



Governing Body

320th Session, Geneva, 13–27 March 2014

GB.320/POL/6

Policy Development Section
Social Dialogue Segment

POL

Date: 4 February 2014

Original: English

SIXTH ITEM ON THE AGENDA

Update on the Better Work programme

Purpose of the document

The paper outlines progress made and challenges facing the Better Work programme. The Governing Body is invited to discuss and advise on the contents of this paper (see the draft decision in paragraph 28).

Relevant strategic objective: Strengthen tripartism and social dialogue (Outcome 13: Decent work in economic sectors).
Area of Critical Importance 1: Promoting more and better jobs for inclusive growth; Area of Critical Importance 7: Strengthening workplace compliance through labour inspection; Area of Critical Importance 8: Protection of workers from unacceptable forms of work.

Policy implications: None.

Legal implications: None.

Financial implications: None. The proposals made will be carried out within the existing budgetary allocations, relying primarily on extra-budgetary funding from donors, host governments and sector participants.

Follow-up action required: The Office will take into account the guidance provided by the Governing Body.

Author unit: Better Work Branch, Governance and Tripartism Department (GOVERNANCE).

Related documents: None in addition to those mentioned in this document.

Executive summary

Better Work has expanded to cover seven countries since its first programmes were launched in 2009, building on experience since 2000 with Better Factories Cambodia. Better Work is well supported by donors and constituents, and its programme of factory-level activities and stakeholder engagement has had positive impacts on working conditions, business outcomes and development indicators. Better Work creates opportunities for the ILO to support constituents to build the capacity of national institutions and strengthen the governance of labour markets. The ILO envisions further expansion of Better Work to meet strong demand for the programme but this growth will be carefully managed to maintain quality and address identified challenges and risks.

Description of the Better Work programme

1. Better Work is a unique partnership between the International Labour Organization (ILO) and the International Finance Corporation (IFC), a member of the World Bank Group, which builds on these organizations' respective strengths in labour standards and private-sector development. Better Work brings together governments, employers' and workers' organizations, and international garment retailers and brands (buyers) to improve working conditions and competitiveness in garment-sector firms. Information on working conditions provided by Better Work helps buyers, suppliers and the public understand factories' compliance with national labour laws and core labour standards, while assisting firms in improving performance.
2. Better Work grew from the ILO's Better Factories Cambodia programme, which began in 2000 as an outgrowth of a bilateral trade agreement between the Government of the United States and the Government of Cambodia. Cambodia required all exporting garment factories to participate in the Better Factories Cambodia programme in order to monitor compliance with labour standards. In return, factories gained greater US market access under Multifibre Arrangement trade quotas. When the quota system expired in 2005, the Government, garment-sector employers and trade unions asked the programme to continue operations in recognition of the many advantages it had brought to the sector, including strong sectoral, export and employment growth.
3. Evolving from this experience, Better Work now covers almost 1,000 factories and over 1 million workers in Viet Nam, Indonesia, Jordan, Lesotho, Nicaragua and Haiti, as well as in Cambodia. A forthcoming Bangladesh programme will greatly increase the number of factories and workers covered.
4. Better Work is financed primarily by extra-budgetary donor funds and revenue from charges for services provided to factories and global buyers enrolled in the programme. Australia, the Netherlands and Switzerland are significant global and Asian country programme donors. The United States funds several country programmes and the United Kingdom and Canada fund activities in Bangladesh. The ILO also supports Better Work with a small amount of regular budget resources, as does the IFC. In large established programmes, revenue from businesses covers a significant percentage of operational costs and will gradually replace donor income over time.
5. Each country programme establishes a national tripartite Project Advisory Committee (PAC), chaired by government and including the social partners, which approves a compliance assessment tool used as the basis for monitoring. It ensures relevance to national and sectoral priorities, reviews operations, and advises on key issues and engagement with national institutions. In some Better Work country programmes, the PAC also serves as a social dialogue forum for sectoral issues.
6. Better Work carries out factory-level assessments of compliance with national labour laws and respect for core labour standards, after which an action plan is produced to specify any necessary improvements. Better Work also offers training and tools to assist with improvements. Better Work's approach emphasizes building employers' and workers' capacity to identify and predict potential labour problems and take effective action to resolve them. The programme helps establish enterprise-level worker/management committees to develop, implement and monitor improvement plans. Such committees are legally required in some countries. In all cases, Better Work takes the appropriate care to distinguish between the role of these bodies and the role and activities of trade unions. Trade union members of the committees are selected by the relevant union(s), or elected

through a transparent, accountable process at the enterprise, without interference from management. Core services provided to factories are summarized below.

Factory services	Purpose of activity	Estimated share of time and resources (%)
Assessment of workplace compliance	Measure compliance Provide supplier with an efficient means to report compliance and improvements to customers	30
Advice to employers and workers	Establish means for worker/manager communication in a workplace committee Share good practices across the sector Agree improvement actions	50
Training	Provide training and practical tools to speed improvement effort Build key competences of workforce and managers to improve compliance, add social value and enhance business performance	20

7. While the programme is widely known and in demand for its compliance assessments, the majority of resources are dedicated to services that help employers and workers establish systems to: achieve and maintain compliance; improve productivity and competitiveness; and establish workplace social dialogue, in many cases for the first time.
8. Better Work engages with international garment buyers and retailers that accept a responsibility to support their suppliers to improve labour conditions. About 60 such companies subscribe regularly to factory assessment reports and engage in the programme. Buyers are asked to support the agreed assessment and improvement process and not demand duplicative assessments. They contribute funds and may also finance training or other projects to support factory improvements. Better Work organizes regular meetings between buyers and national constituents to discuss sector-level issues.
9. Each country programme makes aggregate compliance data publically available through regular reports that detail changes and trends in the sector. Better Work policy is to increase transparency in reporting by attributing persistent and serious non-compliances to individual factories. This is a growing expectation of the market and society, and independent research demonstrates that public disclosure of information is an effective tool for promoting and sustaining compliance.

Governance arrangements and constituent engagement

10. The Agreement of Cooperation concluded between the ILO and the IFC on 11 May 2009 establishes the relationship of the partner institutions and key stakeholders in the programme's governance. The Better Work Management Group oversees the work of the programme and comprises four senior decision-makers – two from the ILO and two from the IFC. The Management Group makes all strategic, policy and significant resourcing decisions.
11. The Better Work Advisory Committee advises the Management Group on strategic decisions and key developments. Members of the Advisory Committee include representatives of donor governments, international employers' and workers' organizations, international buyer partners and independent experts in relevant fields.

12. Better Work engages employers' organizations in the implementation of programme activities. At the global level, the International Organisation of Employers (IOE) is represented on the Advisory Committee. Better Work also meets periodically with the IOE and the Bureau for Employers' Activities (ACT/EMP) to update on progress and seek input. At the national level the programme engages with employers' organizations to deliver services. For example, the Vietnam Chamber of Commerce and Industry (VCCI) provides training and seminars to employers, which also strengthens their ability to represent the sector. The Association of Lesotho Employers and the Lesotho Textile Exporters Association undertook training together on issues such as supervisory skills, occupational safety and health, workplace cooperation and industrial relations. The Association of Lesotho Employers is intending to use these principles to promote compliance and cooperation in other industries.
13. Better Work also engages workers' organizations. At a global level, the International Trade Union Confederation (ITUC) is represented on the Advisory Committee. Better Work also meets periodically with the Bureau for Workers' Activities (ACTRAV), together with ITUC and the global manufacturing union IndustriALL, to update on progress and seek input. At the national level, engagement includes an ACTRAV-sponsored programme that supports the Vietnam General Confederation of Labour (VGCL) in developing strategies and skills to become a more effective bargaining agent, as well as intensive training of union officials in Better Work subscribed factories. In Jordan, IndustriALL supported a programme to build the capacity of the garment union to represent migrant workers.

Results and achievements to date

14. Better Work is committed to an evidence-based approach to measure its results. Since 2009 it has complemented factory compliance assessment data with systematic worker and manager surveys. Anonymized data will be available for external researchers and constituents as of 2014 on a data sharing platform linked to the ILO Information and Knowledge Management Gateway system. Summary statistics from baseline surveys are already published and available on the Better Work website.

Compliance data	Survey data
Compliance data, which measures workplace compliance with national labour law and international labour standards, is collected annually in each country programme as part of Better Work's assessment services. Compliance determinations are based on evidence gathered through observation, document review and interviews with managers, workers and union representatives.	Survey data, which measures the impact of Better Work operations on improvements in working conditions, worker well-being and livelihoods, and firm performance, is collected independently by Tufts University. Worker and manager surveys cover working conditions, relationship with supervisors, voice and empowerment, debt repayment, physical and mental health, life satisfaction and education, as well as production and HR systems, sales, exports, relationship with global buyers and obstacles to business success.

15. Better Work's achievements can be empirically tracked through trends in compliance data. Since the programme's establishment, compliance has steadily improved across all country programmes. For example, non-compliance in the key area of occupational safety and health has been cut in half in Haiti, Jordan and Viet Nam since those programmes began. In Jordan, factories participating in Better Work for more than two years have achieved full compliance in paying correct minimum wages and providing paid leave and social security benefits. In Haiti, 91 per cent of factories have changed workers' employment contracts so that they are now in line with the Haitian Labour Code. In Lesotho, since Better Work started operations, there are no longer instances of HIV/AIDS discrimination in factories.

16. Independent research¹ has established that Better Work's strategy to improve factory compliance is also having a positive impact on firm competitiveness. For example, since programme inception, 65 per cent of Better Work Vietnam subscribed factories have seen a rise in total sales, 62 per cent have increased production capacity and 60 per cent have expanded employment.² Vietnamese factories in which workers trust they are paid correctly and report low verbal abuse are more profitable than factories in which workers do not report these conditions.³
17. While Cambodia was hard hit by the 2008–09 economic downturn, factories compliant with labour standards, such as compensation, and with modern human resources practices and workplace communication systems, were more likely to survive the crisis.⁴ Similarly, in Haiti, improvements in working conditions facilitated by Better Work coincided with an increase of over 40 per cent in the value of apparel exports to the United States.⁵
18. Improvements in compliance directly translate into enhanced worker well-being and can have a positive impact on countries' social and economic development. A 5 per cent improvement in a factory's overall compliance is associated with a 10 per cent increase in worker income, a 9 per cent increase in the remittances sent home and a 3 per cent improvement in workers' health.⁶ In Viet Nam, 81 per cent of workers regularly send money to family members who spend it on food (38 per cent), clothes (37 per cent), farm tools (22 per cent), education for children or siblings (21 per cent) and family health care (13 per cent).⁷ In Jordan, the physical and mental health of garment workers is steadily improving.⁸

Wider impacts and contribution to other ILO priorities

19. Better Work also presents the ILO with new opportunities to support constituents in line with the priorities of Decent Work Country Programmes. Through Better Work, tripartite

¹ Researchers analyse the impact assessment and compliance data independently and are not paid by the ILO to do so. All research publications are peer reviewed independently of the ILO in accordance with academic ethics.

² D. Brown, et al. (2013). "Vietnam Worker Survey – Second Internal Report", 13 May 2013, mimeo, Tufts University.

³ D. Brown, et al. (2012). "Are Sweatshops Profit-Maximizing? Evidence from Better Work Vietnam", 31 July 2012, mimeo, Tufts University.

⁴ D. Brown, et al. (2011). "Working Conditions and Factory Survival: Evidence from Better Factories Cambodia" Better Work Discussion Paper No. 4, Geneva, ILO and IFC.

⁵ US Department of Commerce, Office of Textiles and Apparel (OTEXA). Data retrieved 19 Nov. 2013 from <http://otexa.ita.doc.gov/scripts/tbr.exe/go>.

⁶ D. Brown, et al. (2012). "Life Satisfaction, Mental Well-being and Workplace Characteristics: Evidence from Vietnam, Jordan and Haiti", background paper for the *World Development Report* 2013.

⁷ Better Work (2012). "Vietnam Baseline Report: Worker Perspectives from the Factory and Beyond", ILO and IFC.

⁸ D. Brown, et al. (2012). "Jordan Worker Survey – Second Internal Report", 16 July 2012, mimeo, Tufts University.

constituents engage with global garment companies and each other to confront practical workplace challenges. This process frequently generates acknowledgement by constituents of the need to strengthen structural weaknesses, such as poorly drafted labour laws, and weak law enforcement and industrial relations. As a direct result of Better Work, constituents have requested ILO support to strengthen national institutional capacity. The examples below show how the Office is responding with additional assistance provided by the appropriate policy unit and delivered alongside Better Work.

Jordan

20. Better Work Jordan has provided a forum for workers' and employers' organizations to discuss a range of sectoral issues. At the request of these organizations, ILO experts provided training and facilitation for a process that led, in May 2013, to a sector-wide collective bargaining agreement covering 50,000 workers. The ILO is now providing support to constituents on effective administration of the collective bargaining agreement. Collaboration between the labour inspectorate and Better Work is defined in a Memorandum of Understanding, which includes a protocol for reporting serious violations to the competent authority. Labour inspectors participate in training activities and in quarterly meetings with Better Work to share knowledge and discuss areas of mutual concern. ILO experts have also contributed to workshops on discrimination and forced labour.

Viet Nam

21. Since 2009, factories participating in Better Work Vietnam have established worker/management committees to jointly improve working conditions. Worker representatives are now elected by workers. By introducing the concept of worker representation, Better Work Vietnam served as a "laboratory" for national and workplace-level constituents to experiment with representation models, which were then implemented in the nation's Labour Code and now apply to 10 million workers across many sectors. To ensure the new bipartite dialogue mechanism reaches its full potential, Better Work is working with the VGCL and the VCCI to help them build enterprise-level representational skills. New methods of promoting compliance through closer collaboration with the labour inspectorate and wider dissemination of good practice to business are being piloted.

Indonesia

22. In Indonesia, Better Work's partnership with the Ministry of Manpower and Transmigration has resulted in activities that strengthened the Ministry's capacity to carry out its inspection and enforcement responsibilities. Labour inspectors were seconded to the Better Work team in Geneva to review and adapt Better Work's training modules on occupational safety and health and fire safety. On their return to Indonesia, they were involved in training workers and managers in Better Work subscribed factories. Ministry officials have been working with Better Work to train district and provincial manpower officials to better understand the law and industrial relations. In partnership with the ILO Project to support the implementation of the Declaration, ministry officials have recently undertaken training to support their capacity to improve industrial relations.

Haiti

23. Constituents in Haiti identified the need to revise the outdated Labour Code, and Better Work helped facilitate a tripartite dialogue to achieve this. In October 2013, constituents negotiated substantive changes to a new draft law facilitated by ILO experts. The final draft is expected to go to Parliament in 2014. In a separate development, ILO experts also supported the establishment of a round table for social dialogue, as a forum to strengthen industrial relations and address issues related to working conditions and competitiveness in the Haitian apparel industry. This forum continues to meet in association with Better Work and has organized training for 150 employer and union representatives on key issues including negotiations skills, international labour standards and conflict resolution. A programme to strengthen the capacity of the labour inspection and conciliation services is also under way.

Challenges

24. Better Work faces several challenges as it seeks to maintain its high quality and momentum while managing risks in the period ahead:
- (i) **Managing growth:** Better Work faces more demand from countries, sectors and constituents than it can satisfy. New Better Work programmes require intensive managerial attention and substantial financial resources, particularly in the initial years until systems are in place and critical mass is achieved. The ILO and the IFC rigorously evaluate those markets in which the programme can have maximum impact as part of a carefully managed expansion.
 - (ii) **Maintaining quality:** The number of factories in the programme will increase by 50 per cent by the end of 2015. Better Work must replicate its existing high quality of services to achieve continued success. The programme invests heavily in the development of national staff to enable them to play a strong quality management and leadership role.
 - (iii) **Deepen partnerships:** Closer engagement with labour administrations and employers' and workers' organizations is needed to strengthen synergies and accountability between the efforts of the international supply chain and national constituents. The implementation of services to factories together with these partners is being piloted as another means to strengthen impact and sustainability.
 - (iv) **Ensuring impact in Bangladesh:** Better Work will launch a new country programme in Bangladesh in 2014. The Bangladeshi garment industry has particular challenges of scale, unsafe factory buildings, poor working conditions and weak capacity of many actors. In response, the ILO is implementing a US\$22 million sector-wide programme, which includes intensive labour inspectorate capacity building and improvements to the structural integrity and fire safety of up to 2,000 factories. Better Work is closely coordinating with this programme as well as engaging in other initiatives and with a large-scale IFC programme that provides financial investments and expertise for employers to improve environmental efficiency.
 - (v) **Funding and financial sustainability:** Better Work is almost entirely funded through extra-budgetary resources and must raise significant donor funds to support activities. In difficult financial times, this is a major constraint to growth. As the programme delivers private as well as public goods, fees are charged to businesses for services they value. In the large country programmes, this revenue is projected to replace

donor funds in the medium term. The programme is attempting to reduce the average cost of services per factory without sacrificing quality.

Future strategy

25. In 2012, the Better Work Management Group approved a five-year strategy setting out programme goals in terms of impact, scale, influence and partnership development. By 2017, Better Work aims to have improved the lives of at least 3 million workers and millions more of their family members by implementing large-scale programmes in the garment sectors of developing countries. In the period up to 2015, the growth will mainly be in Bangladesh and within existing programmes.
26. In 2013–14, the programme is investing in the capability of its country-level management and in managing the quality of services to constituents. A partnership scheme for global garment retailers has been launched to clarify the role of these companies in Better Work. The ILO and the IFC are also examining ways to gain further benefits from this unique partnership, at both global and country levels.
27. Better Work also aims to utilize its partnerships and the knowledge arising from the programme to inform organizational learning and policy dialogues in the ILO and the IFC and in their dialogues with national and international institutions. The ILO will maximize the opportunities arising from country-level programmes to develop complementary activities and programmes that support improvements in working conditions, industrial relations, labour law and governance, and that help to create a level playing field for enterprises committed to sound employment practices.

Draft decision

28. *The Governing Body takes note of the information contained in the document and requests the Office to take into account the comments made during the discussion in its joint management of the Better Work programme with the International Finance Corporation of the World Bank Group.*