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NEWS FEATURE

Improved Working Conditions Create A Win-Win Story In Asia's Factories

Asia's ability to sustain its impressive economic growth and competitive edge will depend greatly on the ability of governments and companies to ensure the benefits are shared by employers, the workforce and the wider population. This is the conclusion of a new report ^{1/} on the region's economic and social trends, prepared for the Asian Regional Meeting of the International Labour Organization. ILO Online reports on one new approach which, by linking productivity with improved working conditions, is ensuring that the benefits of globalization are felt from the shop floor to the boardroom.

HANOI (ILO Online) – The Chien Thang Garment Company in Hanoi, Vietnam may not be a household name, but it produces clothing for labels such as Gap, JC Penny, C&A, Yessica, and Zara. About 95 per cent of the company's production is exported.

Almost 40 years of experience in making clothes and leather goods and a network of 10 factories employing 3,200 people, put this state owned enterprise in a good position to make the most of the opening up and growth of Vietnam's economy.

But when the buyers from Hong Kong (China), United States, the Republic of Korea and the European Union initially came calling, Chien Thang hit problems. Inefficiencies in the established production processes brought frequent stoppages. Although suitable for simple garments like trousers and shirts, the structure of the production lines could not cope with the complex garments that the foreign buyers demanded for their customers, some of which need 80 or 90 separate processes to complete.

In 2004, the management and workers at Chien Thang got a lucky break. The company was selected to join the pilot scheme of the Factory Improvement Programme (FIP), a programme designed and developed by the International Labour Organization (ILO), the UN agency dealing with work and workplace issues.

The FIP was developed following an extensive study into codes of conduct and the supply chains of multinational companies ^{2/}. The research highlighted the need to integrate the competitive and business goals of a factory with the social priorities of its workers, as well as the importance of systems for feedback, making improvements and remedying problems.

The FIP was developed in 2002, with the support of the Swiss State Secretariat for Economic Affairs and the United States Department of Labor. The programme was specifically designed to assist factories producing goods for global supply chains. A particular strength of FIP is that it links quality and productivity with labour practices and health and safety, thereby ensuring that improvements made in a factory are felt all the way down to the shop floor.

^{1/} *Labour and Social Trends in Asia and the Pacific: Progress towards Decent Work*, International Labour Office, Bangkok, 2006.

^{2/} *Implementing Codes of Conduct: How Businesses Manage Social Performance in Global Supply Chains*, by Ivanka Mamic, International Labour Office and Greenleaf Publishing, 2004.

The programme was first implemented in Sri Lanka in 2002. The initial phases focused on the garment industry, an important export sector, and particular emphasis was placed on upgrading the working environment to reduce the physical strain on workers and other associated health risks.

The results were impressive, and quantifiable. An external review of the programme found that, on average, in-line quality rejects were cut by over 40 per cent, while turnover and absenteeism fell by 26 per cent and 34 per cent respectively.

When asked for feedback, garment factory managers involved in this initial FIP phase described a “tremendous improvement on the quality and production side” as well as a “remarkable improvement in the management-worker relationship”.

As a result, plans were made to adapt FIP for Vietnam; the programme was given a higher degree of worker participation (and renamed the Worker Manager Factory Improvement Programme or WMFIP). Factories supplying the domestic market were included alongside those focusing on exports, and a wider range of product sectors were brought on board, not just garment manufacturers, but also printers and makers of motorcycle parts, electrical components and medical supplies.

As a first step, a group of experts visited Chien Than and working with a joint worker/management team recommended several possible areas for improvement. These included adjustments to the production plan, the introduction of time-lines in the production process, better communication between departments so that work was not held up by shortages of any one component, the merging of two production lines and an hour-by-hour system for monitoring production.

A bonus system was also introduced. Workers were grouped into smaller production teams and team leaders were given more authority, including responsibility for quality control.

The results were swift and impressive. Workflows became faster and defects dropped by 37 per cent. The benefits were seen not just by the company’s managers and customers but by the workers themselves. In one workshop where productivity increased 35 per cent, salaries went up 32 per cent.

“We now only use merged lines for production of jackets. Production at these lines accounts for 60 per cent of our total production. The new flexible lines have been applied to all workshops from June 2005 after this was proven effective in [one] workshop”, said Ms. Tran Thi Huyen, Chien Thang Quality Manager.

One of the most important aims of the FIP is that its reforms should be lasting; hence review and continuous improvement are at the heart of the programme’s approach. In both Viet Nam and Sri Lanka compliance with international labour standards and national labour legislation has been an important part of its legacy and a way of increasing quality and productivity.

“The focus on strengthening communications and collaboration, for the benefit of both productivity and working conditions, is a central element of the FIP design. It is through collaboration between workers and managers that FIP attempts to create the virtuous cycle that supports long-term, sustainable change”, said Charles Bodwell, FIP Chief Technical Advisor.

The results of Vietnam’s pilot FIP programme have also been well received by buyers of multinationals. Plans are now underway to introduce the programme in India.

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