commitment themselves are able to make improvements, with the support of BBW. There are also strong indications that BBW acts to boost factories which already have potential, and may also be powerful in starting under-performing factories on the road to improvement.

WAGES

Looking at wages, in both Bangladesh and India, BBW factories at the end of the programme were paying significantly more than non-BBW factories, in Bangladesh, 25% more per month. However, in neither country did wages approach current estimates of living wage.³ Nevertheless, the project has clearly been successful in putting more money into workers' pockets, both in comparison to the amount they received earlier, and in comparison to other equivalent factories.

BBW has been successful in distilling a low cost group training methodology which is extremely effective at delivering better businesses and better jobs in the export garment industry in Bangladesh and India. The group plans to roll out the BBW programme in India and Bangladesh and trial it in China over the coming months. We call upon interested brands to come together to promote 'Nicer Work' within their supply chains so as to strengthen their supplier businesses' ability to provide good jobs.

Over its
two years,
BBW reached
a total of
102,110
workers,
53%
of them women

INTRODUCTION

IN 2012, IMPACTT PUBLISHED 'NICE

Work: are workers taking the strain in the economic downturn?'. The report described the increasing level of exploitation experienced by workers working ever harder, for wages which can buy them less of what they need, without the ability to bargain for more. It also highlighted the bind in which manufacturers find themselves. Their customers are ever more demanding in terms of quality and price, putting a strain on their production and management systems. Their workers are also demanding more, moving regularly from factory to factory to try boost their income. Manufacturers are finding it increasingly difficult to attract and retain skilled workers capable of meeting customers' demands. We noted that employers in general are making slow progress in implementing the obvious solution of providing jobs which motivate workers and meet their needs.

In the interim, the tragedies at Rana Plaza, Tazreen and Smart Fashions have made it clear that, at a very basic level, some garment manufacturers in Bangladesh are failing to take responsibility for the safety of their workers, let alone their livelihoods.

This report, discusses the Benefits for Business and Workers (BBW) programme which aims to break this vicious circle of inefficient businesses, under pressure, failing to deliver either decent jobs for workers or right-first-time product. The programme aims to develop instead a virtuous circle of productive businesses with skilled, well paid, safe and loyal workforces producing excellent

We leave our villages with a heavy heart and come to Delhi for employment; any penny saved here by us is crucial to ensure food on the table back home. We have a lot of expectations from this factory; employment here will ensure education for our children.

Bimal, Delhi, India

My family back home is dependent on my employment at this factory; God bless this factory; the factory is an extended family for us.

Faisal, Delhi, India

When my child grows up... I never want to let him join [a] garment factory. If I have to, then he will take a job in the office not on the production floor like me.

Rina, Dhaka, Bangladesh

product – Nicer Work for all. The programme focused on export garment manufacturers in India and Bangladesh and was supported by a coalition of retailers and brands, initially Arcadia Group, Marks & Spencer, Mothercare, New Look, Sainsbury's and Tesco, subsequently joined by Ralph Lauren and Varner Group. All 73 participating factories made financial contributions and the programme benefited from matched funding from the Department for International Development's RAGS Challenge Fund.

³ The Bangladesh living wage is based on the 2011 Asia Floor Wage (12,248 Taka) adjusted up for inflation. The India living wage is an average of: living wage estimates from 3 NGOs in Tirupur, Gurgaon and Bangalore from 2013, and the Asia Floor Wage from 2011 (7,697 Rupees) adjusted up for inflation.

⁴ <http://www.impacttlimited.com/resources/nice-work-are-workers-taking-the-strain-in-the-economic-downturn>

Impactt has worked with a broad variety of retailers⁵ and factories⁶ since 2001 to demonstrate⁷ that factories can improve labour practices as an integral part of improving their business performance. We have demonstrated that good businesses and good jobs can go hand-in-hand. However, these approaches tended to be very costly and tailored to individual circumstances and thus not easily replicable at scale. The RAGS Challenge Fund offered Impactt, working in partnership with RBC, the opportunity to develop a low-cost, scaleable methodology for transforming garment factories and delivering better jobs for workers.

We have been able to increase our knitting workers' incomes by 1/3, whilst also cutting their working hours and making it easier for them to take time off. Workers can go home on time and spend evenings and weekends with their families. Our workers stay with us for longer and have better skills. This makes us more productive, and our products are higher quality than ever.

Director of Operations, Dhaka, Bangladesh

The biggest change is the change in mentality from the management to the root level.

Welfare Officer, Dhaka, Bangladesh

We have zero defect system in our line for that I need to be more attentive in my work, now I realize my quality of work improve a lot.

Sewing machinist, Dhaka, Bangladesh

This is the first time I have come across an opportunity for supervisors to partake in a factory-development programme; I feel more important & recognized in this company because of this meeting [...] Such programmes will help us to get the best out of all of us. I assure of my best support for the development of this company.

Supervisor, Tirupur, India



MEASURING SUCCESS

We developed a set of indicators to measure the effectiveness of the programme.

Good businesses indicators

- **Efficiency** – measuring how much product the factory actually produces against its theoretical capacity.
- **Cut-to-ship ratio** – a measure of quality, which looks at how much of the fabric cut is made into finished garments which pass the final quality inspection. In knitting factories, we measure the yarn-to-ship ratio. Spoiled and wasted garments are a major financial loss to many factories.
- **Worker absenteeism** – measuring how motivated workers are to come to work on time each day.

Good jobs indicators

- **Average take-home pay** – workers' total income including overtime payments and bonuses. This is what matters to workers and enables them to pay the bills.
- **Average hourly pay** – this enables us to look at whether workers are getting more or less money per hour that they work.
- **Worker turnover** – a proxy for job satisfaction, reducing worker turnover indicates that workers are more satisfied with their jobs and choose to stay.

We gathered feedback from workers and managers to understand how the programme had impacted them.

We also looked at the social compliance status of factories participating in BBW against a control group of 28 non-participants to see whether BBW factories were more likely to be meeting local and international labour law. For details and caveats on the data, please see the Appendices on pages 28 and 29.

5 Including Boden, H&M, Marks & Spencer, Mothercare, Next, New Look, Pentland, Gap, Next, Ralph Lauren, Sainsbury, Tesco.

6 In Bangladesh, India and China.

7 Impactt (2009) Getting Smarter: Ethical Trading in the Downturn; Impactt (2008) Progress not Perfection: 10 years of making an Impactt; Impactt (2006) Changing Overtime: Tackling supply chain labour issues through business practice

WHAT WE DID

PHASE 1

Building management skills and improving working conditions in 10 pilot factories in India and Bangladesh.



During the first year of the programme, Impactt and RBC worked with six factories in India (Delhi, Ludhiana, Bangalore, Tirupur and Chennai) and four in Dhaka, Bangladesh. Factories were proposed by retailers and selected on the basis of enthusiasm and highest possible overlap of customer base with the retailer group. We delivered individual consultancy on productivity, quality, human resource management, communication and decision-making. Factories produced a broad range of product including jersey, knitwear, wovens and embellished garments.

We delivered seven modules in each factory, amounting to an average of 200-300 hours training per factory.

We identified five key learnings from Phase 1:

- The model works – factories reported high levels of satisfaction with the consultancy and highlighted some areas for improvement.
- Progress is easier to achieve on ‘good businesses’ indicators, progress on ‘good jobs’ tends to lag behind. Need for more focus on ‘good jobs’.
- Training must be in local language.
- More space needed for practical learning, co-creation and peer learning.
- Stronger communication needed between implementation teams and brands in the UK and their local teams.

PHASE 2

Roll-out and Scale-up – group training and implementation support for 63 factories

The objective of Phase 2 was to build on the learnings from Phase 1 to develop a training programme which provided the same or better benefits to participants, but at a much reduced cost and on a much larger scale. We developed a model based on training factories in groups of six for a six-month period with factories hosting modules so that learning could be practical. Each factory also received three days individual follow-up in-factory. Factories paid a fee equivalent to around £2,000 plus local taxes.

Impactt and RBC worked closely with retailers and, in Bangladesh, the Bangladesh Garment Manufacturers Exporters Association (BGMEA) and UK Trade and Investment (UKTI) to recruit 63 factories for Phase 2. In India, the British High Commission hosted the launch event.

Efforts included:

- Brands suggesting factories from their supply bases, some brands made participation a condition of contract.
- Large scale launch events with high profile speakers including testimony from Y1 factory owners.
- Small scale events in Chittagong and Tirupur.
- Meetings with suppliers hosted by brands.
- Individual follow-up with factories, by phone, email and through in-person visits.
- Retailers/brands jointly approaching shared suppliers.

The team divided factories into 12 batches, each of up to six factories, according to geographical location and product type. Batches took place in Dhaka and Chittagong (Bangladesh) and in Delhi, Tirupur and Bangalore (India). Training was delivered as far as possible in-factory, with factories taking turns to host modules. This resulted in more practical, shop-floor based training and direct interaction with workers. In response to the Tazreen fire, later batches in Bangladesh included a fire safety module.

Each factory was asked to release six managers to attend each session of the training, specifically the HR Manager, Welfare Officer, Trial line Supervisor, Production Manager, Industrial Engineer, and Quality Manager. Bangladesh factories tended to send more participants, including health and safety managers in latter batches. In total, the team delivered 2,080 training and consultancy hours to 426 people.

WHAT WE DID: THE CURRICULUM

FIGURE 1: The BBW curriculum

Building a vision for each factory			
Setting clear targets for employee retention, absenteeism, efficiency, quality and workplace communications			
HR	Production – Improving Efficiency	Quality	Fire Safety*
<p>Improve retention</p> <ul style="list-style-type: none">• Better induction• Introduce buddy system• Proper skills assessment and career progression <p>Improve attendance</p> <ul style="list-style-type: none">• Convert unplanned into planned leave• Easy to use leave process• Increase attendance bonus <p>Formal structures & commitment to invest in people</p> <ul style="list-style-type: none">• Co-created job descriptions• Skills assessment and pro-active training programmes• Specific training for supervisors	<p>Improve production line flow</p> <ul style="list-style-type: none">• Line balancing• Capacity studies• Measure and analyse efficiency data• Capture and reduce non-productive time <p>Improved methods</p> <ul style="list-style-type: none">• Method study and standardising operations• Better cross-departmental working <p>Upskilling supervisors to proactively improve line performance</p> <p>Rewarding better performance</p> <ul style="list-style-type: none">• Production bonuses and incentives schemes	<p>Measurement</p> <ul style="list-style-type: none">• Understanding and reducing rework• Measuring and reducing Cut-to-ship losses <p>Incentives</p> <ul style="list-style-type: none">• Zero defect operators• Building ownership for quality	<p>Review</p> <ul style="list-style-type: none">• Why is this important to our business?• Understand current systems• Difficulties within current systems <p>What good looks like</p> <ul style="list-style-type: none">• What needs to change?• Putting people first• How do we make better decisions in policy and implementation?• How can we keep this going on a daily basis? <p>Tools</p> <ul style="list-style-type: none">• Tools and techniques to strengthen existing systems• Taking ownership• Technical requirements
Improved communication – Buddies,		supervisor soft skills, committees	
Improved teamwork and cross		departmental working and respect	
Problem solving skills		and a 'can-do' attitude	
Professionalisation of management		systems and managers	

DESCRIPTION OF TRAINING

Each batch received 21 days of group training and three individual factory follow-ups. Factories took turns to host batches, enabling training to be hands-on and extremely practical. Each factory sent a core group of around six people to the sessions. These included industrial engineers, production managers, HR managers, quality managers, welfare officers and the trial line supervisor. Production people attended the HR sessions and HR people attended the quality sessions. This was very important in supporting teams to respect each other's work and understand its value.

When a factory hosted the training, they were able to include more team members and trial techniques with their own workers. Trainers used a wide variety of methods to inspire and motivate participants, including role play, story-telling, songs, games and humour. Participants commented that they had never found learning to be as much fun as this. Training was extremely practical – the in-factory setting enabled participants to experiment with line-setting, interact with workers, make changes and see the effect. This made it easier for them to implement their learnings back at their own factories. The team

carried out three full-day follow-ups at each factory, between training modules, to embed the learning and support implementation.

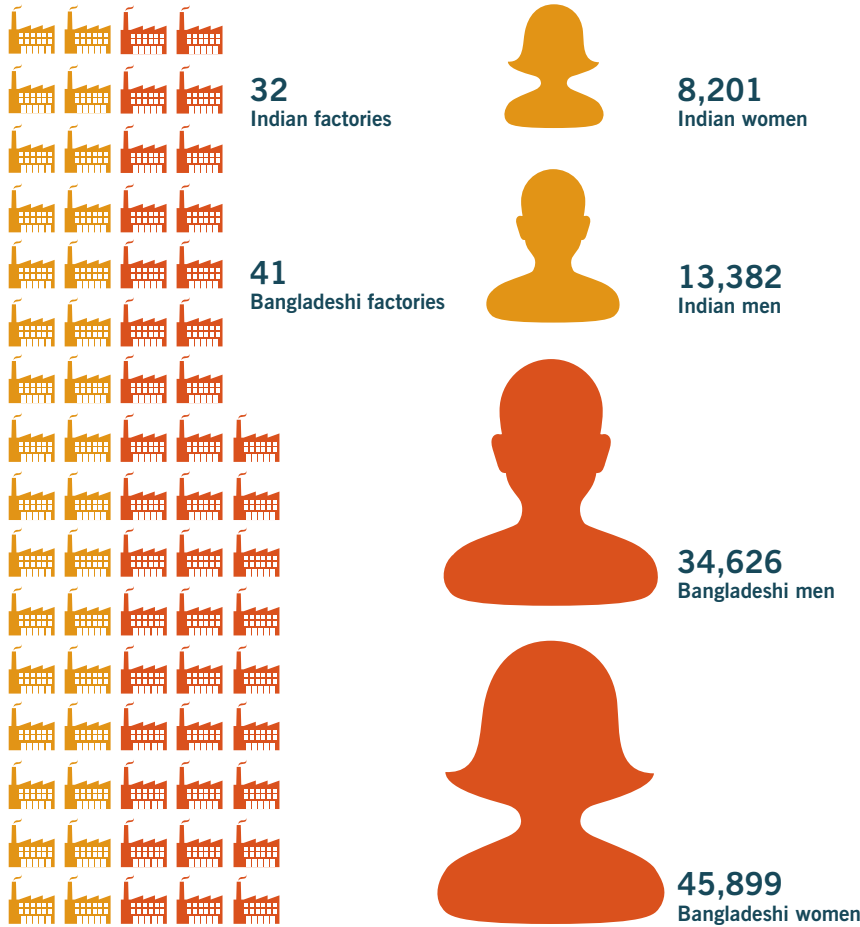
We found that training factories in groups was extremely positive. It encouraged peer-to-peer learning and sharing experience. For example, each factory worked on their lines to find ways to improve sewing techniques, and videoed six examples. These were then shared, enabling each factory in a group of six to have access to 36 examples which they could roll out. Group training was also very useful in encouraging lagging factories to improve – the example of successful peers proved to be a strong incentive.



We found that training factories in groups was extremely positive. It encouraged peer-to-peer learning and sharing experience

RESULTS

OVER ITS TWO YEARS, BBW reached a total of 102,110 workers, 54,186 (53%) of them women. In Bangladesh we reached 41 factories employing 80,526 workers (57% women) and in India, we reached 32 factories employing 21,584 workers (38% women).



Interestingly, in both India and Bangladesh, results were better in the Phase 2 group training than in the bespoke consultancy delivered in Phase 1. This is due largely to more integration between all elements in the curriculum and the effect of group working, prompting sharing good practice and peer pressure on laggards.

Overall, participants were extremely positive about the training. 96% of feedback received from participants scored both the quality of the sessions as either good or very good.

RESULTS

WHAT PARTICIPANTS SAY

Developing systems to manage the factory:

RAGS BBW has opened our eyes. We had the systems but not the way to implement them. Now we know, being owner and managers, how to grow together with our workforce.

Factory owner, Bangladesh

Understanding and communicating with workers:

Keep in mind workers are also humans.

I have learnt about the need for worker participation committees and the skill to solve worker problems with good results.

More money for workers:

I feel like there has been lots of change in this factory over the last 6 months. There is less absenteeism and I am not taking leave because I can earn the attendance bonus. I am saving it for my daughter's future. I am also using it to buy new things for my house. It is helping me across all aspects of my life.

Tailor, India

Improved problem-solving and analysis:

In the Garment sector most of us learn our work by watching what other people do. But there is no time to judge whether we've learnt the right or wrong way! Now BBW has made us judge for ourselves. After this training we try to find the right way of working before doing anything!

Production Manager, Bangladesh

Every difficult task is possible to achieve by co-operation.

Production manager, India

HR managers able to have a more positive impact on the workforce:

Sumitra, who was promoted as a sample tailor as a result of BBW, told me "When I handed my last month's salary to my daughter she counted it twice and told me there must be a mistake, she had never seen so much money in her life. I was proud to say it was the money I'd earned last month." As a HR person, I can't think of another career experience which brought such satisfaction. It gives me goosebumps whenever I recall it.

HR Manager, India

Supervisors feel responsible for their workers' welfare and see that this is an important part of boosting efficiency:

Earlier my work was counting and shouting. After supervisor training I realize my job is care and share.

Supervisor, knitting factory, Bangladesh

Earlier we didn't have conversation with our workers around their personal problems but now after taking the training we always tried to solve their problems. As a result the absenteeism is going down & also we can handle our work without any pressure.

Supervisor, Bangladesh

Now we know how to manage our work better. We have understood our workers' point of views. As a leader we should look after our workers & try to solve their all problems. Now we believe in listen more rather talking too much.

Supervisor, Bangladesh

Health and Safety (in Bangladesh):

I now understand *why* health and safety issues occur.

Every year we need this training.

Workers can raise grievances through the buddy system:

In the starting of my job within this company, I raised my voice regarding the female worker issues to the line master but there was no action or solution. Now BBW provided me a platform as a buddy to help other workers. I feel really proud that yes, I can help others of my female and male colleagues.

Worker, Bangladesh

I am an old worker at this factory and I love to help others of my colleagues. Earlier I was not able to raise the worker grievance to HR. Before, this role of buddy, all the workers were helpless. Now I am there to help all of my colleagues. The buddy system is really very helpful to the workers, because now they listen to our problems and revert back to us.

Worker, India



RESULTS

RESULTS: BANGLADESH⁸

THE TABLE BELOW SHOWS THE aggregated Good business and Good jobs indicators for the Bangladeshi Phase 2 factories. The results are extremely positive across the board – BBW does seem to support an improvement in both the capability of businesses and the quality of jobs for workers.

Efficiency improved by 18.28%. Cut-to-ship ratio by improved by 1.14%, meaning that factories were able to ship (and get paid for) more garments from the same inputs. This represents a significant saving for factories. On average, participating factories saved £40,293 during the 6 month course, due to cut-to-ship improvements, a return on their initial investment (£2,000) of more than 21 over 6 months.

Absenteeism reduced by 33.67% on average, indicating that workers were more motivated to come to work each day. In perhaps the most pleasing result, worker turnover is down on average across all factories by 52.16%. This means that fewer than half the number of workers were leaving every month than at the start of the programme. The programme championed investment in the workforce, proper induction systems, better communications and better access to skills development and promotion, increasing employee satisfaction and prompting a sense of self-worth.

Overall, the programme has supported factories to make progress on pay, with an increase in average take-home pay of 491 Taka per month or 7.64%. This would be equivalent to an increase in annual pay of £3.4 million across the 67,640 workers

employed by participating factories. Factories also performed strongly on hourly pay, increasing this by 11.94%. Workers' quality of life was also improved by significant reductions in working hours, with the percentage of workers working more than 60 hours per week falling by 43.48%.

SUCCESS FACTORS

Looking in more detail at the results, and the profiles of the factories, we can begin to see a pattern in terms of which factories tend to do better, and which less well in Bangladesh.

- Factories with more sophisticated production systems tend to have a better performance in improving efficiency. These factories also appear to perform better at reducing absenteeism. However, there does not appear to be a link between the level of production sophistication and increases in pay or worker turnover. This indicates that this methodology supports increases in pay and job quality, regardless of the sophistication of production systems.
- Factories which attended all the training sessions, updated their action plans and proactively contacted trainers for support if they faced problems were more successful than less engaged factories, particularly in terms of increases in pay per hour, cut-to-ship and efficiency.
- Factories were more likely to be engaged in the programme if they have a stable, long term relationship with their buyer.

Worker
absenteeism
reduced by
34%

FIGURE 2: Bangladesh Phase 2 good businesses and good jobs indicators

BANGLADESH RESULTS	Start	End	% Change
Efficiency	47.00%	55.59%	18.28%
Cut-to-ship ratio	95.55%	96.64%	1.14%
% of workers taking unplanned leave (per month)	7.90%	5.24%	-33.67%
% labour turnover (per month)	9.72%	4.65%	-52.16%
Average take-home pay (Taka)	6,430	6,921	7.64%
Average hourly pay (Taka)	25.87	28.96	11.94%
Average working hours (basic + OT hours)	250.10	243.63	-2.59%
% workers working more than 60 hours per week	42.11%	23.80%	-43.48%

- Piece rate factories (producing sweaters) outperformed those paying monthly salaries significantly in pay-related indicators. For example pay per hour in the pilot line increased by 35% in piece-rate factories compared to 10% in monthly rate factories. Improvements in production efficiency directly impact piece rate workers' ability to produce more pieces in an hour. This means workers experience a faster rate of increase in their wages.
- Larger factories appear to perform better across all productivity indicators, for example cut-to-ship increased by 2.33% at large factories compared to 0.73% at small factories. This is probably because they are more likely to have more sophisticated production systems and more staff available for training. Large factories' higher volumes mean that the financial impact of cut-to-ship improvements is significant. The production teams are therefore incentivised to continue to pour resources into productivity improvements.
- There is no meaningful difference between the results of factories that were required to join the programme by their buyer and factories that were asked to join the programme (optional). In fact 75% of compulsory factories were highly engaged (6 out of 8) compared to 42% (11 out of 26) of optional factories.

Worker
turnover
reduced by
52%



RESULTS

INDIA⁹

INDIAN FACTORIES' RESULTS ARE

positive across the board, with a positive performance in all areas. The efficiency result is extremely impressive, improving by 26.25%. Cut-to-ship ratio improved by 1.38% enabling Indian factories to realise £24,919 of savings due to cut-to-ship and efficiency improvements, a 6-month ROI of 13. Absenteeism reduced by 26.73% and worker turnover by 26.08%.

Average take-home pay increased by 264.60 Rupees or 5.09%. This would be equivalent to an increase in annual pay of £614,000 across the 17,442 workers employed by Phase 2 factories. Factories also performed well on hourly pay, increasing this by 7.96%.

SUCCESS FACTORS

Looking in more detail at the results, and the profiles of the factories, we can begin to see a pattern in terms of which factories tend to do better, and which less well in India.

- Unlike in Bangladesh, factories in India with low levels of sophistication in production systems improved the most on average. These factories increased cut-to-ship by 3.32%, compared to factories with high levels of sophistication which improved more marginally. Factories with low and medium sophistication of production systems improved efficiency by 41% compared to 11% in high sophistication factories. By the end of programme the low and medium group had a similar level of efficiency to the high group.

Efficiency improved by over 26%



FIGURE 3: India Phase 2 good businesses and good jobs indicators

INDIA RESULTS	Start	End	% Change
Efficiency	40.92%	51.66%	26.25%
Cut-to-ship ratio	95.86%	97.18%	1.38%
% of workers taking unplanned leave (per month)	14.44%	10.58%	-26.73%
% labour turnover (per month)	11.62%	8.59%	-26.08%
Average take-home pay (Rupees)	5,197	5,461	5.09%
Average hourly pay (Rupees)	23.36	25.22	7.96%
Average working hours (basic + OT hours)	216.83	212.03	-2.21%

- Factories with the least sophisticated HR systems made the biggest gains in reducing absenteeism and turnover (with a 32% and 52% reduction respectively). However these factories did not achieve improvements in pay. This is likely to reflect the level of skill and commitment which HR teams need to bring about pay improvements compared to absenteeism and turnover incentives which require less change to factory systems.
- Factories that implemented all of the training recommendations (20% of total factories) achieved excellent results across all indicators, particularly in pay. These factories saw an increase of 26% in take home pay and 19% in pay per hour. The level of implementation had the largest impact on pay of all the indicators analysed.

- The introduction of bonuses had a significant impact on pay per hour with an average increase of 15% compared to 5% among factories that did not introduce bonuses.
- Factories in the Delhi region achieved greater % improvements on average than those in the South against all indicators. This may be because skilled workers are in extremely short supply in the Delhi region, meaning that managers were more willing to make changes to maximise workers' skills and retention.

Worker absenteeism reduced by 27%



9 See Appendix 1 for details on the sample, time period and how data was collected and analysed.

RESULTS

DOES BBW MAKE A DIFFERENCE TO COMPLIANCE WITH LABOUR LAW?

WE COMPARED THE PERFORMANCE OF BBW factories to a group of 28 comparable factories which did not participate in the programme. Factories in both groups were broadly similar, in terms of location, product type, price point, export volume and type of customer. Impactt visited these factories to carry out audits or consultancy work during the period over which the BBW programme was carried. Whilst these factories do not form a proper control group, we thought that

there is some merit in comparing them. The measures shown here are 'before' measures for the non-BBW group, and in many cases the issues identified have been remediated. We looked at BBW factory performance at the end of the programme.

We found that BBW factories performed far better overall on all key labour issues in which we monitor, in India and in Bangladesh.

BBW factories performed far better overall on all key labour issues

In Bangladesh in BBW factories we found no incidence of forced labour, non-payment of minimum wage, child labour and harassment and reduced incidence of coached workers, double books and hours over 60 per week, whereas in non-BBW factories, we found forced labour, in the form of illegal deductions from salaries, in 50% of sites, non-payment of minimum wage in 11%, child labour in 13%, harassment in 57%, coached workers in 18% and double books in 43%.

FIGURE 4: Incidence of labour standards issues in BBW factories and comparable non-BBW factories.

BANGLADESH: Percentage of factories where Impactt found labour issues	BBW participants the end of the programme	Non participants
Forced Labour	0%	50%
Hours over 60/week	76%	100%
Non-payment of minimum wages	0%	11%
Child labour	0%	13%
No robust age verification system	0%	25%
No / ineffective worker representation	97%	100%
Harassment	0%	57%
Coached Workers	7%	18%
Double Books	7%	43%

In India, BBW participants also had lower incidence of labour standards issues than non-participants. In BBW factories, there were no instances of forced labour, non-payment of minimum wage, child labour, harassment and coached workers, and lower incidence of hours over 60 per week, no/ineffective worker representation and double books. Whereas in non-BBW factories, we found workers working over 60 hours per week in 100% of the factories we visited, non-payment of minimum wages in 25%, child labour in 13%, lack of robust age verification in 60%, no or ineffective worker representation in 100%, harassment in 11% and coached workers and double books in 27%.

FIGURE 5: Incidence of labour standards issues in BBW factories and comparable non-BBW factories.

INDIA: Percentage of factories where Impactt found labour issues	BBW participants the end of the programme	Non participants
Forced Labour	0%	0%
Hours over 60/week	78%	100%
Non-payment of minimum wages	0%	25%
Child labour	0%	13%
No robust age verification system	0%	60%
No / ineffective worker representation	11%	100%
Harassment	0%	11%
Coached Workers	7%	27%
Double Books	5%	27%

This may indicate that BBW participants have improved their labour standards performance during the programme, and/or may show that the type of factory willing to join and invest in such a programme is likely to have higher standards.

Looking at wages, in both Bangladesh and India, BBW factories at the end of the programme were paying significantly more than non-BBW factories, with fewer incidences of long working hours. In Bangladesh, 1730 Tk or 25% more per month, and in India 158 Rs or 3% more per month. However, in neither country did wages approach current estimates of living wage. Nevertheless, the project has clearly been successful in putting more money into workers' pockets, both in comparison to the amount they received earlier, and in comparison to other equivalent factories.

FIGURE 6: Wage comparison between BBW and non-BBW factories

Average prevailing monthly minimum wage				Average monthly take home wage				Living wage estimate		Gap between take-home and living wage					
BBW		Non BBW		BBW		Non BBW				BBW		Non BBW		BBW	
Local Cur	\$	Local Cur	\$	Local Cur	\$	Local Cur	\$	Local Cur	\$	Local Cur	\$	Local Cur	\$	%	%
3000	38	3000	38	6921	87	5191	65	14474	182	-7553	-95	-9284	-117	109%	179%
4797	81	5500	92	5462	92	5304	89	10583	178	-5121	-86	-5279	-89	94%	100%

At the very least, better factories, which are more open to change and prepared to make a commitment themselves are able to make improvements, with the support of BBW. There are also strong indications that BBW acts to boost factories which already have potential, and may also be powerful in starting under-performing factories on the road to improvement.

11 The Asia Floor Wage figure for Bangladesh in May 2011(12,248 Tk) is updated in two consecutive years with the average yearly inflation rate (9,73% and 7.7% respectively).

12 This figure is calculated based on living wage estimates of 3 NGOs in Tiripur, Gurgaon and Bangalore and the Asia Floor Wage for India in October 2012 updated with the average yearly inflation rate (6.52%).

RESULTS

WHAT BRANDS SAY

BBW offers a practical solution to increase productivity and HR systems. Working with the other retailers we have forged some great collaborative working relationships and started consolidate and rationalise what we expect from a site based on all of our requirements. This is an important step forward.

Head of Ethical Trading, Clothing and Home, Mark's and Spencer

We liked that this training program focused on HR and productivity and that it measured results by tracking KPIs and analysed the data. We also needed a mid/ lower level management training tool. Lastly, this was a “non-auditing” compliance resource we could offer in these two countries.

Senior Director, Global Human Rights Compliance, Ralph Lauren

BBW has greatly improved a number of our factories in terms of commercial and compliance performance

Senior Responsible Sourcing Manager, Mothercare

- Asked for their top three benefits from the programmes, brands mentioned:
- “The programme has shown to make some improvements at all sites that are engaged.”
 - Access to solid data making communication of the programme easier. “The fact this programme has moved us into a quantitative space is a really good thing. It's been really useful for everyone”.
Ethical Trade Manager, Sainsbury's
 - Addressing intricate challenges through workable measures and solutions. BBW has the potential to showcase that good CSR and HR practices can translate into commercial benefits
 - The training material, content and delivery, one commented, “what a great legacy!”
 - The benefits of collaboration, particularly through Impactt's coordination. Mothercare said that the programme had created “a network of trusted brands and individuals to whom each of us can turn when we have questions about any supply chain issue.” Another brand mentioned the ability to speak with ‘one voice’ to shared factories
 - A better understanding of what works and what doesn't
 - Improved transparency and engagement from factories, although some have reported that this has not always been the case in subsequent audits.
 - An internal team equipped with more answers on how to resolve situations, one said “Improved transparency and encouraged factories to feel confident telling the internal responsible sourcing team what is really happening and why.”
 - Increased feeling of partnership between brand and factory

LESSONS LEARNED

1. BBW WORKS

BBW has been successful in distilling a low-cost group training methodology which is extremely effective at delivering better businesses and better jobs in the export garment industry in Bangladesh and India. It delivers a return on investment for factories of between 13 and 21 over six months. It has delivered the equivalent of an additional £4 million in salary over 12 months to the 85,082 workers employed by Year 2 factories. In Bangladesh, the programme was successful in delivering pay increases, regardless of the sophistication of factories. Better engaged factories performed better, as did larger factories. Whether the factories were compelled to participate by their customer (or risk termination of business) or whether factories participated voluntarily did not seem to affect programme outcomes. In India, factories with less sophisticated production systems experienced greater improvements in their efficiency and cut-to-ship performance. Those with less sophisticated HR systems were able to make greater improvements in absenteeism and turnover. However, those with more sophisticated HR departments did better in increasing wages. This is an important point, demonstrating the link between the development of management capability and the potential to increase wages in order to retain better skilled and more productive workers.

Why the low cost, group method works

- Working in groups is more effective than working with individual factories. Results are in general better, due to peer pressure and sharing with other group members.



- Holding modules in-factory enabling on-the-job, practical learning.
- Strengthening of the linkages between productivity and HR teams and using the same problem solving and data analysis techniques.
- Very engaging style of training, largely practical exercises, role play and story-telling, linked strongly with topics and key learning points.
- Inviting managers from previous batches to share their experiences and give practical and real-life examples of success.
- Having an open-door policy – factories invited to come to the Impactt and RBC offices at any time to discuss issues.

BBW has delivered an additional **£4 million** in salary over 12 months

- Developing cost benefit analysis for each factory so that each team could calculate the direct financial benefits to their factory of changing workers' financial benefit package – e.g. attendance bonus, production bonus, zero defect incentive

2. DRIVING PARTICIPATION BY FACTORIES REMAINS A CHALLENGE

Recruitment of factories took far longer and was far more labour intensive than anticipated.

With a very few exceptions, factories do not initially see the value of management development programmes. Even when clear benefits can be demonstrated, this is not always sufficient to bring factories on-board. After the programme, participants' attitudes have changed markedly; however, there are not yet a sufficient number of BBW graduates to reach a tipping point. To reach scale, much more time will need to be invested in working with local stakeholders to prepare the market to value training programmes, understand their benefits and be willing to pay for them.

- **Key success factors for recruitment include:**
 - Strong links between ethical and commercial teams in retailer and brands so that participation in training can become part of contractual negotiations or at least formally recognised in supplier evaluation
 - One of the most successful brands made participation in BBW a compulsory element in the ongoing relationship. There were some worries that making the programme compulsory could result in poor BBW performance. However results show there is no link between compulsion and lack of engagement/performance in the programme.

- A highly engaged local ethical team can be helpful, although not necessary. Some of the retailers who were most successful at recruitment did not have an ethical team in-country.
- Making BBW a priority KPI for ethical teams in-country. Retailers had more difficulty in recruiting if there was a plethora of other initiatives going on, and BBW was not prioritised.
- Pincer movements between brands sharing factories. When two or more brands approach a factory, the factory is more likely to accept.
- Waiving ethical audits for the duration of the programme to reduce factory's costs and concentrate minds on improvement rather than compliance.



OPPORTUNITIES FOR MORE BENEFITS FOR MORE WORKERS

- Further improving the impact of the programme on wages so as to reduce the gap between workers' actual wages and living wages. BBW demonstrates that it is possible to move the needle on wages, using a low cost methodology. Further work is needed to see just how far this approach can take us in bridging the gap.
- Encouraging brands to follow up with factories post-programme to encourage sustainability of new ways of working. Some brands are continuing to ask factories to report on performance against the BBW indicators to support this.
- Developing more modules on more advanced topics to increase positive impact on workplace dialogue. These may include working closely with workers and management on how to develop effective worker committees that support negotiation and promote genuine two-way communication and feedback that is valuable for all parties. These advanced modules will build upon the foundations for good communication implemented in the first stage of BBW.
- Increasing the reach of the programme so that it can begin to effect change at a sectoral level.
- Integrating commercial and ethical priorities within retailers and brands so that suppliers hear a unified message of support for factory improvement programmes from their customers.
- Developing a network of suppliers and employer organisations that are willing to publically champion the BBW approach and advocate participation.
- Continuing to roll out the programme to reach scale and deliver real benefits for businesses and workers across the sector.



APPENDIX I: ABOUT BBW DATA

Factories submitted monthly data on the KPIs throughout their participation in the programme. This data was verified by field teams during factory visits and follow-ups and by telephone. Data quoted in this report is from Phase 2.

DATA SOURCES AND LIMITATIONS

- Data was submitted monthly by participating factories between March 2012 and May 2013. Impactt's field and central teams and RBC verified the data by telephone or during follow-up visits.
- Most factories submitted data only during their participation in training. Some factories continued to submit data after training had finished.
- Factories in Bangladesh submitted between two and eight months' data with an average of 5.8 months. Factories in India submitted between six and 14 month's data with an average of 8.1 months. Some factories did not track all indicators in all months and we have removed from the analysis factories which have submitted fewer than three months reliable data.
- The analysis is based on the percentage change in each indicator between the start and end of the data set for that factory. We have used the first reliable data-point when the factory is in full production as the baseline. We have not taken baseline data from unrepresentative months, for example when production is very low, or when a festival or public holiday has resulted in unrepresentative data.
- We have taken the last month of training for each factory as the end point, except when we have continued to receive good quality data from the factory. We have not used as an endpoint unreliable or unrepresentative data as above.
- Please note that all figures have been rounded to two percentage points.

APPENDIX II: ABOUT IMPACTT'S FACTORY DATA

Impactt records and analyses information from our factory visits. The data set covers:

- Six years from 2006/7. The data year runs from 1st August.
- 811 production sites around the world, predominantly in Asia and Western Europe, employing 924,011 workers.
- Views of 21,588 workers.
- Various sectors including apparel, electronics, toys, homewares and food. Most production sites, except those in the UK, are export-orientated.

The control group data set is as follows:

- 28 factories visited by Impactt during Impactt's financial year 2012 and 2013, employing 35,913 workers.
- Views of 562 interviewed workers
- Factories are located across different areas including Dhaka and Gazipur in Bangladesh and Delhi, Mumbai and Gurgaon in India.

IMPACTT'S APPROACH TO ASSESSMENTS

Impactt's methodology focuses on accurate diagnosis of issues. Assessments were carried out by specialists working with local worker interviewers, some of whom are former workers themselves. In some countries we work with NGOs to interview workers; in other countries we collaborate with social scientists. Assessments prioritise the testimony of workers, and create understanding of what is really going on in the workplace, and why.

The data is gathered from a mixture of announced and unannounced visits, using a range of on-site and off-site worker interviews. Workers are also encouraged to telephone the Impactt team to discuss issues in more depth after the assessment is completed.

Workplaces are assessed against the ILO Conventions and local laws and regulations where applicable.

DATA LIMITATIONS

- Data may over-represent the prevalence of issues since Impactt often visits workplaces, countries and sectors where there are already indications that standards may be poor.
- The data is collected from relatively short assessments. In Impactt's experience, when working with factories on a longer term basis, further issues and further complexities tend to emerge over time. This means that this data may under-represent the prevalence of issues.
- The prevalence of audit fraud distorts the findings as Impactt may have failed to identify all the instances of document tampering and worker coaching. When audit fraud is successful it prevents us from verifying the reality of working practices.
- Impactt was unable to collect data on every issue at every visit. Prevalence figures are calculated based on the number of sites for which we have data on that point.
- Impactt has not included health and safety concerns in the analysis. Health and safety issues were found at almost 100% of the sites visited, ranging from severe, life-threatening risks to relatively minor issues. These are not analysed here, since the focus of this report is on rights-based issues.

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UK

33 John's Mews
Holborn
London
WC1N 2NA
+44 (0) 20 7242 6777
info@impacttlimited.com

China

Room 701, West Tower
Huapu Plaza
No.9 Huaming Road
Zhujiang New Town
Tianhe District
Guangzhou
PC: 510623
China +86 (20) 2831 8018
chinainfo@impacttlimited.com

India

1064/B Qutub Green Apartments
Flat no-110
Upper Ground Floor Ward no-7
Mehrauli
New Delhi 110030
indiainfo@impacttlimited.com

Bangladesh

House #13-A/4-A (3rd Floor)
Babar Road, Block-B
Mohammadpur
Dhaka-1207
Bangladesh
+88 (0) 1711634308
banglainfo@impacttlimited.com