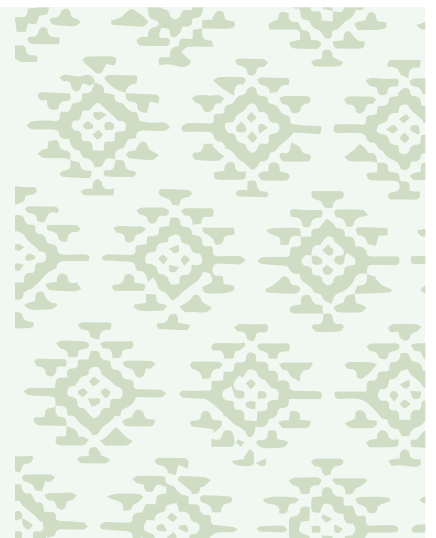




# TACKLING CHILDCARE: The Business Case for Employer-Supported Childcare in Vietnam

August 2020



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## Acronyms

<b>ADB</b>	Asian Development Bank
<b>CCR CSR</b>	Center for Child Rights and Corporate Social Responsibility
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>GDP</b>	Gross Domestic Product
<b>GSO</b>	General Statistics Office
<b>HSBC</b>	Hongkong and Shanghai Banking Corporation
<b>IFC</b>	International Finance Corporation
<b>ILO</b>	International Labor Organization
<b>IMF</b>	International Monetary Fund
<b>MOET</b>	Ministry of Education and Training
<b>NGO</b>	Non-government organization
<b>SAR</b>	Special Administrative Region
<b>UNICEF</b>	United Nations Children's Fund
<b>VCCI</b>	Vietnam Chamber of Commerce and Industry
<b>VND</b>	Vietnam Dong

Exchange rate: 1 USD = 23,270 VND, as of 26 May 2020, by the State Bank of Vietnam.



## Foreword

This report highlights the business benefits of employer-supported childcare, from reducing costs of turnover and absenteeism to strengthening relationships with external stakeholders. The business case presented here is substantiated through six case studies from factories in Dong Nai, Hai Phong, Phu Tho, as well as additional examples from the finance sector. Each case study tells a unique story of why and how the company took extra steps to support the care responsibilities of their employees. While the report focuses the manufacturing sector, the lessons are relevant to any business that wants to be an employer of choice for women.

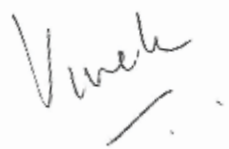
As this report was being finalized, Vietnam, like the rest of the world, was impacted by the COVID-19 pandemic. Rapid and effective response by the government of Vietnam has mitigated against severe health effects; however, early evidence indicates a material impact on the economy of Vietnam. Manufacturing, a sector that features prominently in this report, has been hit hard. As of May 2020, 15 percent of manufacturing firms have cut production, with garment factories hit worst.

The depth and duration of impact remains to be seen, but most analysts predict recovery in Vietnam will be relatively quick. The IMF has projected growth to slow to 2.7 percent in Vietnam in 2020 but rebound to 7 percent in 2021. The rapid reactivation of the textile supply chain from China and the pivot of some factories toward production of Personal Protective Equipment (PPE), have created a more optimistic scenario than initially expected. In addition, the many strengths and opportunities of the Vietnam manufacturing sector prior to the pandemic, including new trade agreements, remain in place as a foundation for rapid rebound when demand picks up in key foreign markets.

The bottom line is that the fundamental argument presented in this report – that tightening labor markets and the need to close remaining gender gaps in Vietnam present a compelling business case for employer support for childcare – remains strong. Furthermore, the relationship between adequate childcare and workplace productivity has never been more obvious. As governments around the world, including Vietnam, put in place social distancing measures to contain the spread of COVID 19, schools and kindergartens were closed, and businesses that could do so had their employees work from home. Any parent working from home with children, as I was from Hong Kong SAR, China, can provide endless anecdotes of the challenges of trying to combine full-time work with full-time caregiving.

But what societies are grappling with goes well beyond the inconvenience of home-based work for professionals struggling to get work done while simultaneously home-schooling. Enabling widespread access to safe and quality childcare is a game-changer. It allows parents, both men and women, to get better jobs and fully contribute at work; it allows employers to get the most out of the talent they have hired; and most importantly, it builds the social and intellectual capacity of the next generation. Economies much to gain as well, primarily through enabling more women to work more hours and in better jobs. A study from McKinsey in 2018 projected that Vietnam could add 10 percent to its GDP by 2025 by equalizing men and women's participation in the economy.

We hope that this publication inspires more employers to support childcare, creating more lessons to be shared, enhanced, and adopted. Together, we can achieve more to meet the growing demand for high-quality care services.



**Vivek Pathak**  
Director, East Asia and the Pacific

## Executive summary

There is a clear business case for employers in Vietnam to support the care responsibilities of their employees. Business benefits documented in this report include improved recruitment and retention outcomes, reduced absenteeism, higher employee performance, and productivity, enhanced corporate reputation, and improved worker-management relations.

The exact nature of the business benefits associated with employer-supported care varies according to the sector and type of support offered. In the manufacturing sector, firms that offer enhanced support for childcare—such as investing in onsite or nearby kindergartens—report that this helps them recruit and retain workers in challenging labor-market conditions. It also strengthens their sustainability credentials with international brands by demonstrating their commitment to worker welfare. By contrast, in the banking sector, companies are typically more focused on how flexible working arrangements for office-based staff can help attract top talent and build a female leadership pipeline.

While this report predominantly considers the business benefits in the context of employer support for childcare, it presents evidence that eldercare is likely to become a concern in the years ahead. As the Vietnamese population ages, a growing number of families will need to provide care for both children and elderly relatives. Although some employer interventions to support care, such as onsite childcare facilities, require a substantial upfront investment, others, such as flexible working hours or remote working, potentially cost little and can support both child and elder care needs.

Vietnam's economy has grown rapidly over the last few decades, but future business performance may be constrained by a shrinking labor force. Vietnam has enjoyed average annual growth rates of more than 10 percent since 2009, with the export-oriented manufacturing sector acting as a critical driver of this growth. However, future economic prosperity may be constrained by an increasingly tight—and shrinking—labor market. Vietnam's population is rapidly aging: over-65s currently comprise just under 8 percent of the population, but this is forecast to rise to 12 percent by 2030, and 20.5 percent by 2050 (UN Population Division, 2019). An important implication for business is that the labor force

**There are many ways by which employers can support their employees' childcare responsibilities. The most successful initiatives are based on consultation with employees and carefully tailored to the needs of the workforce and the business.**

### Options include:

- Onsite childcare facilities
- Partnerships with local authorities, other employers, or other private sector actors to enhance near-site childcare
- Vacation and after-school care
- Monthly childcare subsidies
- Emergency or backup care
- Enhanced maternity, paternity, and parental leave (beyond statutory requirements)
- Parental skills training programs
- Facilities and support for breastfeeding
- Access to flexible work arrangements.

### The business benefits vary by sector and type of childcare support offered, but may include:

- Improved recruitment outcomes
- Greater gender diversity in leadership and other teams
- Reduced staff turnover and absenteeism
- Productivity gains from improved worker loyalty and satisfaction
- Enhanced corporate reputation
- Improved worker-management relations
- Strengthened compliance and risk management.

is projected to shrink by 5 percent as a share of the total population by 2040 (World Bank, 2016).

**Strengthening women's participation in the labor force could help offset the economic impact of demographic trends.** An increase in the share of women in paid employment could help counteract the negative economic effects of an aging population. While Vietnam has high levels of female labor-force participation by global standards, with around 72 percent of women in the labor force, it is still 10 percentage points lower than the men's rate of 82 percent (GSO, 2018). A 2018 McKinsey report found that closing gender gaps in the labor market could add an estimated 10 percent of annual GDP by 2025—projected to be around \$40 billion (McKinsey, 2018). The study estimates that increasing female-to-male labor force participation ratio would be the most important factor, contributing 58 percent of this increase, alongside increasing the number of paid hours worked by women and adding more women to higher productivity sectors. Recent World Bank research indicates that accessible childcare services are key to enhancing women's participation in waged employment and reducing gender gaps in Vietnam (World Bank, 2018b). Lack of childcare services has a much greater impact on women's labor-force participation than men's due to strong cultural expectations about the role of women as primary caregivers.

**To date, grandparents and extended family have been an important source of informal care in Vietnam, facilitating high levels of women's participation in the labor force.** However, these support structures are being undermined by demographic shifts, such as the urbanization of the population, which is currently occurring at a rate of 3 percent per year (Lien, 2018). As people migrate from rural areas in search of industrial jobs in cities, they often leave behind family networks, which would otherwise help with care. This is an especially critical issue in the South, where Vietnam's industrial areas are concentrated.

**In this context, there is a growing demand from families for access to more and better formal childcare, and a real opportunity for employers to help fill the gap, while also strengthening business performance.** Currently, access to formal childcare varies considerably across Vietnam, especially for children under age three

## First-hand insights from employers in Vietnam

This report's main sectoral focus is on manufacturing, but experiences from other sectors, including banking, are also considered.

IFC acknowledges the participation of six manufacturing firms that volunteered to share their experiences and are the subject of extended case studies in this report:

- Evervan, a footwear manufacturer
- Feng Tay, a footwear manufacturer
- Greenland, a footwear manufacturer
- Now Vina, a garment manufacturer
- Pou Chen, a footwear manufacturer
- Taekwang Vina, a footwear manufacturer

This report also benefits from the good-practice examples of HSBC (banking), Maxport Ltd. (manufacturing), and Schneider Electric (energy).

for whom care requirements are most intensive (Dang et al, 2019). There is significant regional disparity in access to state-run facilities; and many workers, particularly lower-waged workers in the manufacturing sector, cannot afford the fees for private childcare. Many parents have no option but to place their children in informal home-based childcare centers, knowing that these centers provide varying quality of care.

**The most successful approaches to employer-supported care take into account the specific needs of the workforce as well as the company's strategy, operational circumstances, and resources.** There is no one-size-fits-all approach: effective childcare solutions are likely to vary significantly due to a range of factors including sector, workforce size, and location. As a first step, businesses should take time to understand the specific needs of their

workforces. This includes consulting with employees and their representatives to gather information about parental preferences and needs and identify gaps in local service provision. Employers are then better positioned to design and deliver support tailored to workers' needs, covered with available resources, and aligned with overall business priorities.

**Investing in onsite or nearby childcare facilities has brought major benefits in terms of recruitment, retention, and productivity for a number of Vietnamese employers.** This report presents case studies of manufacturing firms, including Evervan, Feng Tay, Greenland, Pou Chen, and Taekwang Vina, which have found onsite kindergartens to be an effective way to support their employees' childcare needs, improve recruitment and retention outcomes, and reduce unplanned absenteeism. For companies that may not have the land or financial resources to build a kindergarten, an alternative option is to cooperate with nearby municipal kindergartens. This has the dual benefit of improving access to quality childcare for workers and enhancing the company's reputation in the community by being responsive to locals' needs. This is the model adopted by another case study in this report, Now Vina, which has provided financial support to a nearby public kindergarten to improve its facilities.

**Other options for employer-supported care include childcare subsidies, back-up care services, or summer camps for the children of migrant workers.** Some support, such as monthly subsidies or emergency and back-up care, are widely accessible to majority of the workforce, as opposed to onsite kindergartens, which may reach only a subset of the workforce. Regular childcare subsidies are appreciated by employees as it allows them to choose the type of care for their children, especially if the amount is directly linked to the real costs of local childcare services. While provision of an emergency or back-up childcare service is new in Vietnam, it is becoming more common among companies, for example those in professional services. Vietnamese employers with a high proportion of migrant workers could look overseas at examples from China, where some factories provide onsite care for children of migrant workers during summer vacations. These children would otherwise live in their hometowns with relatives and see their parents only a few times a year.

**Enhanced leave entitlement that go beyond statutory requirements and access to flexible work arrangements can provide important support to working parents.** For manufacturing companies, which have strict production schedules and require workers to be onsite, flexible work arrangements are usually not feasible. However, in other sectors, flexible work allows working parents to gain some control of their schedules, balancing work and family obligations. In normal conditions, flexible work arrangements offer significant benefits to both employers and employees: productivity, engagement, and improved well-being.

To many employees, especially women, flexibility is among the top considerations in deciding where to work and whether to stay (World Bank, 2018b). In organizations that offer flexible work, high uptake indicates that flexibility appeals to both men and women (Mercer, 2019). In HSBC in Vietnam, for example, more than 50 percent of employees work flexibly some of the time. Among them, many report positive impacts to their well-being. In abnormal circumstances like the current pandemic, flexible work arrangements, especially work from home, are under the spotlight. Organizations that offer flexible work find themselves better prepared with minimal interruption to business operations, at the same time offering critical support to parents who have their children stay at home because of temporary school closure. As organizations are transitioning back to the "new normal", employers may want to consider creative options to continue support working parents, as telecommuting may continue to be a common practice for the near future.

**Attracting and managing workforces with increasingly complex care duties presents challenges and opportunities for businesses in Vietnam.** Employer policies that support child and elder care responsibilities are likely to be increasingly attractive to employees in the coming years. By recognizing and supporting these responsibilities, companies can position themselves as employers of choice and boost recruitment and retention outcomes, while potentially reaping a range of other benefits, such as increased productivity, improved relationships with brands, and an enhanced profile in the local community.







# 1. Introduction

There is extensive research to support the business case for employer-supported childcare in developing and emerging markets. Research by the International Finance Corporation (IFC) has presented evidence of the business benefits of investments in care, both at the global level (IFC, 2017; IFC, 2019) and in different country contexts including Bangladesh (IFC, 2019b), Fiji (IFC, 2019a), India (IFC, 2019c), Myanmar (IFC, 2019d), and Sri Lanka (IFC 2018).

This report adds to this growing body of work and demonstrates that there is a strong business case for companies in Vietnam to support their employees' care responsibilities, especially taking into account Vietnam's economic growth trajectory of recent years and changing demographic makeup. This report covers business benefits and good practices from a diverse range of companies, with a specific focus on manufacturing and banking. It focuses principally on childcare, but also explores the emerging—and related—role employers can play in supporting employees' elder-care responsibilities.

## Why care matters for business performance and sustainable development in Vietnam

Over the last few decades, Vietnam has seen impressive economic growth, accompanied by rapid social and demographic change (World Bank, 2018). Vietnam has achieved the second-fastest growth rate per capita worldwide since 1990, behind only China (The Economist, 2018). Gross Domestic Product (GDP) increased by 6.8 percent in the first quarter of 2019, reflecting years of steady growth linked to global recovery and continued domestic reforms (World Bank, 2019). The export-oriented manufacturing sector has been a key driver of economic growth, with average annual growth rates of more than 10 percent since 2009, according to the Vietnam Chamber of Commerce and Industry (VCCI) (2019). Total manufacturing exports reached \$227 billion in 2018 (General Statistics Office (GSO), 2019). From 2008 to 2018, the manufacturing sector added 3.7 million workers (many of them internal migrants) to its workforce—remaining the second biggest source of employment, behind only agriculture (GSO, 2019b).

This growth has also led to an increased demand for services, such as banking (World Bank, 2018), with the service sector up by 6.5 percent in the first quarter of 2019 compared to the previous year (World Bank, 2019).

**Yet future economic progress may be constrained by an increasingly tight—and shrinking—labor market.** Although currently a young society, with a median age of 26, Vietnam's population is rapidly aging: over 65-year-olds comprise just under 8 percent of the population (UN Population Division, 2019), but this is projected to almost triple by 2040 (World Bank, 2016). A primary driver is a steep drop in the fertility rate per woman alongside an increase in life expectancy, from 60 years in 1970 to 76 today (World Bank, 2016; The Economist, 2018). According to the World Bank (2016), the rate at which the population is aging in Vietnam is among the fastest seen globally. One important implication for business is that the labor force is projected to shrink by 5 percent as a share of total population by 2040 (World Bank, 2016).

**In this context, strengthening women's participation in the labor force is key to maintaining economic dynamism and building the foundation for future prosperity in Vietnam.** An increase in the share of working-age women in paid employment could help counteract the negative economic effects of an aging population. While Vietnam has high levels of women's labor-force participation by global standards, with around 72 percent, it is still 10 percentage points lower than the rate for men, which is at 82 percent (GSO, 2018). A key contributing factor is care responsibility: 40 percent of women who are not engaged in any form of paid employment cite care responsibilities as the main reasons for this, compared to only two percent of men (World Bank, 2018d).

Global consulting firm McKinsey estimates that closing the gender gap in labor-force participation, alongside increasing the number of women in high-productivity sectors and increasing the number of hours women work, could add an estimated 10 percent in annual GDP by 2025 compared to business-as-usual—which is around \$40 billion (McKinsey, 2018). Moreover, research from the International Monetary Fund (IMF) indicates that the economic benefits of bringing more women into the workforce may exceed previous estimates. Studies have typically focused on the benefits of

Figure 1: The macroeconomic benefits of advancing gender equality in the workplace in Vietnam



Source: McKinsey, 2018

simply bringing more people into the workforce and do not always take into account the additional benefits of diversity; that is, the value of the different skills and ideas that women and men bring to the workplace (Ostry et al, 2018).

**Future economic gains will also rely on making better use of women's talents to stimulate productivity, growth, and develop human capital.** Between 2005 and 2010, growth in the labor supply and the transition from agriculture to manufacturing contributed two-thirds of Vietnam's GDP growth. However, the power of these two structural trends has waned in recent years (McKinsey, 2012). If Vietnam is to sustain recent levels of growth, improving productivity within sectors is a must. This means making the best use of the talents of women and men alike. While educational attainment between women and men is broadly equal in Vietnam (IMF, 2018), women remain under-represented in leadership roles, and there are high levels of occupational gender-based segregation both within and across industries.

**One of the primary challenges in facilitating more equal participation of women and men in the workforce is that women take on the majority of unpaid care work in the home.** Given that both parents work in most Vietnamese families, a large proportion of women juggle care responsibilities with paid employment. This stems from strong cultural expectations in Vietnam that women will take on the primary responsibility for care. In an in-depth

study across nine provinces carried out between 2012 and 2015, 97 percent of women and 94 percent of men agreed that looking after children was a woman's inherent duty (ISDS, 2015). On average, Vietnamese women spend 105 minutes more on unpaid care work each day compared to men—primarily child and elder care, as well as meal preparation and housework (274 minutes for women, compared with 169 minutes for men). This amounts to almost 207 working days, or seven months per year (ActionAid, 2017).

In reality, the figures might be even higher, as care work can be under-recorded in time-use surveys, particularly where it is carried out alongside other household tasks. Women undertake almost all childcare tasks, ranging from feeding and bathing to nursing a sick child (ISDS, 2015). If Vietnamese women were able to divert just some of the time and energy they spent on unpaid care work to the formal economy, the positive implications would be profound, at both macroeconomic and enterprise levels. By one estimate, women's unpaid care contributions would add up to 20 percent to GDP if they were included in such calculations (ActionAid, 2016).

**Access to formal childcare services will be key to strengthening the quality of women's participation in the labor force and reducing gender gaps in Vietnam.** Parents whose children attend childcare are more likely to have formal jobs, take on more working hours, and enjoy higher wages than women with children who do not attend childcare (Dang et al., 2019). The same

research finds that the use of childcare increases the probability of women having a wage-earning job by 41 percent and the probability of their having a formal<sup>1</sup> job by 26 percent (Dang et al., 2019). It also helps increase women's total annual wages and household income per capita, which brings multiple development benefits (Dang et al, 2019). Access to childcare also increases men's labor-force participation, though the effect on men is smaller (Dang et al, 2019).

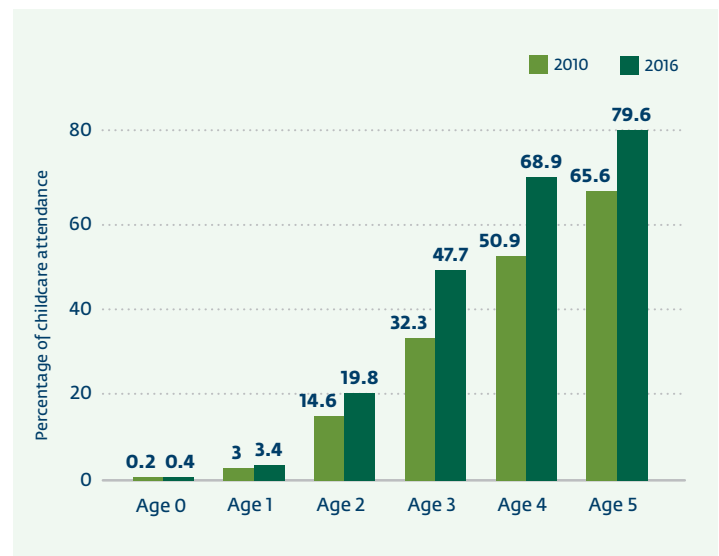
**Access to quality childcare can also have important spillover effects beyond the workplace, improving long-term development outcomes by enhancing early childhood development.** Over the past two decades, neuroscience research has shown that the first few years of a child's life are vital for development of the brain, which is shaped in part by genes and in part by the environment (Black et al, 2017). Better quality early childhood care means that children receive more consistent stimulation and attention, therefore are more likely to reach their full development potential and become healthy and productive adults.

Some recent research has gone even further, arguing that the foundations for success in the context of ongoing technological advancement over the coming decades will be laid by the skills developed in today's toddlers (Jana, 2017). As Vietnam pursues its Industry 4.0 strategy, focusing on the use of technology to improve productivity, and workforce training and development to respond to growing digitization and automation (Vietnam Law & Legal Forum, 2019), quality childcare can help ensure today's children become workers who will thrive in the future economy.

**Traditional childcare is gradually falling away, and there is a growing need for formal care.** In the past, grandparents and extended family have been an important source of informal care, helping to underpin high levels of women's labor-force participation. However, these support structures are being disrupted by significant urbanization. By 2030, an estimated

43 percent of Vietnam's population will live in cities. This demographic shift, along with internal migration for jobs, contributes to an increase in demand for formal childcare. Chart 1 below shows that demand for childcare is growing across all age groups below six during the 2010-2016 period.

**Chart 1: Percentage of children attending childcare in Vietnam, 2010-2016**

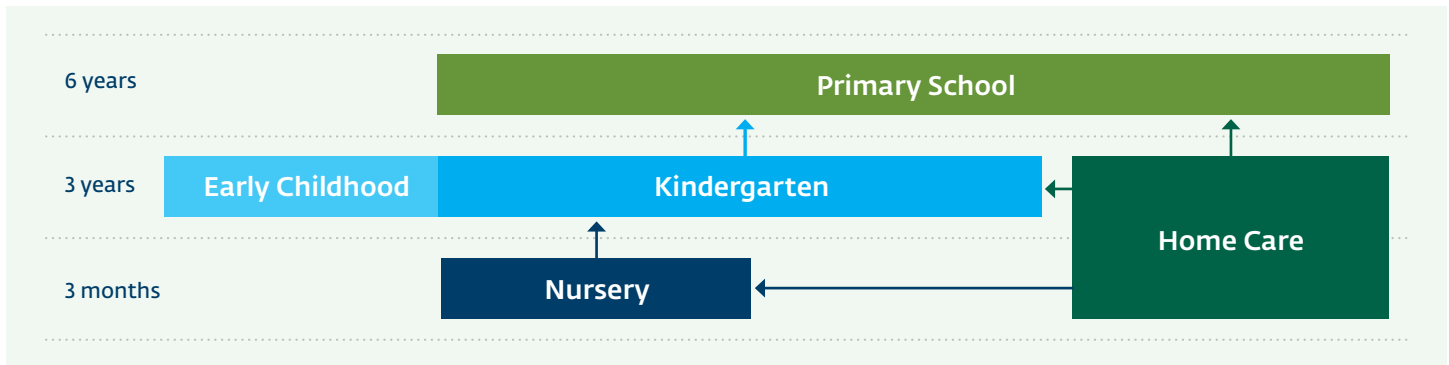


Source: Estimation from Vietnam Household Living Standards Survey 2010 and 2016, cited in Dang et al. (2019). Source: Dang et al, 2019, based on data from Vietnam Household Living Standards Survey 2010 and 2016.

**Despite growing demand, the availability of formal childcare, particularly for pre-school children, remains a challenge.** While the gross enrolment rate for primary education is high—110.6 percent<sup>2</sup> in 2018 (World Bank, 2018c), the situation is different for pre-primary students—on average, only 22.7 percent of children under three enrolled in formal childcare or education facilities. The figures are much lower in some regions: 6.8 percent in the Mekong River Delta, and 6.2 percent in the Central Highlands (ActionAid, 2017)<sup>3</sup>.

- 1 Defined in this instance as a job with social insurance. (The social contribution or payroll tax in Vietnam is equal to 34 percent of the monthly salary, of which 23.5 percent is paid by employers and 10.5 percent by workers. Workers making a social insurance contribution are eligible for health insurance, employment subsidies, and pensions (on retirement)).
- 2 Gross enrolment rate: total enrolment, regardless of age, expressed as a percentage of the official school-age population corresponding to the same level of education in a given school year. As in this case, the figure can be higher than 100 percent because of early or late school entrance and grade repetition.
- 3 The usage rates may, however, be higher as these figures do not take informal or unregulated private childcare facilities into account, which many parents use in the absence of affordable and convenient regulated facilities for children under three.

Chart 2. Early childhood education in Vietnam



Source: EVNB, 2018

Some may argue that families prefer to keep their younger children at home as children three and under require more intensive care or that childcare enrolment for children under three is not mandatory (Chart 2). In fact, statistical data suggests that a lack of facilities, rather than an unwillingness of parents, contributes to this low attendance. Only 26 percent of rural villages provide nursery facilities, compared to 49 percent of villages having at least one kindergarten (Dang et al., 2019). Availability and access to childcare in industrial zones are even more difficult. For example, preschool facilities in industrial parks and export-processing zones in Ho Chi Minh City only meet 2 percent of demand (UNICEF, 2017).

**In recent years, there has been some increase in providing private early childhood education by companies and individuals, but there is scope for further progress.** In recent years, the number of private-run and home-based childcare facilities increased significantly across all segments, from premium services for wealthy families in main cities to unregistered, small-size care services near industrial zones. In recognition of the importance of early childhood development and inconsistencies in curriculum and care service offerings, the Vietnamese government recently committed to increasing the proportion of children under three years in preschool to 30 percent by 2020 and 35 percent by 2025, with accompanying targets for increasing quantity and quality of childcare provision,

particularly for this specific age group (Government of Vietnam, 2018). This commitment from government represents a promising opportunity for both private investment in early childhood education and employer-supported care support in the near future.

**Meanwhile, workers' care responsibilities are set to increase with respect to elderly relatives.** Multi-generational households have always been an important feature of Vietnamese families: there are deeply embedded cultural expectations that children will provide economic support, as well as physical and emotional care, for aging parents (Hoang, 2015). Co-residence for elderly parents and their children is common, particularly in the South, where housing costs are higher (Hoang, 2015). This pattern is shifting as more working-age people migrate to cities, often leaving behind elderly and extended family members in rural areas. However, as the population ages and life expectancy advances, there will be an increase in the number of elderly parents who require some level of support from their grown children, alongside increasing strain on the provision of public services, such as health care and pensions. The elderly dependency ratio<sup>4</sup> in Vietnam is expected to almost triple by 2040 (World Bank, 2016).

**Demographic changes and economic growth in Vietnam will pose new challenges for workers, businesses, and policymakers, and will require a dramatic shift in current care patterns.** There is a major

4 The proportion of those age 65 or over relative to the working-age population

Figure 2: Benefits of employer-supported care for employers, parents, children, and society



Source: IFC, 2017

opportunity for forward-thinking Vietnamese businesses to gain a competitive edge in the labor market and differentiate themselves from other employers by introducing care supports for employees. These could range from flexible work policies to childcare subsidies or an onsite kindergarten. Expanding employer-supported child and elder care across all sectors could have transformative effects for the Vietnamese economy—and bring substantial benefits to individual businesses, for parents and their children, and for society in general (see Figure 2).

## Objectives and methodology

This report aims to set out the business rationale for employers in Vietnam to invest in policies and initiatives that can help their

employees manage their personal responsibilities for child and elder care. It provides guidance on the kinds of care support employers in Vietnam can provide to their workforce, illustrated by examples of good practice.

This report draws on the practical experiences of several companies in Vietnam, with particularly strong inputs from the manufacturing sector (see “Sectoral focus” below), and examples from the banking and energy sectors. The report also benefited from outreach to international organizations and business networks, including Better Work Vietnam, the European Chamber of Commerce in Vietnam, and the Vietnamese Business Coalition for Women’s Empowerment, and discussions with international brands, including Nike and Adidas.

The six long case studies in the report (see Chapter 5) were informed by company visits from June to November 2019 to manufacturing firms: Evervan, Feng Tay, Greenland, Now Vina, Pou Chen, and Taekwang Vina. Researchers conducted interviews and focus group discussions with managers, supervisors, and employees (male and female) to gather evidence on the impact of child and elder-care initiatives and the business benefits. Where possible, researchers gathered quantitative data from companies regarding the makeup of the workforce and impacts, costs, and benefits of child and elder care supports. The shorter case studies are based on telephone interviews with managers, supplemented by desk research.

Case-study research was complemented by a literature review of national and international sources on employer-supported care. This included attention to materials related to Vietnam's economic development trajectory, labor markets, women's employment, and existing child and elder-care supports and needs in Vietnam, the local and sectoral business case for companies to provide care supports, and research on the regulatory and policy context for child and elder-care.

This report is structured as follows:

- Chapter 2 outlines the main business benefits of employer-supported care at both enterprise and national levels.
- Chapter 3 explores the different kinds of support that can help workers manage their childcare responsibilities, with examples of good practice from Vietnam, and provides an overview of emerging good practices on how employers can support workers with elder-care responsibilities.
- Chapter 4 provides recommendations for employers, government, and international brands to strengthen the provision of employer-supported care in Vietnam.
- Chapter 5 sets out six detailed company case studies in the manufacturing sector (see Box 1).



Photo credit: Evervan 2019



### BOX 1. SECTORAL FOCUS

#### Sectoral focus: Why care matters for the future of garment and footwear manufacturing in Vietnam.

Over the past two decades, Vietnam has become one of the world's top exporters of textiles, clothing, and footwear (TCF). Since 2009, growth has been particularly rapid, with average annual growth rates of over 10 percent, and exports reaching \$40 billion in 2019 (VCCI, 2019) (see Chart 3).

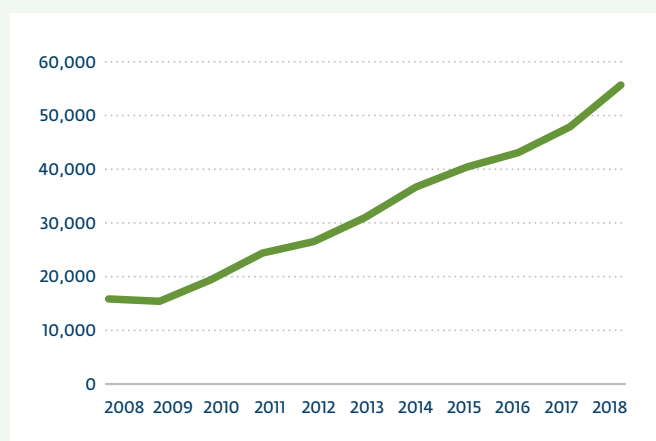
Vietnam is now the second largest supplier of textiles and apparel to the U.S. (OTEXA, 2020), with volumes continuing to increase, both as a result of forward-looking investment in technology and recent trade tensions between the U.S. and China (Financial Times, 2019). From December 2018 to December 2019, U.S. imports of textiles and apparel from Vietnam grew by 10.4 percent, compared to a 6.2 percent increase from 2017 to 2018 (OTEXA, 2020). The pattern is even more pronounced across a broader range of product categories: total imports to the U.S. from Vietnam increased by nearly 40 percent in the first four months of 2019 compared to the same period the previous year, representing the largest rise among the 40 biggest importers to the U.S. (Financial Times, 2019).

Apparel now accounts for about 15 percent of the country's total exports, and employs approximately 2.7 million people, of which around 80 percent are women (Better Work, 2019, 2019b). To maintain current levels of growth, the sector will need to recruit tens of thousands of additional workers each year (Diễn đàn Doanh nghiệp, 2016), while also retaining and upskilling the existing workforce to meet increasing demand from global brands. This means a significant uptick in competition for workers between garment and footwear factories, and with other growing sectors such as electronics. As the industry grows, it is also

shifting its approach to worker welfare, transitioning from a business model based on an abundant supply of low-cost labor to a higher productivity model with a greater focus on worker upskilling, quality jobs, and stronger worker-management relations.

In the context of a growing industry, factories will increasingly need to consider how to attract and retain working parents if they are to increase—or even just maintain—workforce numbers and production levels. Many factories that offer enhanced support for workers' care responsibilities have found their interventions strengthen recruitment and retention outcomes, while making a difference to workers' family lives. This report assembles six detailed company case studies that provide a new understanding of the kinds of childcare supports offered by leading manufacturing firms in Vietnam, and the kinds of business benefits that accrue as a result.

**Chart 3. Vietnam - Textile, clothing and footwear exports (in millions of USD), 2008 - 2018**



Source: UNCTAD, 2019



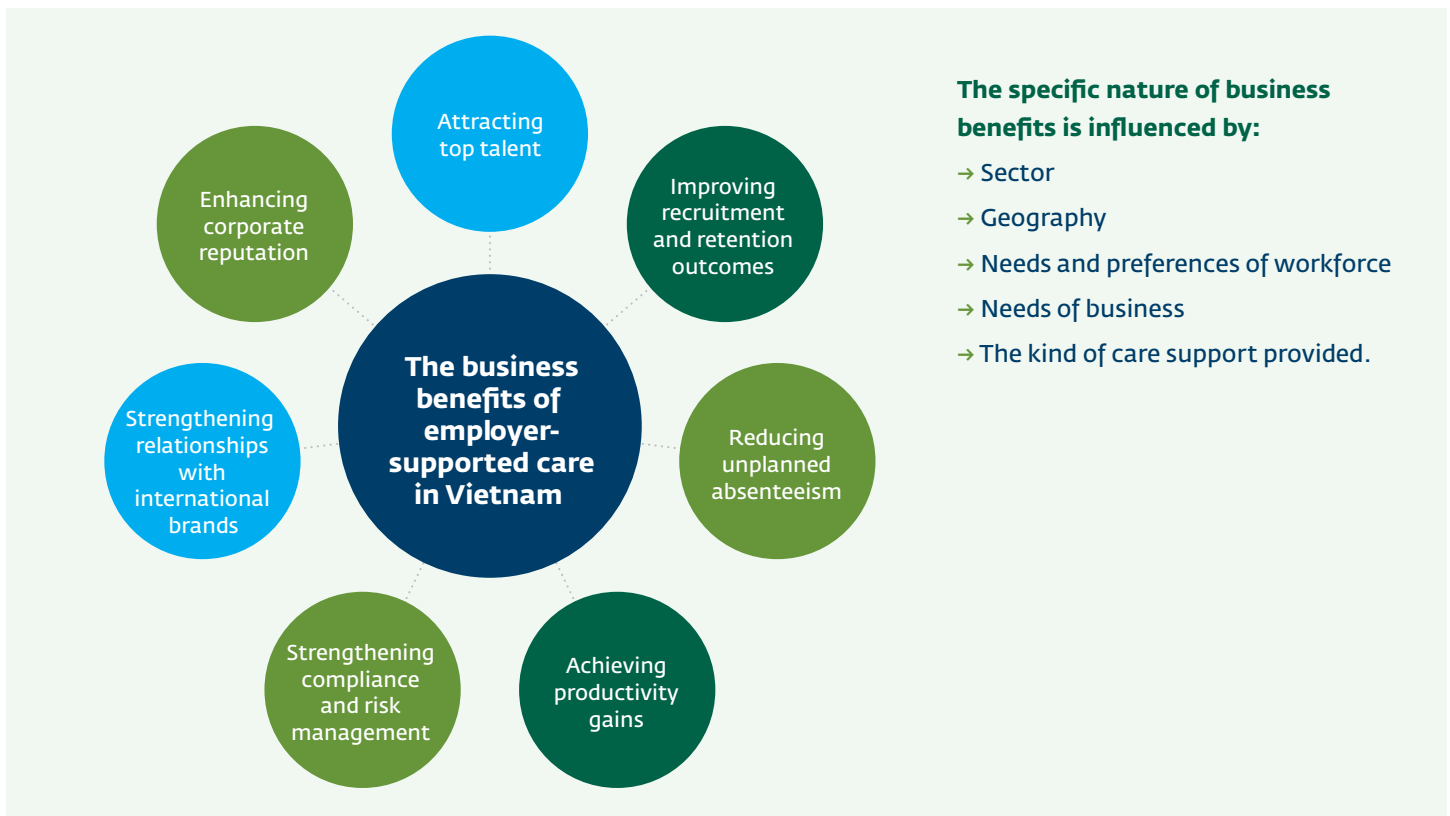
## 2. The Business Case for Employer-supported Childcare in Vietnam

Organizations around the world, including in Vietnam, acknowledge the diverse business benefits of supporting their employees' care responsibilities. In Vietnam, many companies report that supporting employees with care needs gives them significant advantage in attracting prospective employees, while enhancing engagement with existing ones, which translates into stronger recruitment and retention outcomes. Companies also report enhanced employee performance and productivity, as parents are less likely to be distracted or concerned about their young children during working hours. Beyond positive workforce outcomes, many companies see stronger relationships with commercial partners (including international brands) and key stakeholders (such as local government, and local communities), by clearly demonstrating their commitment to social responsibility and worker welfare.

The precise nature of the business case for investing in care varies considerably by employer. Benefits typically depend on the sector, its location, the needs of the business and its workforce, and the kind of care supports that are provided. For instance, manufacturing firms like Pou Chen and Taekwang Vina report that their onsite kindergartens help them build their profile as a responsible employer and improve their ability to recruit and retain workers in tough highly competitive labor markets. Banks like HSBC find that they need to offer flexible working arrangements to keep up with their peers and attract the best employees with leadership potential.

This chapter describes the range of business benefits associated with employer-supported care, reinforced by real-life examples from companies operating in Vietnam.

Figure 3: The business benefits of employer-supported care in Vietnam



## Attracting top talent

Employers face a very real “struggle for talent” in Vietnam, and leading employers know that targeting women—and supporting care responsibilities—is an important part of the solution.

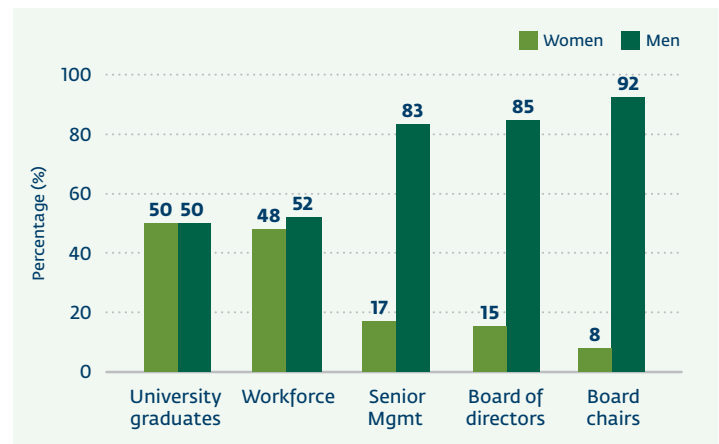
According to research by the Boston Consulting Group (2017), the talent gap is one of the biggest factors impeding Southeast Asia’s largest companies from achieving their strategic objectives, including growth, innovation, and transformation. In this context, women are an untapped source of leadership talent. Women in Vietnam make up 50 percent of university graduates and 48 percent of the workforce (BCG, 2017), but comprise just 16.8 percent of senior management, 11.1 percent of executive directors, 15.4 percent of board members, and 7.8 percent of board chairs (IFC, 2019f) (see Figure 4).

### Companies that invest in care are better placed to:

- Attract and retain top talent (women and men alike)
- Build and diversify their management pipeline
- Increase leadership diversity and strengthen corporate performance.

In banking, a recent survey found that although women account for 60 percent of the total sectoral workforce, they only held 36 percent of senior positions (ADB, 2018). Although the figure in banking compares favorably with the global average of 29 percent for senior roles (Grant Thornton, 2019), there are clearly barriers in all sectors to well-qualified women taking up leadership positions. This cannot be attributed to personal choice alone, as survey data indicates that women want to progress at work. More women than men (81 percent and 76 percent respectively) surveyed at Vietnam’s biggest companies say they wanted to advance within their current company (BCG, 2017). However, women are held back by a number of factors, including family commitments (BCG, 2017).

Figure 4: A leaky pipeline—Gender diversity among university graduates, in the workplace and in senior leadership in Vietnam



Sources: Data on university graduation rates (2018) and labor-force participation rates (2019) (World Bank Gender Data Portal); Data on senior management, boards, and board chairs (IFC, 2019f)

Flexibility and work-life balance emerge as the top factors for prospective employees, especially women, when deciding which company to work for and whether to stay or not. While salary and financial rewards are important for high-potential employees, additional employee benefits such as flexible work arrangements and family-friendly policies, particularly childcare for working parents, can help companies stand out as progressive, people-centered employers. According to a recent survey of managerial candidates in Vietnam, four out of ten survey respondents perceived the lack of work-life balance policies as one of the main challenges to women managers’ development. Three out of ten were concerned about invisible barriers to women’s progression at work, for example, support and sympathy from family, as well as social biases about gender roles (Navigos, 2018).

More flexible work arrangements can also help companies strengthen their appeal to young professionals and build their future management pipeline. A 2019 global study by Mercer found that greater flexibility—in terms of hours, location, and leave—was a priority for employees. Fifty-four percent of all respondents said helping to manage their work-life balance was one of the top five things that their company could do to help them thrive

at work (Mercer, 2019). Millennial employees (those entering the workforce in the early 2000s) ranked flexible working second only to training and development, and above salary and cash bonuses, as benefits they would most value from an employer (PwC, 2011). In the banking sector, these non-financial benefits are increasingly important to attract talents. However, this is still an area for improvement for many Vietnamese banks (ADB, 2019)

**BOX 2.**  
**GENDER DIVERSITY IN THE WORKPLACE**

**Gender diversity in leadership is correlated with both profitability and value creation**

Globally, companies in the top 25 percent for gender diversity were 21 percent more likely to achieve profit above the industry average (McKinsey, 2018b).

In Vietnam, new research indicates that female-managed firms have higher revenues and return on assets and capital than male-managed companies, once other variables are taken into account (Hoang et al, 2019).

Two-thirds of candidates for mid-career posts surveyed by the ILO in Vietnam say they do not consider their company to be “family-friendly” (ILO, 2015). That is, their employers do not have any policies and practices in place to help employees balance family responsibilities with work or adapt to change in their personal lives. The absence of family-friendly policies can have a range of impacts on women’s working lives, including their prospects for progressing into leadership roles. Given that women in Vietnam tend to take on the majority of unpaid care in families, there is a risk that caring responsibilities—for children and elderly parents—may intervene at a time when women reach mid-level roles and start to become eligible for promotion to senior positions.

IFC research from Bangladesh suggests that employers could improve their access to female talent by investing in policies to support employees’ care responsibilities. In Bangladesh, among employers who provide childcare solutions to their employees, 65 percent report it has a positive impact on talent acquisition, and 56 percent say it has a positive impact on women’s career advancement, among other benefits (IFC, 2019b). An academic study from the Netherlands found that initiatives to promote better work-life balance, including support for care responsibilities, increase leadership aspirations among women and men alike (Fritz and Knippenberg, 2017).

There can be substantial gains in financial performance where employer-supported care helps deepen the female leadership pool. International research indicates that greater gender diversity in management teams can help create more robust decision-making processes by introducing a more diverse range of perspectives and strengthening team dynamics (Jäkel, 2016). In turn, this leads to stronger financial outcomes: a survey of over 21,000 companies across 91 countries found robust evidence that women in top leadership is associated with higher profitability (Noland et al, 2016). This pattern holds true for the ASEAN region, where IFC research shows that where women account for 30 percent or more of board members, there is a higher return on assets (3.8 percent) compared to those with no women (2.4 percent), and a higher return on equity (6.2 and 4.2 percent respectively) (IFC, 2019f).

**Companies that invest in care are better placed to:**

- Attract and retain employees at all skill levels, even in challenging labor market conditions
- Enhance the company’s reputation with prospective employees
- Make significant cost savings associated with lower staff turnover
- Recruit more staff when expanding operations.

**BOX 3.**  
**FLEXIBLE WORK ARRANGEMENTS**

**The rise of flexible work arrangements during the COVID-19 pandemic**

The COVID-19 global pandemic forced organizations around the world to adapt to “a new normal” due to social distancing and other restrictive government measures to stop the spread of the corona virus. Similar to businesses in other countries, Vietnam companies have to deal with significant business disruptions, some had to scale back their operations or even close temporarily. For many employees, flexibility in the workplace becomes more important than ever, as childcare needs intensify due to nation-wide school closures in early February 2020, long before social distancing and mandatory curfew came into effect in April.

In this context, organizations that offered flexible work arrangements before the pandemic demonstrated not only high level of adaptability and flexibility, but also maintained performance. A brief survey by Vietnam Remote Workforce\* with more than 80 companies indicates that 40 percent of firms will continue their flexible work arrangements, because of cost savings, team engagement, productivity, and, particularly, access to a broader talent pool regardless of where they are (ICTNews, 2020).

In sectors where flexible working is not a viable option, for example, manufacturing, companies are responding to the pandemic with creative workforce solutions that protect workers. Maxport, a garment manufacturing company with 6,000 employees, offers work from home for office staff and planned production. The company adapted to lower demand by eliminating overtime and reducing regular work hours (no Saturday shift) for all workers, thereby avoiding layoffs.

\*Vietnam Remote Workforce: an online platform that consists of 4,000 businesses, many are tech companies, to crowdsource tools and resources for teleworking.

**Improving recruitment and retention outcomes**

**Businesses in Vietnam need to work harder than ever to attract and retain workers at all skill levels.** In Vietnam, many employers identify hiring new workers as one of their top concerns (Navigos, 2018b). This is the case both for higher-skilled positions, such as technical, professional, and managerial jobs in service sectors such as banking (World Bank, 2018), and for lower-wage, lower-skilled positions in export-oriented labor-intensive sectors like manufacturing. In industrial zones, competition for workers has become a real challenge due to the stagnant labor supply, growing labor demand, and because women—who comprise a majority of the manufacturing workforce (for instance, 80 percent of the 2.7 million workers in the garments industry) —are generally responsible for care responsibilities at home. In such contexts, employer-supported childcare by companies like Feng Tay, Pou Chen, and Taekwang Vina makes them more appealing to both working parents and other employees who see them as responsible employers.

**In a shrinking labor market, workers of all skill levels have more choice about which jobs to take.** As family responsibilities are an important factor for many in deciding where to work (and whether to stay), women are more likely than men to choose jobs with flexible working hours and non-monetary benefits (World Bank, 2018b). Women over 25-years-old are more likely to choose jobs that are closer to home and allow more time with family, compared with 18 to 24-year-olds (ISDS, 2015). Family-friendly policies, particularly employer-supported care, could be part of a company’s strategy to become “employer of choice”.

**Investments in employee welfare, including care, can enhance a company’s reputation with prospective employees.** Standard Chartered Vietnam won the “Banking Employer of the Year” award in 2018, in part because of its leave policies, which include entitlement to 20 weeks of maternity leave with full pay and two fully paid weeks of paternity leave (Vietnam Economic Times, 2018). Feng Tay, a footwear manufacturer, refers to its kindergarten and childcare supports in all its recruitment materials, and believes that their workers spread the message

by word-of-mouth to others. Not surprisingly, one out of three surveyed manufacturers in a 2018 survey said that they planned to strengthen their employer brands to make manufacturing jobs more appealing to young job seekers (Navigos, 2018b).

**Companies that help workers better manage care responsibilities find a competitive edge in staff retention.** Investments in childcare can incentivize employee loyalty: a cross-sectoral study in the Asia-Pacific region<sup>5</sup> found that the most important driver of employees' "intent to stay" was employer support for work-life balance (Qualtrics, 2017). For a number of manufacturing companies, such as Feng Tay, Pou Chen, and Taekwang Vina, on-site kindergarten is an established part of their recruitment and retention strategy. Some, like Evervan, seek to further differentiate themselves by also providing nursery services for children from the age of 18 months in recognition of the gaps in formal care for children under age three. In service industries such as banking and finance, leading companies report that flexible work arrangements are necessary for attracting and retaining the best employees. This makes sense in the context of the age profile of the banking workforce: 70 percent of the Vietnamese banking sector's workforce is 20 to 40-years-old, making it highly likely that most employees have some form of unpaid child or elder-care responsibilities (PwC, 2013).

**Employers often underestimate the costs associated with worker turnover, which can be considerable for both high and low-skilled workers** (see Box 4). According to calculations by Taekwang Vina, a footwear manufacturer, around 85 percent of worker turnover costs related to lost productivity during the first four months on the job; that is the amount of time it takes for new workers to reach full productivity. The remaining amount is from costs of recruitment and selection (including advertising costs and staff time for recruiting and onboarding new workers), training costs, covering additional overtime while vacancies remain unfilled, and issuing new employee cards and uniforms.

**Investments in employer-supported care can reduce employee turnover, leading to significant savings.** Evervan, a footwear manufacturer with close to 7,500 workers, succeeded in halving average monthly turnover from 4.1 percent in 2011 to 2 percent

in 2018, creating annual savings of up to VND 12.5 billion (\$537,000). The company credits this reduction in part to its onsite kindergarten opened in 2013. Smaller employers like Nalt Enterprise, a garment manufacturer with about 600 workers, enjoy a similar benefit. Staff turnover at Nalt fell by a third after the company established an onsite crèche, representing 8.5 percent of the total annual wage bill (IFC, 2013). A survey of Sri Lankan businesses found that, on average, employers spend 21 percent of an employee's annual salary replacing them (IFC, 2018).

#### BOX 4. THE COSTS RELATED TO REPLACING AN EMPLOYEE

##### The costs related to replacing an employee

###### Productivity costs

- Time taken until new employees are fully productive (typically three months for a production worker)
- Higher error rates for new starters
- Loss of organizational knowledge
- Reduced productivity of colleagues and line managers while helping new employees.

###### Recruitment and selection costs

- Advertising and recruiting
- Staff management time for interviewing/vetting new candidates
- Human resources administrative procedures
- Supplies and, where relevant, uniforms, security checks, and medical exams
- Hiring temporary staff or covering additional overtime costs while position is vacant.

###### Training costs

- Orientation/induction training
- On-the-job training.

###### Costs

- Time spent on administration related to separation.

5 Vietnam was not included in the sample. Countries surveyed were Australia, New Zealand, Malaysia, Singapore, and Hong Kong.

### **Evervan: The cost savings associated with reducing worker turnover**

Evervan built an onsite kindergarten in 2013. Average monthly worker turnover has since halved, dropping from 4.1 to 2 percent. This has led to estimated annual savings of over \$500,000.

**In service industries, including banking and finance, the cost of losing highly skilled workers can be even higher.** Wages are higher, so productivity losses are more costly, and there can be additional ‘social capital costs’ from disruption of institutional knowledge and social networks within a business that can be essential to its performance. For instance, in client-facing industries such as banking and finance, there is a risk that clients will move with the individual leaving, leading to a loss of revenue for the business (HSBC, 2013). For banks in Vietnam, turnover costs can be up to 100 percent of the annual salary for managerial and professional staff, and up to 150 percent for senior management (GSO, 2017). Beyond Vietnam, banks have enjoyed the benefits of enhanced support for care: the introduction of childcare support and related initiatives by the Bank of Tokyo-Mitsubishi UFJ Ltd. (Japan) led to a four-fold increase in the number of women who continued in employment with the bank from 2007 to 2016, resulting in notional financial returns of \$45 million (IFC, 2017).

**High rates of employee turnover can also constrain growth where companies are seeking to expand their operations.** The manufacturing sector has been growing fast in the last decade, with a double-digit annual growth rate for export-oriented sub-sectors such as garment and electronics (GSO, 2019). Such high growth potential translates into ambitious expansion plans and high labor demand for many companies. Consequently, the cost of hiring and the cost of losing people to many manufacturing companies can be expensive. The case study box below discusses Maxport’s expansion plan (before the COVID-19 pandemic) and how the company considers childcare as part of its recruitment and retention plan.

**Investment in care supports can help companies recruit more women in traditionally male-dominated sectors, increasing workforce gender diversity, and capturing associated benefits.** In some sectors, such as energy, transport, and construction, women are consistently under-represented. However, there is increasing evidence to suggest that companies can improve business performance and profitability by increasing gender diversity. A recent analysis by Morgan Stanley found that companies with higher levels of gender diversity outperformed other firms by 2.8 percent over the period 2011 to 2019 and by 4.4 percent for Asian companies (excluding Japan) over the same period (Morgan Stanley, 2019). Schneider Electric (see case study in Box 9), a global energy management and automation firm with operations in Vietnam, believes gender diversity is crucial to develop stronger teams, enhance innovation, and ensure delivery of the best sustainable-energy solutions to customers. Schneider has ambitious targets for gender diversity at all levels of the organization and feels that its support for employees with care responsibilities will help it meet these targets.

### **Reducing unplanned absenteeism**

**Without access to reliable care, working parents are more likely to miss work, come in late, or leave work early to attend to unplanned childcare needs.** Manufacturing firms in Vietnam incentivize regular attendance through bonuses to workers that do not miss work during the pay period. Nevertheless, the illness of children or elderly relatives is still one of the most common reasons that working parents take sick days off (UNICEF, 2017). Maxport’s employee survey found that four out of ten working parents experienced some kind of disruptions to their working schedule because of care responsibilities at home.

#### **Companies that invest in care are better placed to:**

- Reduce unplanned absenteeism associated with poor-quality or unreliable care arrangements
- Benefit from cost savings and reduced disruptions due to lower absenteeism.



## BOX 5. EMPLOYER-SUPPORTED CHILDCARE AT MAXPORT

### Maxport Ltd. (garment manufacturing)

Maxport Ltd. is a premium garment manufacturer in north Vietnam that supplies to several leading global brands, including Nike and Lululemon. It has a workforce of more than 6,000 workers (as of December 2019), of which 80 percent are women.

Maxport's business is growing, and the company has an ambitious strategy to expand its production capacity, as well as its workforce, in the coming years. The challenge that Maxport is facing is common to many: they need to recruit substantial numbers of new workers in a constricting local labor market while maintaining high staff retention.

Maxport identified childcare as an emerging priority when a 2019 employee survey with more than 2,000 responses found that two out of three workers saw themselves as primary caregivers and more than half the total workforce had children under age six. The same survey indicated the link between childcare needs and the costs of absenteeism: 42 percent of working parents reported that childcare concerns had a negative impact on their work. The most common kinds of impacts related to starting late or finishing early (19 percent), being distracted on the job (16 percent), or missing work altogether (10 percent).

Maxport currently provides workers with a monthly childcare allowance of VND 100,000 (\$4.30), care for pregnant workers, predictable working hours, and the option for workers to say no to overtime. Childcare options are valued equally by both women and men. A female worker particularly mentioned, "That's why we work at Maxport so that we can go home on time to our children."

In this context, Maxport's management immediately saw an opportunity to provide meaningful additional support to its workforce and strengthen the company's credentials as a socially responsible employer. If Maxport can support workers'



access to higher-quality care, it could help differentiate it from other employers and become an important draw for local workers. It can also help bring down costs associated with staff turnover, unplanned absenteeism, and lost productivity.

Maxport is exploring several options to enhance childcare support for its workforce, for example, an onsite or near-site facility, parental information sessions, or soft-skills training for caregivers. A focus on gender equality and workforce empowerment also aligns with sustainability strategies of Maxport's buyers, many of whom are high-profile international brands with a stated interest in ensuring better working conditions and quality of life for women workers in their supply chains.

*"Our workers are our most important asset. With female workers accounting for the vast majority of our workforce, we believe gender-smart improvements will create the most inclusive, supportive, and healthy working environment for everyone, and eventually contribute to the company's overall performance."*

Nicholas Stokes, Chief Executive Officer and Founder,  
Maxport Limited

### The cost of unplanned absenteeism:

Taekwang Vina calculates that an average unplanned absenteeism rate of **0.6%** across a workforce of 33,000 in its Dong Nai factories costs the company around **\$945,000 each year**

The costs of unplanned absenteeism can be substantial, although companies do not always track or monetize the absence. Taekwang Vina, a footwear manufacturer, has developed its own model to measure the costs of unplanned absenteeism and has found them considerable, even though unplanned absenteeism rates are relatively low. On average, 200 people per day, representing 0.6 percent of all workers, take unplanned leave across its Dong Nai workforce. The company calculates that this level of absenteeism costs them around VND 22 billion (\$945,000) per year. These figures take into account wages for the standby team that is in place to replace absent workers, ongoing social-insurance payments, and other costs for absent workers. The scale of Taekwang Vina's estimates is consistent with research from other countries in the Asia-Pacific region and beyond. In Singapore, productivity losses from absenteeism will cost the country an estimated Singapore dollars 3.3 billion (\$2.5 billion) by 2030 (HR in Asia, 2017). In Fiji, private-sector employers lose an average of 11 workdays per employee per year due to childcare responsibilities—resulting in costs to companies of up to \$550,000 per year (IFC, 2019c). Similarly, research in the U.S. shows that businesses lose \$3 billion annually as a result of childcare falling through at short notice (U.S. Chamber of Commerce Foundation, 2017).

**Better access to reliable care and/or flexible working arrangements can help reduce absenteeism.** Manufacturing firms that have invested in onsite kindergartens or nearby municipal kindergartens report that working parents with children in these facilities are less likely to take unplanned leave. At Taekwang Vina, opening hours of the company's kindergarten match its factories, so there are no gaps in childcare provision. The kindergarten can also take care of mild illness of the children at their clinic. Parents can choose to send their children

to the clinic or take leave to take care of them at home. For many working parents, the former option is more favorable.

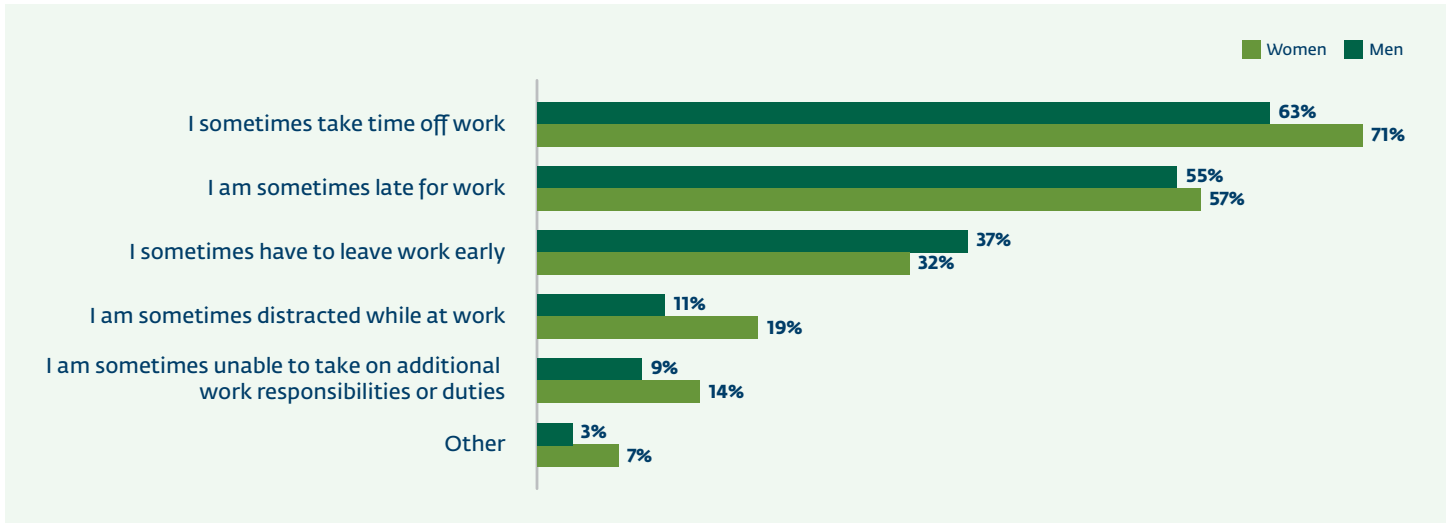
**Supporting better health outcomes for employees and their families can also bring down unplanned absenteeism.** Nalt Enterprise, a garment factory with about 600 employees, saw a 50 percent reduction in absenteeism when it introduced an onsite kindergarten and health clinic that provided regular check-ups for workers and their children (IFC, 2013). Similarly, supporting young mothers with breastfeeding programs pays off. UNICEF calculates that higher rates of breastfeeding could help to cut the rates of diarrhea in half and respiratory infections by a third in babies, reducing the amount of unplanned time off that working mothers need to take. Mr. Yao Cheng Wu, the Director of Pou Chen Vietnam, sees a win-win situation in promoting breastfeeding: “Our human resources data show that on average, a female employee takes 14 days off per year to care for a sick child under 12 months old. If we promote breastfeeding, babies' health will be improved significantly, and this reduces employees' absence from work and increases productivity as well.” (UNICEF, 2018)

### Achieving productivity gains

**Investments in care supports can help workers be more productive on a day-to-day basis by reducing levels of “presenteeism”,** where someone is at work but not operating to their full capacity. Childcare can be a source of anxiety that distracts many workers from their work, as highlighted in interviews and focus group discussions. Such concerns are particularly acute for parents with children under three, because accessible, affordable, and quality childcare services are not always available to them, especially migrant workers. Many choose to place their children in unregistered private facilities, knowing that the quality of care is highly variable.

**Manufacturing firms that have invested in childcare support for workers notice the difference in worker engagement and productivity.** Feng Tay Group invests in kindergartens for its workers in all countries of operation including Vietnam because it believes that by reducing their childcare concerns, workers are

**Chart 4: Impacts of childcare responsibilities on work for parents with preschool-age children in Myanmar**



Source: IFC, 2019d.

better able to focus on their jobs (Feng Tay Group, 2018). At Evervan, supervisors observe that workers with young children who are not in the factory kindergarten often need to leave their workstations to make phone calls if their child is ill or to make last-minute care arrangements. A supervisor at Pou Chen says, “If my staff members have children in the company’s kindergarten, I would worry less. I feel like it is a safe place for their children. If the worker feels safe, then I feel safe.” At Nalt Enterprise, working mothers say they had more peace of mind and were more focused on their work, knowing their children were well-cared for (IFC, 2013).

**IFC research from the broader Asia Pacific region indicates that childcare concerns can lead to reduced productivity for both men and women.** A recent study on childcare in Myanmar found that nine out of ten parents of preschool-age children believe their childcare responsibilities impact their work in some way (see Chart 4). In a similar study in Fiji, 83 percent of parents of preschool-age children reported that their care responsibilities impact their work, most commonly by being distracted (79 percent of women, 76 percent of men). The perspective of employers supports this. In a recent study in Bangladesh, 74 percent of

employers that provide childcare solutions said that doing so has a positive impact on employee productivity (IFC, 2019b).

**Across all sectors, employee access to more flexible work arrangements can contribute to increased satisfaction and productivity.** Flexible working—including adjusted starting and finishing times or remote working—may not be possible in all roles but can be a powerful tool to increase both personal and team effectiveness and foster greater commitment from employees (ACAS, 2017). A study at a Chinese firm with 16,000 employees in the tourism sector found that home working led to a 13 percent performance increase, improved work satisfaction, and led to less employee turnover (Bloom et al, 2013). HSBC is firmly convinced of the productivity merits of flexible working and has invested in technology across its global operations to facilitate and encourage uptake of these arrangements (see case study in Box 8).

**For manufacturing firms, a major benefit of onsite kindergartens is the flexibility to extend work hours during peak production periods.** The sparse availability of affordable preschools and kindergartens presents a significant challenge for working parents (ActionAid, 2017), as the fees charged by private kindergartens and babysitting services are often out of the reach of workers

on low salaries (UNICEF, 2017). Manufacturing workers often work longer hours during weekdays and may take shifts during weekends, which does not align with the operating hours of public childcare centers. (UNICEF, 2017). This means that even if parents can secure a place in a public childcare facility, they need to make additional care arrangements for when the kindergartens are closed—typically after 4.30 p.m. and at weekends (UNICEF, 2017).

Where employers increase worker access to childcare, for instance, by investing in onsite or nearby municipal kindergartens, workers are more readily available to work overtime. This helps ensure they can meet demanding production targets. At Greenland, a footwear manufacturer, kindergarten staff is employed directly by the factory, so they also work overtime to match production schedules during busy times. Similarly, according to one supervisor at Evervan, “The kindergarten makes workers more productive because they do not have to worry about care for their kids or last-minute overtime.”

## Strengthening compliance and risk management

**Companies with investments in childcare are better positioned to demonstrate compliance with national legislation.** Vietnam has a progressive legal framework that encourages employers to support childcare for their workers. Under the 2019 Labor Code, all employers are required to “assist and support in building day-care nursery facilities, or in covering a part of the childcare or

nursery expenses for the workers” (Article 136). Demonstrating compliance with this legislation is a basic requirement for doing business in Vietnam. For many companies—such as garment and footwear manufacturers—it is also an important component of their ongoing access to export markets. International brands that operate in Vietnam have exacting standards, requiring compliance with national legislation and the brands’ own voluntary codes of conduct. Factories that provide childcare support in some way to their workers are more likely to demonstrate compliance for social audits.

**Nevertheless, minimum compliance may not allow for companies to realize the full spectrum of benefits of childcare.** For instance, in the manufacturing sector, factories commonly pay a monthly childcare allowance to workers to demonstrate compliance, sometimes of only token amounts. Research by UNICEF (2017) found that many factories provided as little as VND 10,000 to 20,000 (\$0.43 to 0.86) per month to demonstrate compliance. Simply checking the box will not lead to any of the wider benefits set out in this chapter, such as improved recruitment and retention associated with meaningful and strategic investments to support workers and their families.

**There can be reputational risks for companies where workers do not have access to quality care for their children.** This is particularly the case where companies employ a high proportion of internal migrants who do not have extended family networks to provide childcare. These workers must rely on unregulated private-care facilities to combine work and care responsibilities. Evervan, a footwear manufacturer, experienced unexpected reputational damage when the child of two employees was physically abused at an unregulated facility. The company, therefore, was motivated to open a kindergarten for its workers with children under the age of 15 months to prevent such an incident ever happening again.

**Employer investment in care can also contribute to enhanced industrial relations, reducing the likelihood of disruptive strike action.** Vietnam’s garment manufacturing sector has one of the highest strike rates in the world. Around 20 percent of apparel companies in Vietnam experienced at least one strike between 2014 and 2017 (Better Work, 2017). However, by fostering a sense

### Companies that invest in care are better placed to:

- Demonstrate compliance with national law and buyer codes of conduct
- Mitigate reputational risk linked to workers using unregulated childcare providers
- Reduce risk of industrial action, due to increased employee loyalty.

BOX 6.  
BETTER WORK VIETNAM

## Better Work Vietnam

The Better Work program is a collaboration between IFC and the International Labor Organization (ILO), operating in seven countries, including Vietnam. The program brings together all levels of the garment industry to improve working conditions and respect for labor rights of workers and boost the competitiveness of apparel businesses. As well as factory owners, workers, and unions, the program engages with brands, retailers, and government bodies.

Better Work Vietnam (BWV) was established in 2009 and supported more than 562 export-oriented factories that employ nearly 800,000 workers, of which 80 percent are female (BWV, 2019). To date, BWV has conducted thousands of assessments and advisory visits to help factories identify and improve their working conditions and labor standards. Factories that have participated in the program have steadily improved compliance with ILO core labor standards and national legislation, including those related to gender equality, maternity protection, and childcare. BWV has



found that the leading cause of non-compliance on gender-related issues in Vietnam is the failure to protect pregnant and nursing workers against health and safety risks (Better Work, 2019).

Globally, Better Work has identified “paid work and care” as one of four key pathways to greater gender equality in the garment sector through its Global Gender Strategy for 2018 to 2022. (Other pathways relate to discrimination, voice and representation, and leadership and skills development.) This focus on worker care responsibilities stems from the fact that garment production is often characterized by long hours and overtime, while women continue to play the role of primary caregivers in many households.

Three of the manufacturing firms featured in this report—Maxport Ltd, Now Vina, and Greenland—participate in the Better Work program.

of employee loyalty, companies can improve worker-management relations and help reduce the likelihood of industrial action. Evervan, Feng Tay, and Taekwang Vina all consider their support for workers’ care responsibilities plays a critical role in making workers feel proud of their company and be loyal to it. At Evervan, management explicitly believes this loyalty led workers to protect the factory during a period of industrial unrest in 2014 that caused significant costs in property damage and lost worker days to nearby manufacturing companies. Workers continued to turn up for work and even organized themselves to protect the factory from damage by sleeping across the entrance in shifts.

## Strengthening relationships with international brands and buyers

**There can be considerable reputational gains for employers who make meaningful investments in childcare.** This is obviously the case in the manufacturing sector, where leading international brands like Nike and Adidas have high expectations of their suppliers and incentivize them to demonstrate proactive commitments to environmental and social sustainability, including employee welfare and—increasingly—women’s empowerment. Strict compliance with legislation is a business prerequisite for factories in export-garment and footwear manufacturing, but high-profile brands develop longer-term or strategic partnerships with suppliers that demonstrate innovation and leadership on social (and environmental) sustainability.

### Companies that invest in care are better placed to:

- Build stronger relationships with international brands by going 'beyond compliance'
- Improve performance on social sustainability metrics
- Strengthen their profile as "best practice" employers.

*"We absolutely see the benefits for our suppliers in supporting employee welfare so that they can improve retention and productivity. When workers are confident that their children are in good hands, they are likely to be more productive and stay on with the factory."*

Vu Tu, Director of Social and Environmental Affairs for Southeast Asia, Adidas

*"Many of our suppliers have a vision to improve the lives of workers, and providing childcare is part of that."*

Cuong Luong, Sustainability Manager Vietnam, Nike

**Investments in childcare can help manufacturing firms strengthen their performance on key sustainability metrics used by brands, with direct links to commercial outcomes.** According to the global consulting firm McKinsey (2019), sustainability is set to play an increasingly important role in how leading international brands choose their suppliers. Many of these brands have begun to implement various approaches to assessing supplier performance, moving away from treating social and environmental sustainability performance as a compliance issue alone, and adopting supplier

scorecards that assign different weights to a range of environmental and social sustainability criteria (McKinsey, 2019).

This is the case for Nike and Adidas, which both have scoring frameworks to rank their suppliers' sustainability performances. While neither brand explicitly includes provision of childcare support as a criterion, substantial investment in childcare (for example, onsite childcare provision or support for a municipal kindergarten) can boost a supplier's overall performance and would be recognized as a best-practice approach to worker welfare. According to Vu Tu, Director of Social and Environmental Affairs for Southeast Asia at Adidas, factories that invest in well-managed kindergartens for workers are more likely to get a high score on the Leadership and Commitment category of the Adidas supplier scorecard. Similarly, Nike suppliers can improve their score through investment in "infrastructure category", which might include an onsite childcare facility.

**Manufacturing firms believe that their investments in childcare have strengthened their profile with international brands.** The quality and depth of relationships with international brands are crucial for firms that produce exclusively for or derive the majority of their orders from one leading international brand, such as Evervan, which produces exclusively for Adidas, or Feng Tay, which generates around 80 percent of its revenue from Nike (Taipei Times, 2016). Taekwang Vina's management believes that its effort to provide care support to workers has a role to play in its Silver rating, which is awarded to only a handful of Nike suppliers worldwide. Peter Tsai, General Manager of Pou Chen Vietnam, considers that sustained investments in its workers, including its internationally renowned kindergarten, strengthens its position as a leading supplier and its long-term relationship with the brand. Likewise, Evervan's management believes that its onsite kindergarten has elevated the factory's status and consolidated its relationship with Adidas.

**International brands can play a powerful role in promoting employer-supported childcare by connecting suppliers with one another and encouraging them to exchange experiences and best practices.** Before setting up its own kindergarten, Nike facilitated

Taekwang Vina's visit to Pou Chen, another Nike supplier, to see first-hand the design and operation of a best-practice kindergarten and develop a deeper understanding of its business benefits. Similarly, ever since Evervan built its kindergarten, Adidas has helped arrange visits from other Adidas suppliers to learn from Evervan's experience. "After we set up the kindergarten, the game changed, and Adidas encouraged two local factories to set up kindergartens," says Emil Lin, Corporate Social Responsibility Manager, Evervan.

## Enhancing a company's corporate reputation

**Employer-supported care can pay off in terms of enhanced customer relations.** Women represent an important source of consumer spending in Vietnam, and they control key household spending decisions in over half of all households (MasterCard, 2013). Their perception of how companies treat their workers—including working parents—can impact their spending patterns. At the same time, a company's investments in childcare can lead to increased gender diversity and, in turn, strengthen customer outreach and product development. The reason is that a diverse workforce at all levels can likely lead to a broader customer base—which is particularly true in service-oriented sectors like banking and finance. For example, BLC Bank in Lebanon enjoyed commercial success by reaching out to more female clients. This was made possible by the bank recruiting more women at all levels, while at the same time increasing maternity and paternity leave (IFC, 2017a).

### Companies that invest in care are better placed to:

- Project a positive image to consumers and clients as a progressive company
- Build their reputation with government and local communities as a trusted and responsible operator.

**Employer-supported care can strengthen relations with local government and communities.** Local governments in Vietnam often encourage the private sector to demonstrate their corporate social responsibility, for example, by contributing to improve quantity and quality of education services in the local community or enhance workers' welfare because a large proportion of workers are locals. Often, local governments are keen to support construction of new kindergartens, increasing capacity of existing kindergartens, or any other forms of employer-supported childcare.

Taekwang Vina decided to build its own kindergarten partly because of a recommendation from the local government seven years ago. Now, the company's management believes that the kindergarten helps maintain a good relationship with local government and establish itself as a responsible employer. Similarly, Feng Tay received formal recognition from the Dong Nai Province Department of Education for the high standards of its kindergarten while Now Vina's management acknowledges the company's relationship with local municipal kindergartens has enhanced its reputation as a trusted and respected company in the area.

## Investing in the future workforce

**For companies that take a long-term strategic view, investments in care equate to an investment in their future workforce.**

International research suggests that early investments in children's education and care have a positive impact on longer-term individual potential, making it more likely that children will develop into healthy and productive adults (Berlinski and Schady, 2016; Black et al, 2017) and develop the skills needed to power an increasingly automated and digitized economy in the coming decades (Jana, 2017). Feng Tay's management takes a long-term strategic view on human-capital development and sees its onsite kindergarten as a means of connecting with and investing in the company's future workforce. According to management, the first children that entered the company's kindergarten in 2008 are now in grade 11 and already know and appreciate the culture of the company. Khue Tu, kindergarten and dormitory manager, says, "We are very invested in the next generation of the company and hope that second and third generations will come to work here."





### 3. How Employers Can Support Employees' Care Responsibilities in Vietnam

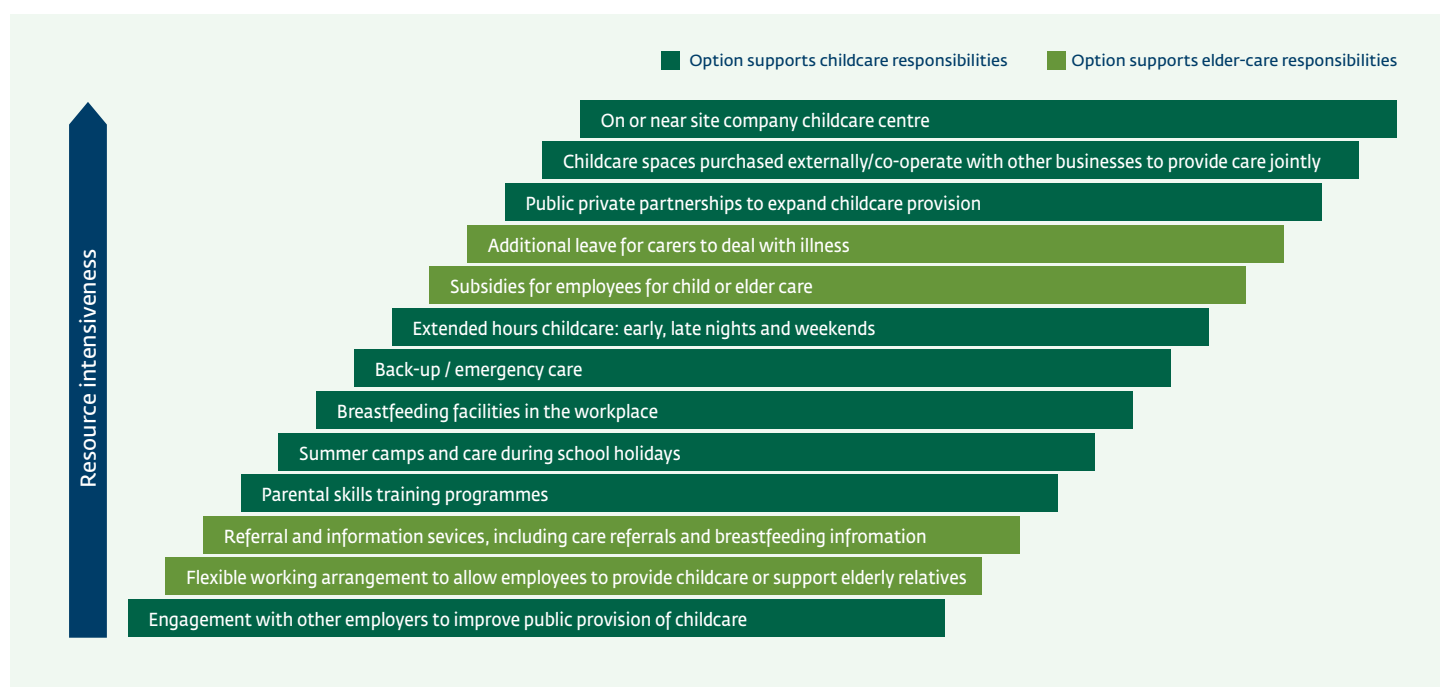
Employer-supported care can take many forms—there is no ‘one-size-fits-all’ approach. A successful approach involves understanding and responding to the needs of employees and developing solutions that align with the strategy and operational circumstances of the business (see Figure 5 below). Although some interventions such as onsite childcare facilities require an upfront investment, others such as flexible working hours or remote working, cost little and can lead to gains in staff retention or productivity. Onsite or near-site childcare facilities may be more relevant to manufacturing environments, where demand for childcare in one location is considerable, while majority of workers have fixed shifts and need to work onsite. Other supports like flexible work arrangement, flexible hours, or home-based work are applicable for the banking and finance sector.

This chapter focuses on the kinds of support that employers can provide with respect to childcare, but it is important to note that several of these initiatives can also help support employees' elder-care responsibilities (see Figure 5).

#### Onsite or near-site childcare facilities

For firms with adequate space, onsite childcare facilities can be highly attractive to prospective and existing workers. Onsite childcare facilities are often appealing to employers having a large number of working parents concentrated in single locations, and their working hours do not correspond neatly to the local childcare facilities. Companies such as Evervan, Greenland, and Pou Chen offer onsite childcare with capacities of up to 420 children of their employees. The return on investment is substantial: reduced staff turnover and absenteeism, higher productivity, and improved industrial relations. Of course, onsite or near-site childcare requires upfront investment and could be resource-intensive to run. Previously, companies faced some challenges securing relevant permits to operate, for example, in the case of Pou Chen in 2011. However, recent changes to the law made it more accessible and relatively straightforward for companies to set up their kindergartens in industrial zones, as was the experience of Feng Tay when constructing its second kindergarten in 2016.

Figure 5: The range of options for employer-supported care



**Large companies can benefit from pooling resources internally.** Two companies, Feng Tay and Taekwang Vina—which each has four nearby factories in An Binh and Trang Bom Districts of Dong Nai Province respectively—built kindergartens near their factories for the children of their workers. Feng Tay, whose kindergarten can take up to 850 children, operates a quota system for each of its factories, to ensure that workers from all four factories have fair access. The company sees its kindergarten, which opened in 2008, as a success. Encouraged by this, it built another one in 2016, to serve a similar number of children of workers at its factory in Xuan Loc District, Dong Nai Province.

**Onsite or nearby childcare facilities are particularly valued by workers in the absence of extended family to help care for children and where formal care is unavailable, unaffordable, or does not align with factory working hours.** In a 2012 survey of around 1,800 workers from 60 Better Work garment factories, only one-third had someone to take care of their children while they are at work (BWV, 2012). Only 1.5 percent of workers reported the existence of onsite childcare facilities at their factory (BWV, 2012). Statistical data in 2019 from the Ministry of Education and Training and the Departments of Education and Training from Ho Chi Minh City, Binh Duong, and Dong Nai—the three provinces with the highest number of industrial parks and migrant workers—indicate a similar picture: existing public childcare facilities only meet up to 15 percent of total demand. Another study by UNICEF on the situation of children in Ho Chi Minh City indicates that non-public pre-school facilities in industrial parks and export processing zones only meet 2 percent of workers’ demand (UNICEF, 2018). Clearly, there is an opportunity for employers to step in and collaborate with local government and other employers to address this childcare gap.

**The “childcare gap” is more acute for migrant workers, in the garment and footwear sectors, that have migrated from rural to urban areas in search of better economic opportunities, leaving behind family-support structures (UNICEF, 2017).** For many, the cost of private childcare relative to average factory wages is too high (Siu and Unger, 2019). As a result, a sizeable group of migrant workers opts to live separately from their children. An estimated

15 to 20 percent of migrants working in the apparel and footwear industry leave behind or send their children to their hometowns to be raised by extended family members, usually grandparents (UNICEF, 2017). The decision can have a significant negative impact on workers.

A recent study showed 80 percent of migrant workers in China with “left-behind children” reporting feelings of inadequacy as parents, and anxiety, worry, and guilt about the impacts of separation on their children (CCR-CSR, 2013). Many mothers choose to bring their children with them when returning to work or have their children who are left behind join them at a later point in time, notably when they have better access to childcare. This emerging trend is a particularly relevant consideration for companies with high proportions of migrant workers, such as those in the southern regions around Ho Chi Minh City, such as Binh Duong, Dong Nai, and Long An, or near Hanoi, such as Hai Phong.

## Partnerships with local authorities

**Some companies have partnered with local authorities to improve access to quality childcare for their workers and the local community.** For example, Now Vina, a Better Work factory, contributed to the expansion and upgrade of municipal kindergartens, which is highly appreciated by both the schools’ management and the local authorities. Priority places are set aside for the children of the factory’s workers, who represent nearly a third of the kindergarten’s total attendance. In addition, the factory pays overtime wages directly to the kindergarten on a monthly basis so that teachers stay late to look after factory workers’ children while they do overtime. For Taekwang Vina, prior to investing in their own childcare facilities, they also made donations to two nearby kindergartens to cover renovation and operational costs. While one of the kindergartens is attended mainly by children of Taekwang Vina workers, the other kindergarten mainly serves children from the local community, whose parents do not work at the factory.

## Vacations and after-school care

**For parents of school-age children, school is often the main provider of childcare.** More than 40 percent of garment-factory workers

surveyed, with children age 6 to 9, reported schools as their primary childcare facility, followed by relatives (about 30 percent). However, there is also a demand among parents for after-school care for school-aged children. Therefore, there is scope for employers in Vietnam to do more to support this need. Among wealthier parents, sending children to tutorial classes after school and at weekends is common—especially in large urban centers such as Ho Chi Minh City, Hanoi, Da Nang, and Can Tho (EBVN, 2018). Parents cited lack of time to look after them as a motivation, as well as wanting their children to practice what they learned at school and learn beyond the curriculum. These classes are unlikely to be an option for less well-off parents working in the manufacturing sector, indicating that there may be scope for employers in the sector to support their employees with a similar demand.

**Some Vietnamese factories are exploring the possibility of introducing vacation care to strengthen bonds between migrant working parents and their children.** This is based on the success of similar initiatives in China, where some factories have introduced temporary care facilities during summer vacation to allow workers to spend more time with their families. According to Chinese national statistics, over 280 million Chinese workers had left their villages in 2018 to look for work in cities and industrial areas (NBSC, 2019). Most left their children behind. In response, many Chinese factories have started participating in The Child-friendly Spaces scheme—run by non-profit organizations CCR CSR and ICTI Care with the Ethical Toy Program—which sets up temporary care facilities near factories during summer vacations so that children can stay with their parents during this time. The scheme began in 2017 and, by 2019, was operating in 64 factories. Parents who participated in the scheme say that it helped them both to feel closer to their children and be more engaged at work (CCR CSR, 2019).

## Childcare subsidies

**Regular childcare subsidies can help working parents meet the costs of formal childcare.** Subsidies can be a cost-effective and administratively simple option for employers to support childcare while allowing workers flexibility in choosing a care service for their children. A monthly allowance is a particularly common

form of employer support for childcare in the manufacturing sector in Vietnam. However, childcare subsidies appear to be less common outside the manufacturing sector. For example, in a 2018 survey by the ADB, no Vietnamese bank in the survey offered a childcare subsidy.

**Where monthly allowances are provided, they should be mapped to local childcare costs to make it meaningful.** The amounts of monthly subsidies offered by Vietnamese factories varies considerably, ranging from token amounts purely for compliance purposes of VND 10,000 to 20,000 (\$0.43 to 0.86) per month (UNICEF, 2017), to up to VND 150,000 (\$6.45) in factories such as Now Vina and Pou Chen. Where factories have onsite kindergartens, workers who put their children in the company’s facilities are often deemed ineligible for the monthly allowance. However, there are some exceptions, such as Feng Tay, where parents can use the subsidy for the onsite kindergarten fee, which is already heavily subsidized by the company. These amounts still fall below the amount of monthly childcare allowance that is encouraged (but not mandated) by Vietnamese government regulations.

**Where companies do provide childcare allowances, companies should undertake an assessment of local childcare costs in the area.** In focus group discussions for this study, workers typically said they valued the childcare subsidy, but often noted that it is a relatively small amount. As a consequence, Adidas has recommended to its suppliers that they conduct childcare costs assessments to determine how much childcare costs their workers in the local area and adjust the amount of the subsidy accordingly.

## Emergency or back-up care

**Employer provision of emergency or back-up care is not yet an established practice in Vietnam but can be an effective way for companies to support employees manage unforeseen circumstances.** For example, the American IT company Akamai provides 15 days per year of subsidized back-up care to its employees. For childcare, employees can choose between a nanny and a designated childcare center, through the Care@Work interface, an initiative of Care.com. The benefit can also be used for elder care, although in practice, it is rarely used.

# Employer-supported childcare during the Covid-19 pandemic

## Why employer-supported childcare is essential during the pandemic

Across the world, governments are implementing measures to bring the COVID-19 pandemic under control, which includes lockdowns, restricted gatherings and movements, closed schools, kindergartens, and so on.

The government of Vietnam imposed the restrictive movement quite early. In February 2020, all schools, kindergartens, day-care centers were closed, long before the mandatory curfew for the whole country for three weeks in April 2020. School closures mean that more than 11.2 million children at pre-primary and primary school age stayed at home and did not receive educational training as they should.

Such early measures from the government are essential to curb the spread of the virus; however, they led to additional burdens for working parents, especially those with young children, because they had to balance childcare and work at the same time. Many parents could not find alternative care. While schools later developed online training, navigating technology hassles at home to support their children and helping with homework, while working full time remained very difficult, especially for women, as majority of them assumed the role of primary caregivers.

### Questions for employers to consider:

- 1 What are the current directives and guidance from the government that impact childcare?
- 2 Do current workplace policies provide sufficient support to employees and their families?
- 3 How can employers support employees under these circumstances?
- 4 Are there any international or local online resources available to help parents during this crisis?

In sectors where remote working was an option, recognizing employees' care responsibilities, allowing work from home, and providing resources for working parents proved to be beneficial for both employees and employers. Employees were in a better position to address childcare, and in some cases, elder-care, and less concerned about the health and safety of the children than if they had been at the office. Employers who urgently addressed the care needs of their employees during this emergency, especially of those in lower-income settings, were able to recover more quickly.

## What employers can do

### 1. Comply with regulations.

As an employer, it is crucial to stay abreast and comply with employment and childcare-related protocols, be it at the national or federal level or at the local, state, provincial, and municipal levels.

Employers can also consider going above and beyond what is strictly required by governments to better protect their employees and their families. Employers might choose to act before recommendations become mandatory and/or take more stringent measures if they feel it is what is required to slow down the spread of the disease or ensure the protection of their employees.

### 2. Supporting employees

In the event of childcare centers and school closures, employers can be resourceful about how to help employees manage work and childcare. There are several ways in which employers can respond to the needs of their employees and offer innovative family-friendly support in the COVID-19 era. Employers can start by regularly checking in with their employees and asking them about their childcare and family needs, concerns, and possible solutions.

### Resources for employers and parents to enable home-based work, childcare, and distance learning.

IFC provides a comprehensive list of resources that may be helpful for employers as they plan to respond to and support for

their employees' childcare needs. Check IFC's Childcare in the COVID-19 Era: A Guide for Employers for more information on the key areas:

- The impact of COVID-19 on businesses and the world of work
- How to deal with COVID-19 in the childcare environment
- Parenting and caring for young children in the COVID-19 era
- Resources to support playful learning at home for children between 0 and 6 years old
- Resources for young children who may have just started school (from 6 to 8 years old)
- International resources for children of all ages

**Provide childcare services to essential workers, such as those in healthcare**

**Allow home-based work where possible**

**Offer flexible work options (even during work from home)**

**Allow staff to take (paid) family leave**

### Other resources for employers in the context of COVID-19

IFC and COVID-19	Link to resources
IFC's Childcare in the COVID-19 Era: A Guide for Employers. Interim Guidance for Employers in A Rapidly Changing Global Situation (April 2020)	English: <a href="https://bit.ly/2ZK43VZ">https://bit.ly/2ZK43VZ</a> Vietnamese: <a href="https://bit.ly/3f9XH8Q">https://bit.ly/3f9XH8Q</a>
IFC's Interim Advice for IFC Clients on Supporting Workers in The Context Of COVID-19	Link: <a href="https://bit.ly/2Z4cD2M">https://bit.ly/2Z4cD2M</a>
IFC's Interim Advice for IFC Clients on Preventing and Managing Health Risks Of COVID-19 In the Workplace	Link: <a href="https://bit.ly/3ITpJ4Y">https://bit.ly/3ITpJ4Y</a>
UNICEF's Family Friendly Workplace Policies and Practices in the Context of COVID-19	English: <a href="https://uni.cf/3f8OFJd">https://uni.cf/3f8OFJd</a> Vietnamese: <a href="https://uni.cf/2CbMZjO">https://uni.cf/2CbMZjO</a>
UNICEF's General information on COVID-19	English: <a href="https://uni.cf/2AA6OIP">https://uni.cf/2AA6OIP</a> Vietnamese: <a href="https://uni.cf/2O4bvWw">https://uni.cf/2O4bvWw</a>
UNICEF's Parenting Tips during COVID-19	English: <a href="https://uni.cf/3e2OXQN">https://uni.cf/3e2OXQN</a> Vietnamese: <a href="https://uni.cf/31Z6AhI">https://uni.cf/31Z6AhI</a>

The main beneficiaries of this policy tend to be those who do not have family nearby, therefore it may be of interest to companies in the manufacturing sector with a high proportion of internal migrant workers. Childcare issues are among the most common reasons given by Vietnamese factory workers for absenteeism. Provision of back-up or emergency care could help companies save on the costs of worker absenteeism, which can be significant.

### Enhanced maternity, paternity, and parental leave

**Workers in Vietnam already have access to paid maternity and paternity leave, but some companies provide enhanced leave.**

Women are entitled to six months of paid leave, and fathers are entitled to five days of paid leave (see Chapter 3). In Vietnam, employees of global pharmaceutical company Johnson and Johnson can take advantage of the company's global parental leave policy, which grants new parents—maternal, paternal, and adoptive—a minimum of eight weeks' paid leave in the first year after birth or adoption in addition to the allowance provided for by law. Schneider Electric, which employs around 1500 people in its factories and offices in Vietnam, offers all its employees' full salary (as opposed to the statutory social insurance salary) for the first three months of maternity leave and all five days of "secondary parental leave."

**There is an opportunity for more employers in Vietnam to set themselves apart by increasing—and encouraging men to take—paid paternity leave.** It is rare among companies in Vietnam to offer paternity leave beyond the statutory minimum. For instance, no banks included in a 2018 survey by the ADB had an express paternity-leave policy, suggesting that none offered paternity leave beyond the legal minimum (ADB, 2018). This means that companies like Standard Chartered, which offers two fully paid weeks of paternity leave, are considerably more likely to stand out as progressive employers.

#### BOX 7. EMPLOYER-SUPPORTED CHILDCARE IN THE CONTEXT OF COVID-19

##### Fathers as carers: the importance of paternity leave

As long as social pressure requires Vietnamese women to take primary responsibility for childcare, it will not be possible for women to reduce their workload at home, increase their hours of paid work, or easily take up leadership roles (ILO, 2019). Paid paternity leave is an important mechanism for companies to support fathers' care-giving responsibilities and promote more equal distribution of care responsibilities in the home.

There is clear evidence that men are most likely to take leave when it cannot be transferred to the other parent (ILO, 2019). There are long-term benefits associated with higher uptake of paternity leave: studies from OECD countries have found that when fathers take leave (especially for more than two weeks), they are significantly more likely to be involved in childcare activities at home (ILO, 2018).

**It is crucial that companies offer paternity leave and also address the workplace stigma that some men associate with taking paternity leave.** For instance, research from Japan suggests that men often want to take paternity leave, but uptake continues to be low (around 3 percent of all fathers) because male employees overestimate other people's negative attitudes towards taking paternity leave (Miyajima and Yamaguchi, 2017).

## Support for mothers returning to work from maternity leave

Vietnam has detailed regulations in place to protect women while on maternity leave and on returning to work after having a baby. By law, women are entitled to an additional one-hour paid break every day for the first six months after returning from maternity leave (to support breastfeeding), and employers are required to reinstate female employees to their previous work without a reduction in wages or rights (for further provisions, see ‘Legal Framework’). Nevertheless, returning to work after maternity can be a difficult transition for mothers. Many companies choose to provide additional support.

**The format of the support for returning mothers tends to vary according to the type of workplace.** For highly skilled professionals, employers may try to stay in touch during maternity leave and provide coaching and support on return to the workforce. For instance, the Bank of Tokyo-Mitsubishi in Japan uses apps to allow female employees to maintain their skills while on maternity leave, and line managers receive training to conduct professional development conversations with returning mothers (IFC, 2017). In manufacturing, some Vietnamese companies allow additional time off for mothers. At Greenland, women are permitted to take a one-hour paid break per day beyond the initial six-month period if they believe it is necessary for the wellbeing of their child.

## Support for breastfeeding

**Support for breastfeeding in the workplace may include increasing employees’ awareness of their legal entitlements and providing better access to lactation rooms and equipment.** The Vietnamese Labor Code requires employers to make provision for the collection and storage of breast milk. However, these facilities are not widely used, despite the important health benefits for mothers and children associated with breastfeeding. Only 24 percent of babies under six months are exclusively breastfed in Vietnam, and only 22 percent are breastfed until two years (UNICEF, 2018). These rates are thought to be lower among factory workers, who typically wean their babies early, replacing breast milk with formula due to concerns and uncertainty about their ability to breastfeed once

they are back to work after maternity leave (UNICEF, 2018). Some garment and footwear manufacturers, including Pou Chen, have introduced initiatives to promote higher levels of breastfeeding in partnership with UNICEF, with a view to supporting women to continue breastfeeding when they return to work (UNICEF, 2018).

## Access to flexible working arrangements

**Flexible working arrangements can be one of the most important mechanisms to help workers manage their care responsibilities.** Options vary according to different industries and workplaces but may include remote working, part-time work, job sharing, and/or flexi-time (that is, giving employees some choice of start and finish times). For example, at Schneider Electric, employees can benefit from the company’s flexible working policy, provided it is compatible with their roles. Flexible working at Schneider encompasses both flexible hours and the option to work from home. In addition, the second Friday of every month is “blue-sky Friday,” where employees can leave work earlier than usual to enjoy more free time with their families. At Standard Chartered Vietnam, employees have the option of working from home or working flexible or part-time hours, subject to their role and manager’s approval.

**In some cases, support for care responsibilities may involve re-thinking existing expectations around working hours.** In Vietnam, private sector employers cited availability to work outside of normal working hours as the third most important factor when considering people for a promotion (after performance and length of service) (ILO, 2015). Moreover, while part-time work and job-sharing arrangements are extremely uncommon in Vietnam, forward-looking employers could consider these options as the labor market continues to tighten. While flexible working arrangements are most commonly associated with office environments, there may be opportunities for manufacturers to offer some flexibility. For instance, a garment factory in the northern city of Uong Bi allows its employees, 90 percent of whom are women, to leave work in the afternoon to pick their children up from school and then return, with their children, for half an hour to make up for the lost time (ActionAid, 2017b).

## Other forms of support for parent-child relationships

To complement support for childcare, some Vietnamese companies have introduced further initiatives to strengthen the relationships of working parents with their children. Pou Chen piloted an innovative parental skills training program in 2018-2019, in collaboration with UNICEF and partners, to help parents develop “positive parenting” skills and improve their relationships with their children. Some 242 employees participated in the pilot training, and the vast majority reported meaningful changes in how they parent and relate to their children. Some 92 percent said they had become more confident in parenting skills and related stress-management techniques, and 75 percent say there had been significant and long-term changes in their approach to securing their children’s cooperation without needing to raise their voice. Many parents described a “virtuous circle,” whereby they have become gentler and more positive parents as a result of the training, which has in turn, made their children happier and easier to care for.

Some factories run dedicated events for workers and their families to help build family bonds. Evervan hosts several events for workers’ families throughout the year, including a family day designed to foster understanding between teenagers and their parents, and makes leisure facilities at the factory available to workers and their families over the weekend, including a football pitch, basketball court, playground, coffee shop, and green spaces.

### BOX 8. SUPPORTING WORKING PARENTS AT HSBC VIETNAM

## HSBC (Banking)

HSBC is a multinational investment bank and financial services holding company. It has around 3,900 offices in 65 countries and territories across the world, with 238,000 employees and more than 40 million customers (HSBC Group, 2019). HSBC was the first foreign bank to set up a subsidiary in Vietnam in 2009 and offers a full range of financial and banking services, including retail banking and wealth management, wholesale banking, global liquidity, and cash management, global trade and receivables finance, and securities services.

**In Vietnam, over 50 percent of HSBC employees work flexibly at least some of the time.**

The majority of HSBC’s 1,500 staff in Vietnam is based in offices in Hanoi and Ho Chi Minh City. There are also several smaller branches and transaction offices in various locations across the two cities and Da Nang. The average age of the workforce at HSBC in Vietnam is around 30 to 35 years. Women account for 70 percent of HSBC’s workforce in Vietnam, and 50 percent of senior management—higher on both counts than the industry average in Vietnam (60 percent and 35 percent, respectively), and HSBC’s own operations globally (52 percent and 28 percent, respectively) (ADB, 2018; HSBC Holdings, 2019).

In Vietnam, HSBC employees with care responsibilities benefit from a strong corporate policy on flexible working, which is one of HSBC’s designated global priorities for employee wellbeing. It is also an important lever for attracting women and supporting their progression into leadership positions, in line with a global commitment the bank made in 2018 to increase the number of women in senior management to 30 percent by 2020.

HSBC’s global flexible working policy was rolled out in 2015, and HSBC Vietnam implemented it about a year later, although some teams already had unofficial flexible working policies in place. Corporate policies include both flexible working hours and remote working. All employees are free to negotiate changes in their starting and finishing time, provided that this is compatible with their job requirements. HSBC employees in Vietnam are also allowed to work at home or elsewhere with the consent of their managers and are provided with laptops



and essential equipment. To support this policy, HSBC invested in additional technology and infrastructure across its global operations in 2018 to improve support for remote working (HSBC Holdings, 2019). In addition, employees in Vietnam benefit from “sunshine days,” when staff are not permitted to work beyond 5.30 p.m. on the third Friday of the month (and are often encouraged by their managers to leave earlier); or 4.00 p.m. when this day falls before a major public holiday.

The Human Resources (HR) team at HSBC Vietnam is convinced that flexible working brings significant business benefits, such as lower turnover, higher productivity, and better recruitment outcomes. Although no formal analysis has yet been done in Vietnam, HSBC U.K. commissioned a survey of British businesses and employees in 2017 to explore the impact of flexible working on productivity. The study revealed that flexible and remote working is more likely to motivate staff than financial incentives and ultimately increase productivity (HSBC U.K., 2017). The HR team at HSBC Vietnam considers this to be the case in Vietnam too, particularly among the millennial generation, which comprises the majority of HSBC’s workforce in the country. The team also believes that it is necessary to offer flexible working to hire quality candidates in the banking sector.

HSBC’s flexible working policies aim to normalize flexible working arrangements among all employees—not just those with care responsibilities—so that there are no barriers to their uptake. It is estimated that the majority of HSBC’s employees in Vietnam work flexibly at least some of the time, although no official records are kept. Indeed, it is expected that not all employees are present at the same time, and the physical working environment is set up accordingly. There are only enough workstations for 80 percent of the workforce in HSBC’s offices in Hanoi and Ho Chi Minh City.

In addition to flexible working, HSBC Vietnam has a comprehensive package of benefits for its employees, including generous leave that provides additional support and flexibility for those with care responsibilities. The HR team believes that, as well as helping with recruitment efforts, these policies help to maintain employees’ engagement with the company, enhancing productivity and encouraging them to stay. Currently, HSBC Vietnam employees benefit from:

- **Paid personal leave:** All employees are entitled to two days of “paid personal leave” per year, in addition to annual leave. HR believes this policy is particularly appreciated by employees with care responsibilities, although it is available to all employees to use as they wish.
- **Maternity and paternity leave:** HSBC employees are provided with maternity and paternity leave periods that comply with the provisions of the Vietnamese Labor Code (see Chapter 3 of this report). Moreover, while on maternity leave, female employees continue to receive at least 50 percent of their salary from the company, in addition to the social-insurance salary paid by the government. Male employees receive full pay from the company, in addition to the social insurance payment from the government for the three days that they are on paternity leave.
- **Sabbatical leave:** Staff is allowed to take between three months and one year of unpaid sabbatical leave, which some employees use to carry out care responsibilities or spend time with family. They do not have to be in touch with the company while they are away and are guaranteed the same or an alternative role when they return.

The proportion of female employees has increased since flexible working was introduced in 2016, although HSBC Vietnam has not conducted an analysis of the causal link. The HR team expects to see this trend continue, along with greater employee engagement and retention, following the introduction in 2019 of paid personal leave and better infrastructure and technology to enable remote working.

According to the HR team, there is scope for HSBC Vietnam’s employees to make greater use of the bank’s global networks and common interest groups. One network is dedicated to working parents and carers, while Flex, an HSBC community, was established to support flexible working. Flex ran an event on International Men’s Day in 2018, which focused on male employees and the benefits of flexible working. The largest global network is Balance, which works to improve gender balance across HSBC and has 48,000 participants, representing over 20 percent of the total global workforce (HSBC Holdings, 2019).

**Globally, 49 percent of HSBC employees work flexibly, and those who do are more positive about their wellbeing.**

## BOX 9. EMPLOYER-SUPPORTED CARE AT SCHNEIDER ELECTRIC

### Schneider Electric (energy)

Schneider Electric is a leading global company in energy management and automation. The headquarters is in France, with a presence in over 100 countries. In 2018, it had global revenues of €25.7 billion and 137,000 employees across the world (Schneider, 2019).

In Vietnam, Schneider operates primarily as a business-to-business (B2B) supplier of industrial automation services, IT solutions for the energy sector, and energy management, automation, and digitization systems. It also has a business-to-consumer (B2C) operation, selling electrical devices such as plugs and sockets for the home. Schneider employs around 1700 people in its Vietnamese operations, distributed between its commercial function (200 employees), and its manufacturing operations (1500 employees). In Vietnam, women represent around 49 percent of employees in Schneider's manufacturing facility and 38 percent in its commercial workforce.

Schneider places a strong emphasis on the value of gender diversity, based on the belief that building a more gender-balanced company is not only the right thing to do but results in stronger teams, greater innovation, and delivery of the best sustainable energy solutions to customers (Schneider, 2019). The company has developed an international reputation as an agent for change on gender equality. It is part of the United Nations HeForShe solidarity movement on gender equality. It is ranked 15th globally (and first in the industrial sector) on the 2018 Bloomberg Gender Equality Index, which recognizes companies' efforts to advance gender equality both within and outside their operations (Schneider, 2019).

Support for employees with care responsibilities is an important element of the company's commitment to diversity and inclusion. In 2017, Schneider became the first multinational energy company to offer a global family-leave policy to all its employees—including in Vietnam—and has received several awards in recognition of its efforts (Schneider, 2019a; Where Women Work, 2019; Catalyst, 2019).

Recognizing that definitions of family, life, and work are continually changing, the company has defined leave and family in an inclusive way so that its employees can manage their "unique lives and work." Schneider's global family-leave policy has four main components that provide support for both child and elder care:

- **Primary parental leave:** Twelve weeks' paid leave for the "primary parent." In Vietnam, this means that three of the six months' maternity leave mandated by Vietnamese law is paid at full salary, instead of the statutory social-insurance salary. Primary parents who have adopted a child are also eligible for this entitlement.
- **Secondary parental leave:** Ten days' leave for "secondary parents," defined as either the partner of a woman who has given birth, or the secondary caregiver of a newly adopted child. This represents a doubling of the statutory paternity leave entitlement of five days in Vietnam.
- **Care leave:** Five days' paid leave (in addition to annual leave) for elder care or care of immediate family members with serious health conditions. Use of this leave is based on trust: employees do not need to prove that these days are used for caring purposes.
- **Bereavement leave:** Three days at full pay following the death of a parent, spouse, or child.

Alongside these leave entitlements, Schneider Electric offers flexibility in starting and finishing times, and the ability to work from home, provided that this is compatible with individual roles and responsibilities (for example, these arrangements are not available for shift workers in production). In Vietnam, the second Friday of every month is "blue-sky Friday," where Schneider employees are allowed to leave at 4 p.m. Many employees choose to use this benefit to spend more time with their families.


To promote better health for employees and their families, all Schneider Electric employees are entitled to accident, health, and life insurance for themselves and their direct dependents and at a discounted price for their parents. In January 2020,

Schneider Electric introduced a flexible benefit package providing more flexible choices to employees to serve their individual needs better.

Schneider believes that its support for employees with care responsibilities helps the company hire the best and brightest workers in Vietnam and provides a competitive edge in recruitment. “Our business targets cannot be met without the best people in the market. In an increasingly competitive labor market, candidates look for benefits that show the employer cares about them and their families,” says Ms. Trang Cap Thi Minh, Human Resources Director for Schneider in Vietnam and Cambodia.

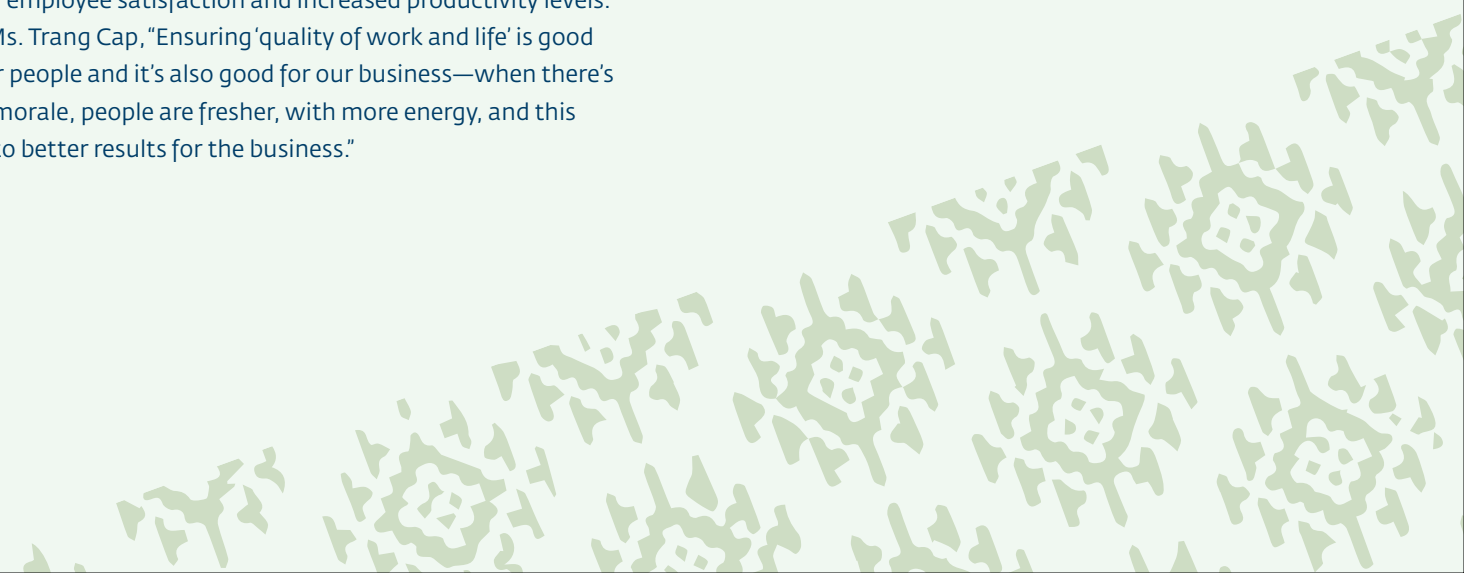
Combined with clear opportunities and support for women’s career progression, Schneider’s leave policies also help the company meet ambitious targets on gender diversity at all levels of the organization, which apply at both the global and national levels. For Schneider, higher levels of workforce diversity are critical to sustaining a culture of innovation and supporting its future growth. It aims to increase the proportion of women to 40 percent at entry-level, 25 percent in sales (an important pipeline for management), and 30 percent in top positions by 2020 (Schneider, 2019a). “The company is serious about these targets, we have the ambition to bring women up to the next level,” says Ms. Trang Cap. In Vietnam, the company has met its target on women in management and is still working to meet the target for women in sales. Schneider is also developing targets on gender pay equity.

Finally, support for care responsibilities also translates into higher employee satisfaction and increased productivity levels. Says Ms. Trang Cap, “Ensuring ‘quality of work and life’ is good for our people and it’s also good for our business—when there’s good morale, people are fresher, with more energy, and this leads to better results for the business.”



*“There is absolutely no question that our success as a company stems from our ability to harness the diversity of ideas, thoughts, and experiences of our global workforce for greater engagement, performance, and innovation. We want to empower each of our employees to manage their unique work and life.”*

Jean-Pascal Tricoire, Global Chief Executive Officer,  
Schneider Electric





## BOX 10. EMPLOYER SUPPORT FOR ELDER CARE

### Employer support for elder care

Employer support for elder-care responsibilities is very much an emerging field in Vietnam (and indeed elsewhere), and only a handful of companies are thought to have introduced express policies to assist employees in this respect. There are few examples of businesses in Vietnam that support employees to meet their elder-care responsibilities, suggesting an opportunity for forward-thinking employers to gain an advantage.

#### Leave policies and flexible working

Given strong cultural expectations that grown children will care for their aging parents, much elder care in Vietnam remains informal and home-based, which can place greater time pressure on working carers. In this context, flexible leave policies can help manage elderly parents' health care needs, such as visits to doctors. For example, Schneider Electric employees benefit from five days' "care leave" every year, and three days' bereavement leave at full pay following the death of close relatives, including parents. At HSBC Vietnam, employees can take between three months and one year of unpaid sabbatical leave, which some employees use to carry out care responsibilities. From December 2019 onwards, employees entitled to one extra day off every six months as "paid personal leave." Although it is available to all employees to use as they wish, it is expected that this policy will help employees manage care responsibilities, including elder-care. Support for migrant employees should take into account the likelihood of parents being left behind in rural areas. The care provisions likely to bring the most significant business benefits in this context are ones that enable migrant employees to meet their caring responsibilities while living apart from their parents or older relatives. Options with a lower up-front cost could include leave policies that enable employees to travel home to provide ad-hoc care and flexible working (both hours and location). Employers looking to invest more in elder-care supports for their migrant workforce might consider subsidized places in care homes, investment in new elder-care facilities, or subsidized housing for workers, which could accommodate elderly relatives.

### Support for health care

Health care services or insurance subsidies are likely to be a major consideration for companies wishing to provide elder-care support to their employees. Elderly people are given priority when seeking health care at health care facilities (Ministry of Health, 2011). However, there is both a numbers and skills shortage among health workforces in many communities; they are unevenly distributed, and it is especially difficult to attract and sustain health workforces in rural and mountainous areas (Nguyen and Chen, 2017). It is a particularly acute issue for rural households, where lack of access to health care has become a major source of insecurity (Nguyen and Chen, 2017). According to a law passed in 2009, health insurance for private sector employees is currently paid on a 2:1 ratio by employees and employers (Nguyen and Chen, 2017).

Businesses looking to provide elder health care support to their employees could consider an additional allocation to be used exclusively by elderly dependents of their employees, as Schneider Electric does: all Schneider Electric employees are entitled to accident, health, and life insurance for themselves and their direct dependents and at a discounted price for their parents.

#### Pensions

The law on social insurance (58/2014/QH13) provides for compulsory social insurance payments by employers to cover retirement, sickness, maternity, labor accident and occupational disease, and survivor allowance. But compliance by private enterprises in social-insurance schemes is currently low (ILO, 2014). Better compliance could help reduce the care burden for future workforces—bringing long-term macroeconomic benefits.



## 4. Realizing the Gains: Priorities for Action

Employer-supported care can be a win-win for companies and employees alike while contributing to broader social and economic development in Vietnam. The company experiences described in this report show that employer investments in childcare in Vietnam can make a positive difference in the lives of employees and their families, while also bringing a range of tangible and intangible business benefits. These beneficial effects—for companies, workers, and communities—can be maximized when employers and government actors coordinate actions and work together.

### Recommendations for employers

There are a range of options for companies that want to introduce or enhance care-related supports for their workforce. One of the key lessons from IFC's research is that companies and employees are likely to benefit most from childcare initiatives that are well

designed and carefully tailored to the needs of the business and the workforce. Actions that employers can take to develop tailored strategies include:

- **Consult with workers to understand their needs.** Consultation with workers is an important starting point when introducing new initiatives or adjusting existing ones, as it ensures that new investments are correctly targeted to workers' needs and will be used—and valued—by workers. IFC's research suggests that childcare support for workers is most effective when it considers the five different dimensions of care (see Figure 6).
- **Support mothers and fathers alike with their childcare needs.** Companies often introduce childcare initiatives as a means of supporting their female workers. However, by encouraging and facilitating men's greater involvement in childcare and housework, companies can create more space for women's

Figure 6: Dimensions of care—key considerations for employers and parents



career progression, leading to higher levels of gender diversity and improved recruitment and retention across the workforce. Some men already take on caregiving responsibilities for their children and would benefit from recognition and support from their employers. This means that it is important to consider both mothers' and fathers' needs in the consultation and design of employer-supported childcare and to communicate the benefits that are available to women and men alike. Focus group discussions held for this report suggested that men were not always aware that they were eligible for care supports (for example, monthly care allowances) or assumed that they might be penalized for using them (for example, asking for time off to care for a sick child).

- **Identify and support community resources.** Not all companies have the financial resources or spare space to build and operate onsite kindergartens for their workers. Moreover, depending on the location of the company and where most workers live, parents may not wish to transport their children to their workplace on a daily basis. In this situation, it makes sense for companies to investigate what kind of childcare resources already exist in the local area, the extent to which they are already used by the workforce, and how they might benefit from additional financial support. For instance, some companies—like Now Vina and Taekwang Vina—have chosen to support local municipal kindergartens, leading to better care options for the workforce, while also raising the standard of care for other families in the community. Alternatively, it may be possible to identify opportunities to partner with childcare providers in the private sector, provided that they meet relevant quality criteria, including official registration.
- **Collaborate with other organizations on childcare solutions.** There is scope for companies in Vietnam to develop a higher level of cooperation and/or coordination to provide childcare. As a starting point, this could involve participating in industry forums to exchange experiences and best practices. Eventually, it could involve exploring how employers might pool resources to provide more cost-effective childcare solutions. For instance, in the context of industrial zones where there are large numbers of

workers, several factories could pool resources to establish joint kindergartens or invest jointly in government-run kindergartens.

In some instances, companies might be able to partner with nonprofit organizations to improve childcare provisions in and around industrial zones. For example, nonprofit organization OneSky has developed a training model for childcare providers in Da Nang province which aims to improve the care received by children of migrant factory workers. The organization built a model learning center on land donated by the local government in Hoa Khanh Industrial Park, with the aim of training 320 caregivers by early 2020. OneSky is preparing to expand the program to another 19 provinces, with the ultimate aim of reaching as many as 417,000 children (Timsit, 2019).

- **Measure and track impacts related to childcare investments.** Where companies invest in childcare support for workers, it is crucial that this is accompanied by a monitoring framework to measure the impact of new or improved childcare support. These frameworks not only help companies understand whether the new supports are working as intended but can also help identify the extent to which supports are having an impact on business metrics (for example, staff turnover, absenteeism, and diversity targets).
- **Consider how to support elder-care needs.** As Vietnam's population ages, more workers, especially women, are likely to have responsibilities to care for elderly parents. This is of concern in Vietnam, where it is traditional for children to care for their parents, and for many generations to live together. When companies are considering how to design interventions to support employee childcare responsibilities, it makes sense to go one step further and understand how any new policies or initiatives could be adjusted to consider elder care responsibilities.



## Recommendations for government

The Vietnamese government recognizes the importance of childcare for the country's ongoing social and economic development and has already made significant progress in creating a legislative and policy environment that supports increased investment in childcare. The new 2019 Labor Code states that the national government will “develop plans and measures to organize day-care facilities and kindergartens in areas with large numbers of workers.” Alongside the commitment of national government, this report provides several examples of how local governments also encourage and support companies to set up childcare facilities (for example, Feng Tay), and publicly recognizes kindergartens that provide particularly high standards of care for workers' children (for example, Pou Chen and Taekwang Vina).

By working with the private sector, government actors could maximize the impact of its plans to strengthen workers' access to childcare by:

- **Facilitating and encouraging companies to understand the childcare needs of their workers and learn from good practices in implementing solutions.** As noted above, childcare solutions work best when they are carefully tailored to the needs of businesses and workers alike. The national government plans to organize more care in areas where there are large numbers of workers. Therefore, it will be crucial to consult closely with employers (and their workers) in these areas to develop a deeper understanding of their priorities and identify the most pressing gaps in childcare, as these are likely to vary by sector and region. Government initiatives could also benefit immensely from the insights and experiences of companies that have already taken steps to introduce care supports in industrial zones, potentially using these as templates for care facilities in other areas. The government should consider constructing or encouraging the construction of care facilities in industrial parks.
- **Subsidizing land acquisition for the construction of kindergartens.** In some instances, the most efficient way to support the development of more childcare facilities, particularly in areas with large numbers of workers, maybe for national

or local government to support employers' acquisition of land for the construction of kindergartens. This may be through the provision of land (as was the case with Feng Tay), supporting companies to secure changes to land use under land zoning regulations (a prerequisite for securing permits for kindergartens), or through the application of tax reliefs and other incentives.

- **Providing coordinated guidance on regulations associated with employer-supported childcare.** Some companies that participated in this study reported considerable difficulties in navigating some of the licensing and zoning requirements of local governments for building kindergartens. Others expressed a lack of understanding of how to claim national government tax incentives related to care. In this context, it may be useful for government actors to consider developing guidance for companies on how to deal with regulations related to childcare facilities or tax incentives.
- **Supporting the establishment of childcare facilities in industrial zones.** Research suggests that there is a significant unmet need for childcare provision in industrial zones (UNICEF, 2017). There are a number of ways in which government could help bridge this gap. For instance, by developing medium and long-term plans for childcare provision in industrial zones and export-processing zones, including zoning and funding plans; clarifying requirements for childcare facilities to achieve the necessary standard of care; targeting increased access to childcare services for migrant workers; and improving prospects for the mobilization of public sector funding or public-private partnerships for childcare in industrial zones and export-processing zones.

## Recommendations for international buyers

International brands are influential economic actors in Vietnam, sourcing billions of dollars' worth of consumer goods (including garments, footwear, and electronics) from factories across Vietnam and helping to drive the ongoing economic growth in the country. Many of the brands that source from Vietnam have strong commitments to strengthen employee welfare in their supply chains and support broader processes of development in line with the

Sustainable Development Goals. Case-study research for this report shows that brands can play a powerful catalyzing role in motivating suppliers to introduce childcare support, which benefits workers and businesses in their supply chains and helps brands realize their commitments to sustainability. To support childcare for workers in their supply chains, brands can:

- **Take a more proactive stance on the meaning of compliance with childcare requirements.** International brands typically have stringent social compliance requirements, requiring suppliers to be able to demonstrate compliance with all aspects of national legislation. In Vietnam, where national legislation encourages firms to support workers' childcare needs, this has been an important driver for manufacturing firms to introduce childcare support for their workforce, most commonly in the form of monthly childcare subsidies. Leading international brands encourage their suppliers to make sure that this is not purely a tick-the-box exercise. In some instances, this could mean encouraging large, well-resourced suppliers to build their own onsite facilities and, in others, encouraging suppliers to do their own research to ensure that monthly allowances are not token amounts, but provide meaningful support. Brands could be more systematic about how they encourage or incentivize suppliers to think about compliance with these requirements.
- **Recognize suppliers that are examples of good practice.** Factories are more likely to introduce more and better childcare support for workers if they consider that it will boost their standing in the eyes of the brand. For many of the factories profiled in this report, brand recognition was an important motivator for investing in childcare support beyond compliance. In most instances, factories did not consider that they received measurable advantages (for example, increased orders), but rather had a sense that the brand recognized the value of their initiatives, and this enhanced their overall profile and relationship with the brand.
- **Communicate the business case to suppliers.** Companies are significantly more likely to invest in childcare supports when they understand the business case for doing so. Brands can play an important role in communicating to their suppliers how employer-supported care can have an impact on key performance indicators such as productivity, staff turnover, and absenteeism.
- **Facilitate sharing of good practice between suppliers.** Case-study research for this report shows better care outcomes can ensue when brands facilitate dialogue between their suppliers. This kind of dialogue can encourage a healthy sense of competition between suppliers to see if they can outdo one another on employee benefits, including childcare support, but can also help suppliers to make more efficient investments by learning from the challenges that have been addressed by others. By talking to one another, suppliers can also develop a more direct understanding of the business benefits.

Photo credit: Evereem, 2019



## 5. Company Case Studies



# Evervan

Footwear manufacturing, Binh Duong Province



## Evervan's workforce profile 2019

### Women represent:

- 69 percent of the overall workforce
- 55 percent of managers
- 66 percent of line supervisors
- 55 percent of office workers.

### Evervan supports parents through:

- Onsite kindergarten for children, ages 15 months to five years
- Monthly childcare allowance
- Predictable hours and leave.

### Key business impacts of providing childcare support:

- Reduced worker turnover
- Enhanced profile with buyer as a socially responsible supplier
- Better recruitment outcomes
- Increased productivity
- Strengthened worker-management relations and reduced likelihood of industrial action

## Background

Evervan (also known as Saigon Jim Brothers) is the only Vietnamese factory owned by Evervan Group, a major footwear supplier to Adidas. Evervan is located in Binh Duong province, around 30 kilometers from Ho Chi Minh City. The factory was built in 1999 and began operations in 2000. It has supplied solely to Adidas since 2006 and currently produces one million pairs of sports and outdoor shoes per month. The Evervan Group also has operations in China, Indonesia, and Cambodia.

Evervan employs 7,350 workers in Vietnam, of whom 69 percent are female. Women account for 66 percent of supervisors and 55 percent of senior managers. The average age of Evervan workers is 31 years, and the average length of service is just over four years. 43 percent of workers have been at the company for more than five years. Around 90 percent of Evervan's workforce are migrants, mostly from the Mekong Delta and central Vietnam.

Evervan's production has significantly increased in recent years, with the workforce growing at an average of 7 percent per year since 2016. In 2019, the factory reached capacity for its current site. While it cannot expand its workforce any further, it has no immediate plans to increase the size of its facilities. Instead, Evervan is increasing productivity by investing in automation. Over the last four years, it has almost doubled output while increasing the workforce by only 28 percent. It has installed new machinery designed to improve environmental performance and reduce waste.

This case study looks at the impact of Evervan's support for its workers' care responsibilities, especially its investment in an onsite kindergarten.

## The Business Context for Supporting Childcare at Evervan

There is a significant gap in care facilities for children under age three in Vietnam. Where they do exist, they are often of low quality and/or poorly regulated. In 2014, only 34 percent of the 16,000 private childcare facilities that provide care to children under three

were licensed (ODI, 2014). Most unlicensed facilities are household childcare centers, and unfortunately, reports of verbal and physical abuse at these facilities are not uncommon (see, for example, Tuoi Tre News, 2017).

The limited availability of high-quality childcare options for children under three was a key driver of Evervan's decision to open a kindergarten to accommodate children from the age of 15 months. Typically, factory-operated kindergartens serve children from age three, but Evervan saw a need to respond to the specific care needs of its employees, especially after the two-year-old child of two of its workers was severely physically abused in an unregulated household childcare center in 2011. Although there was no suggestion that the factory was to blame, the incident was the subject of considerable attention from national media, the labor inspectorate, and Adidas, and even prompted a meeting of the National Assembly on the issue of abuse at unlicensed childcare facilities. Evervan was uncomfortable with its name being connected to a national tragedy, and the management was upset on behalf of the child's parents.

At the time, the management also saw an opportunity to enhance relations with its workforce by supporting employees' childcare responsibilities. According to Emil Lin, CSR and Compliance Manager, the company was experiencing difficulties with respect to worker-management communication and worker recruitment. The management realized that a culture change was needed to meet these challenges, including a greater focus on engaging with, and taking care of, workers. The high proportion of migrant workers at Evervan made a case for employer-supported childcare particularly clear: migrant workers often have difficulties sending their children to local public kindergartens due to their household registration status and are more likely to rely on private childcare providers in the absence of local family networks.

Evervan's investment in childcare for its workers also aligns with its new focus on automation. The company's workforce strategy is now increasingly concentrated on retaining workers with the skills to operate complex machinery and perform tasks that machines are unable to do. It can take up to two years for a worker to become multi-skilled, and, in this context, Evervan sees its provision

of childcare support as invaluable to promote higher levels of retention. By providing a kindergarten that workers' children can attend for up to five years, Evervan provides a unique incentive for skilled workers to stay at the factory longer.

## How the Company Supports Childcare for its Workforce

### Onsite kindergarten

In 2011, Evervan started building a kindergarten for the children of its workers—the first factory in Binh Duong Province to do so. The kindergarten opened in 2013, with a capacity for 420 children age 15 months to six years.

The factory made an initial investment of VND 12.8 billion (\$550,000) and covers ongoing annual costs of VND 1.2 billion (\$51,500). Costs include teachers' salaries, which range from VND 5.5 million to 8 million (\$236 to 344), bills, maintenance, and security. Parents contribute VND 1 million (\$43) to cover four meals per day plus milk. The day-to-day running of the kindergarten is managed by the principal, Ms. Hien, but senior factory staff are closely involved. Evervan's General Affairs Manager, Hanson Hoang, devotes around 25 percent of his time to the kindergarten, including recruiting and paying staff and liaising with the local authority. Factory management oversaw the design and construction process.

*"We can see that our workers' main focus is their children, so we want to support that."*

Emil Lin, CSR and Compliance Manager

Currently, 386 children attend the kindergarten, with around 40 more children set to join by the end of 2019. Although this is slightly under capacity, there are still around 50 workers with children on the waiting list as there is both higher demand and less space for children under three (due to the limited availability of quality childcare for this age bracket in Vietnam). Priority is given

to workers with the longest service at the factory, followed by migrant workers. There is no space to expand the kindergarten on the current site.

Children are divided into ten classes. Two classes for children under age three, four classes for children age four to five, and four classes for children age five to six. There are classes to accommodate older children, and the kindergarten is accredited as an official pre-school for children age five to six.

There are 23 teachers: two per class and a further three who act as supervisors for three or four classes each, as well as two trained caregivers to provide general support. Of the 23 teachers, 17 are university graduates in kindergarten education. All staff members undergo training organized by the local government. Around 20 percent of the teachers attend additional training every year on a rotational basis. They pass on their learnings to the remainder. While teachers are away for training, supervisors, and members of the management board stand in to provide care. According to Hoang, it was initially difficult to recruit good teachers, but now the kindergarten's excellent reputation makes it much easier.

Children follow the national curriculum from age three. The kindergarten is one of five in the province accredited to teach English. For an additional VND 50,000 (\$2.15) per month, children are taught English during overtime hours. Children have a daily nap from 11.30 a.m. to 1 p.m., and parents appreciate that each child is given her/his own mattress, which is often not the case in other kindergartens.

The kindergarten matches the hours of the factory—opening from 6.30 a.m. every day and closing when production (including overtime) finishes. Closing varies according to the production schedule—which is delivered to the kindergarten daily—but is never later than 5.30 p.m. There are no extra fees for care during overtime, and the kindergarten is open on Saturdays, unlike the public and private childcare facilities in the area.

Evervan's management has a zero-tolerance policy for abuse at the kindergarten. There are CCTVs in all classrooms, which parents can review if they have specific concerns. A parents' committee carries out random checks on the kindergarten to ensure children

are well looked after. Evervan communicates its child safeguarding policy clearly to teachers and parents and does not hesitate to enforce it in the rare cases when it is necessary. To date, there has only been one reported case of mistreatment by a kindergarten teacher, which resulted in the dismissal of the teacher in question.

Parents value the high level of care and education in the kindergarten, citing the diverse range of toys and activities, nutritious meals, large campus, and good teachers as the main advantages. Workers with children in Evervan's kindergarten have no concerns about their children not receiving appropriate levels of psychological care. Unlike migrant workers, with children left behind with grandparents in their hometowns, who cite this as a concern. Parents also appreciate the price—which is around VND 700,000 (\$30) less per month than other local kindergartens—and convenience. When a child is sick, the kindergarten calls the supervisor of the parent directly, so they can go and pick up their child.

Evervan's kindergarten has been visited by representatives from the national Ministry of Education and Training and the Ministry of Labor, Invalids, and Social Affairs. Both have deemed it a “national benchmark for childcare” in an industrial setting. It has also received awards from the provincial government in recognition of the quality of its construction and teachers.

### Predictable hours and flexibility

Nearly one-quarter of Evervan's workforce lives with dependent relatives, either children or elderly family members, and the factory understands the importance of predictable hours for workers who balance work and care responsibilities. Although core shift times are fixed, a notice of overtime is always given well in advance, and workers can request to work without overtime on a month-by-month basis. Supervisors say that production is managed efficiently so that the factory has the flexibility to allow some workers to decline overtime in any given month.

Workers start shifts at 7 a.m. and, even with overtime, never have to stay past 5.30 p.m. According to workers, this compares very favorably with other factories in the area, where shifts frequently finish at 9 or 10 p.m. In focus group discussions, workers cited the

predictable hours and limited overtime among the things they most value about working at Evervan.

Workers believe that the factory is flexible about them having to take leave for family reasons and supervisors agree that workers can take leave to look after family members whenever they need to.

### Monthly childcare allowance

All workers with children under six that do not attend the factory kindergarten are entitled to a monthly childcare allowance of VND 80,000 (\$3.44) per child. This is payable to both men and women, but only to one parent if both parents work at the factory. The childcare allowance is valued by workers, although some suggest that the factory could help more by making the allowance available to both parents, if both work at the factory, as some companies do.

### Support for workers' families

Workers are encouraged to bring their families to the site in their free time to make use of the football pitch, basketball court, playground, coffee shop, and green spaces. The site is open to workers and their families on weekends, and for the hour before shifts start. The factory also hosts several events for workers' families throughout the year, including a family day designed to foster understanding between teenagers and their parents. Emil Lin, CSR and Compliance Manager, believes that this after-hours access to the site and the family events help workers feel loyal to Evervan and keep them engaged throughout the year.

Evervan carries out visits to workers' homes and hometowns to better understand their lives and see if they can offer support to those who need it. It also provides scholarships every semester for employees' children, who are in the top three of their class, from primary school through to university. One of the factory's most popular initiatives to support workers is providing a system to provide clean drinking water; many workers bring large containers that they fill to take home for their families.

## The Business Benefits

### Benefits for employee retention

To increase production levels without growing the workforce, Evervan needs to retain more experienced, higher-skilled workers, who have been at Evervan for several years. The factory encourages all workers to become multi-skilled, a process that can take up to two years. The management believes that a multi-skilled workforce is beneficial for productivity—it helps the workforce be flexible and adapt to worker absences and changes to production schedules, and it makes workers more interested in their work, and consequently more likely to stay at the factory.

However, worker retention is an ongoing challenge in the context of an increasingly constricted labor market in Binh Duong. Many new factories are setting up in the area, notably in garments, electronics, furniture, and food and drink processing, bringing new pressures on recruitment. In 2019 alone, global packaging company Tetra Pak (Tetra Pak, 2019) and Danish shoe brand Ecco (Vietnam Economic Times, 2019) opened factories in Binh Duong. TCL, one of the largest televisions and consumer electronics brands in the world, announced plans to open a major manufacturing base in the province (PR Newswire, 2019). Some nearby factories can pay wages up to 20 percent higher than Evervan, and in this context, retaining workers is a big challenge.

One of the unanticipated benefits of the kindergarten is the impact that it has had on reducing employee turnover, bringing substantial cost savings for the factory. Since Evervan started construction of the kindergarten, worker-turnover rates have decreased by more than half, from a monthly average of 4.1 percent in 2011 to 2 percent in 2018. The factory is saving up to VND 12.5 billion (\$537,000)<sup>6</sup> per year by maintaining productivity levels and from reduced training costs, based on the 2018 workforce and wages data. In other words, nearly the same as the one-off costs of constructing the kindergarten.

<sup>6</sup> This figure is calculated on the basis of labor inputs alone and does not take into account overhead costs such as energy use, materials, building maintenance, and government taxes. The figure is based on the costs of reduced productivity associated with an average three-month trajectory for workers to gain 100 percent productivity (60 percent in month 1; 75 percent in month 2; 85 percent in month 3) and costs associated with recruitment and training.



Although the company has introduced other initiatives to improve worker welfare over the period, Evervan's management considers that the kindergarten has been one of the most significant factors in maintaining worker loyalty and bringing down worker turnover. According to Phuong, 25, who works on the production line: "The availability of the kindergarten—as well as its good working hours and conditions—are the reasons people stay at the factory."

Worker turnover has been cut in half since Evervan built its kindergarten, bringing cost savings of up to **\$537,000** per year.

Although the factory does not disaggregate turnover data according to whether workers have children in the kindergarten, HR believes that it is rare for workers to leave the factory while their children are enrolled. "If workers send their kids to the kindergarten from the age of 15 months, we're very likely to keep those workers for five years," says Lin. But as only around 8 percent of the factory's workforce has children of kindergarten age, the retention of those workers alone does not entirely explain the reduced turnover. What's equally important, according to Lin, is that the kindergarten helps to show workers, even those without children, that the company cares about them and is willing to invest in supporting their needs. "It's about fostering a sense of loyalty by winning their hearts," says Lin.

According to Thao, 32, who works on the production line: "When people leave the factory it's never because they are dissatisfied. Usually, it's because they have to go back to their hometowns to care for older relatives."

## Benefits for recruitment

Evervan's current focus is to improve retention outcomes, rather than expand its workforce. Nevertheless, in light of worker-turnover rates, the factory still needs to recruit a substantial number of new workers every year to maintain current staffing levels. For instance, in 2019, Evervan needed to recruit over 2,500 workers.

*"Because of our commitment to supporting our workers' family lives, they have confidence to tell their relatives and friends that this factory is a good place to work."*

Emil Lin, CSR and Compliance Manager, Southeast Asia

When it is time to recruit, the management considers the kindergarten is an important selling point and an easily communicated symbol of Evervan's commitment to its workers and their families. All recruitment is done through word-of-mouth, mostly by Evervan's existing workers, who draw attention to the kindergarten, stable hours, and flexibility of supervisors, when talking to potential new recruits.

## Enhanced relationship with buyer

Adidas has high expectations from strategic suppliers like Evervan, ensuring it meets these expectations is critical to Evervan's success.

Adidas has a framework for scoring its suppliers on a range of key performance indicators (KPIs) for social and environmental sustainability. In 2019, Evervan achieved the highest rating (5C) for the first time. It is one of only three Adidas suppliers in Vietnam to currently hold this rating. To attain a 5C rating, suppliers must achieve scores of 90 percent on KPIs across the board, showing improvement on the previous year's baseline or convincing evidence for lack of improvement. Having a 5C rating means that the compliance audit is waived for one year. This reduces administrative costs for the factory and enables Adidas to support it with other initiatives to benefit its workforce and, in turn, improve productivity.

While having a kindergarten is not a KPI per se, according to Vu Tu, Director, Social and Environmental Affairs for South East Asia at Adidas, factories that invest in well-managed kindergartens for workers are more likely to get a high score on the Leadership and Commitment category of the scorecard. And as setting up a kindergarten can have a positive impact on turnover and absenteeism rates and recruitment outcomes, it can also indirectly influence the score for those KPIs. Evervan's management believes

that the kindergarten helps them have a good relationship with Adidas and elevates the factory's status as a case of best practice. This is supported by Tu, who says that the handful of suppliers in Vietnam with kindergartens is considered top-class by Adidas.

Since Evervan built the kindergarten, Adidas has been impressed by the results and has encouraged other suppliers to do the same. Representatives from other suppliers have visited to learn from Evervan's experience. "After we set up the kindergarten, the game changed, and Adidas encouraged two local factories to set up kindergartens," says Emil Lin.

*"We absolutely see the benefits of investing in worker welfare so that we can improve retention and productivity. When workers are confident that their children are in good hands, they are likely to be more productive and stay with the factory."*

Vu Tu, Director of Social and Environmental Affairs for Southeast Asia, Adidas

## Higher productivity and greater stability

Evervan has strict production targets, and workers are better able to focus on meeting these targets if they know that their children are safe and well-cared for. According to one supervisor, "The kindergarten makes workers more productive because they do not have to worry about care for their kids or last-minute overtime."

Supervisors observe that workers with children in the kindergarten are markedly more engaged and willing to work overtime (even if they do not always notice a direct effect on their lines). This is in contrast to workers with young children that are not in the kindergarten. They often need to leave their workstations to make phone calls when their child is ill or if they need to make last-minute care arrangements.

It is the same case with migrant workers who have left their children behind in their hometowns and suffer from separation anxiety. Canh, 31, says: "My kids live in my hometown with

my parents. I worry about them a lot, especially when they are sick. When this happens, I try to take time off to be with them. I make up by performing at my best the rest of the time so that my supervisor will be understanding. But it is a challenge."

## Enhanced industrial relations

The management strongly believes that the kindergarten and other supports for workers with families are critical in establishing a sense of loyalty to the company and that this has led to a higher quality of worker-management relations and reduced likelihood of disruptive industrial action.

The strike rate in Vietnam's garment sector is one of the highest in the world (Better Work, 2017). However, even during a particularly severe period of industrial unrest across Vietnam in 2014, Evervan only experienced one day of industrial action. At the time, at least 15 factories in Binh Duong were set on fire, causing losses of hundreds of thousands of dollars (Tuoi Tre News, 2014). Other factories lost many worker days to strikes, and the strikes caused heavy losses to Taiwanese-owned companies in particular (Reuters, 2014).

Evervan's workers, on the other hand, organized themselves to protect the factory, taking shifts to sleep across the entrance. Without such a high degree of worker loyalty to the company, and good relations between workers and management, the costs to the business in terms of both damage to property and lost productivity could have been substantial.

## Lessons Learned

Evervan's management is convinced that the kindergarten has been a worthwhile investment, and workers and management alike clearly take pride in it. However, there were some early challenges, including permit applications. Evervan was the first factory in Binh Duong Province to set up a kindergarten. Consequently, the local authority was not familiar with the process of setting up a kindergarten in an industrial zone, and it took two years to receive all the relevant permits, although construction was started before all permits were received. However, according to the management,

it is now much easier for local factories to set up kindergartens as the process is well established, and the local authority is supportive. Since Evervan opened the kindergarten, several factories in the area have followed suit, one of which received the required permits within five months.

Evervan’s management would advise other factories considering setting up a kindergarten to think carefully about the medium to long-term strategy for the business and workforce and how this might impact demand for the kindergarten in the future. For example, there are strict regulations for all aspects of construction and use of space, even down to details such as the correct surface area of bathroom per child. Factories should consider whether they are likely to increase future capacity before embarking on construction. “It’s much easier to think about these things at the beginning than have to demolish buildings later on,” says Lin.

In terms of the ongoing operation of the kindergarten, the management advises other companies to have a clear and comprehensive code of conduct and standard operating procedures. They say that having these policies and processes in place will help attract high-quality staff, ensure the safety and wellbeing of the children, and maintain efficient and transparent communication between the factory and the kindergarten. It is important to back these policies up with a generous remuneration package for teachers and a good monitoring system to ensure children’s safety—through CCTV, random checks, or other methods.

The management observes that there are specific challenges in running a kindergarten that accepts children from the age of 15 months. Such young children need a greater level of care and attention, are less adaptable to new environments, and are more prone to illnesses. This requires more financial resources and staff time. However, according to Lin, it is worth the investment to support the care needs of Evervan’s workers and secure the future of the business.

Apart from the kindergarten, Lin says the best way to help employees is by ensuring that shift patterns and overtime is predictable—this also benefits workers with older children and elder-care responsibilities.

## Conclusion

When Evervan started building the kindergarten in 2011, one of its priorities was to turn negative publicity into a positive outcome for the factory by responding to the childcare needs of its employees. The management had not anticipated the extent to which it would bring other substantial business benefits, such as better retention of staff and an enhanced relationship with its sole buyer. Now, it is convinced that the kindergarten has been an important factor in helping to transform the culture of the factory, making Evervan a place where people are proud to work and more likely to stay on.



Photo credit: Ergon Associates, 2019



Photo credit: Evervan, 2019



Photo credit: Egon Associates, 2019

# Feng Tay

Footwear manufacturing, Dong Nai Province



## Feng Tay's Dong Nai workforce profile 2019

### Women represent:

- 65.5% of the overall workforce
- 57.2% of managers
- 53.8% of supervisor
- 67.1% of female workers

### Feng Tay supports parents through:

- Provision of a shared kindergarten for its four factories in Trang Bom district
- Monthly childcare allowance
- Subsidized onsite accommodation.

### Key business impacts of providing childcare support:

- Better retention outcomes through increased employee engagement and loyalty
- Enhanced relationship with the buyer.

## Background

Multinational footwear manufacturing company Feng Tay Group was founded in Taiwan, China in 1971. Its factories in Vietnam, China, Indonesia, India, and Taiwan, China produce casual and sports shoes, rollerblades, and sports equipment, including golf and soccer balls and protective gear for hockey. Nike is its largest customer.

Feng Tay opened its first Vietnamese factory in 1996, in Trang Bom district near Bien Hoa City, Dong Nai province, around 40 kilometers from Ho Chi Minh City. The company, operating in Vietnam as Feng Tay Vietnam Holdings, now has five factories in Dong Nai province (four in Trang Bom district and one in Xuan Loc district) and three in Ba Ria-Vung Tau province.

The Feng Tay group employs more than 126,000 people across its global operations; 66,621 are based in Vietnam. This case study focuses on the four factories located close to each other in Trang Bom district, which employ 30,660 workers. Just over 65 percent of Feng Tay's Trang Bom workforce is female, and the average age is 32. The management estimates that around 30 percent of the Trang Bom workforce originates from other parts of Vietnam, mainly the north and center.

This case study examines the impact of Feng Tay's support for its workers' care responsibilities in Trang Bom, in particular a kindergarten for the children of its workers, and family accommodation in subsidized worker dormitories.

## The Business Context for Supporting Childcare at Feng Tay

Feng Tay Group has been investing in support for workers' care responsibilities for 40 years. "Work-life balance" is part of the Group's overarching corporate vision, with the stated goal of organizing production time so that it leads to "maximum work efficiency, minimal overtime, and healthy and balanced life for all employees" (Feng Tay, 2019). The Feng Tay Group sees investment in onsite kindergartens as an important way to help workers achieve a better work-life balance, an approach that started back

in 1979, when Feng Tay was one of the first companies in Taiwan to build a nursery for its employees (Feng Tay Group, 2018). Over time, Feng Tay has progressively invested in two onsite kindergartens in Vietnam (2008 and 2016), two kindergartens in China (1993), and five crèches for factories in India (2009-2017) (Feng Tay Group, 2018). In each location, Feng Tay aims to provide subsidized, high-quality care for workers' children (Feng Tay Group, 2018).

In Dong Nai, Feng Tay believes that its support for employees' childcare responsibilities aligns with its corporate values and is a crucial factor in worker recruitment and retention, setting it apart from other factories in the area. Competition for workers has increased substantially since Feng Tay built its Dong Nai kindergarten in 2008. Now, four large industrial zones in Trang Bom district house an ever-growing number of factories, which compete for workers.

As with many other manufacturers, Feng Tay's Vietnam operations have experienced a steady increase in demand for production. In Vietnam, the Group's production levels increased 7 percent from 2015 to 2017, and by a further 13 percent from 2017 to 2018 (Feng Tay Group, 2017 & 2018). While the increasing demand for production presents major opportunities for companies like Feng Tay, it also puts pressures on employee recruitment and retention, especially since Feng Tay aims to expand its Trang Bom workforce by 10 percent (or roughly 3,200 workers) over the coming years.

## How the Company Supports Childcare for its Workforce

### Shared kindergarten for four factories in Trang Bom district

In 2008, Feng Tay opened a kindergarten for the children of workers of its four factories in Trang Bom District. Dong Phuong kindergarten is built around a large quadrangle, adjacent to worker dormitories and the company's administrative offices. The land (chosen by Feng Tay) for the complex was donated by the local government. Feng Tay funded the cost of construction—VND

71.3 billion (\$3.1 million)—and covers the majority of ongoing operational costs of the kindergarten. Parents pay just VND 430,000 (\$18.48) per month for food.

Feng Tay employs a designated kindergarten and dormitory manager, Khue Tu, who works in close cooperation with the kindergarten principal. Ms. Tu is responsible for the operating budget of the kindergarten and monitors the quality of care on a regular basis.

The kindergarten is very popular with workers and is currently full, with 850 children enrolled. Given the company's large workforce in Trang Bom, the kindergarten can only accommodate the children of around 15 to 20 percent of workers with children of eligible age (three to six years). At the end of 2019, there were 150 children on the waiting list. Places are prioritized according to parents' length of service in the company and whether children are residents of the dormitories. The company operates a quota system across the four factories for admission to the kindergarten, proportional to the size of the workforce at each factory.

Children are divided into 29 classes: eleven classes of 25 children each for three to four-year-olds; ten classes of 30 for four to five-year-olds, and eight classes of 35 for five to six-year-olds. Each class is looked after by two licensed teachers, 80 percent of whom are college or university educated. All teachers undergo regular training, including in first aid and the "soft" skills needed to care for children effectively. The company offers a monthly salary of around VND 12 million (\$516) to attract the highest-quality teachers. This is nearly double the salary paid to teachers at public schools in the area and equal to what factory supervisors at Feng Tay are paid.

The kindergarten is open all year round from 6 a.m. to 6.30 p.m. to align with factory schedules, including overtime shifts. As parents only pay for food, they do not have to pay an extra fee for their children to be looked after during overtime hours. Children follow the national curriculum appropriate for each age group and have a daily nap. The kindergarten's clinic can accommodate children with a mild illness or slight fever, where they are looked after by trained medical staff.

*“My son is much happier now than when he was in a private kindergarten. He looks forward to going to school every day.”*

Male supervisor

Parents are very happy with the level of care their children receive at Dong Phuong, saying they no longer have to worry about child abuse, which is considered a risk at household childcare centers, where children might otherwise be placed. “I feel that the teachers really care about my child. Communication with parents is good, and the management is transparent”, says Can, a security worker. Parents would appreciate it if the kindergarten was able to take younger children, but there is no room to expand on the current site and the company does not have a license to enroll younger children.

## Family accommodation in dormitories near to the factories

Feng Tay provides subsidized accommodation in dormitories adjacent to the kindergarten, and near to the factories, where workers can live with their families. Of the 608 rooms, one-third is reserved for families, where a total of 3,648 people can be accommodated (there is an upper limit of six per room). Around 100 children up to 12-years-old live in the dormitories, 15 of whom also attend the kindergarten. The dormitories are available to both migrant workers and those originally from Dong Nai province. Rooms are spacious, and each has its own bathroom and a balcony. All residents have access to a plot to grow vegetables. There is a large kitchen for every six rooms.

Workers who choose to live in the dormitories say they are safe, comfortable, and convenient. Children who live in the dormitories gain priority access to the kindergarten, and—as the buildings are adjacent—parents do not have to worry about taking their children on dangerous roads, which is often an important factor for parents when choosing a kindergarten. Moreover, close relatives are permitted to live in the dormitories with the families—meaning

workers can receive help with childcare from family members. Tuyet, a production line worker, regards this as a very attractive benefit as her mother lives with her family in the dormitories to help care for her children.

The low living costs associated with dormitory accommodation also help families save money, eliminating the burden of expenditure associated with private rental accommodation in the area. The subsidized rooms cost less than a quarter of the price of renting a house nearby as the company covers all costs apart from electricity and water, for which residents are charged a monthly fee (per room) of VND 480,000 (\$20.63). Workers estimate that by living in the dormitories, they can save around 40 percent of their salary each month, which they would be unable to do otherwise.

Tien, who works on the production line, lives in the dormitories with his wife, who also works at Feng Tay, and their two children. By living in the dormitories for several years, he and his wife have managed to save enough to buy a house. For workers whose children live in their hometowns, the low costs mean that they can send money home to support their parents and/or children. Bien, an administrative worker, lives in the dormitory and sends VND 3 million (\$129) home per month to support his young children.

Despite the low cost and comfortable and convenient accommodation, the average occupancy rate of the dormitories is around 80 percent. Dormitory and kindergarten manager, Khue Tu, says that this is because many younger workers prefer the freedom of renting their own place. Moreover, the dormitories can only accommodate children up to the age of 12, so workers with older children are ineligible. Ms. Tu views it as positive that the dormitories are not full, as it means the company is able to provide this support to all workers that want it.

*“When my child reaches 12, my family will move out of the dormitories. We’ve managed to save enough to buy a house.”*

Production-line worker

## Childcare allowance

Feng Tay provides a childcare allowance of VND 100,000 (\$4.30) per month to workers with children under age six. The allowance is available to both male and female workers, to both workers with children in the factory kindergarten and those with children placed elsewhere. The allowance is appreciated by parents as a contribution towards the costs of care. Employers are required by legislation to assist and support the construction of day-care or nursery facilities or to cover a part of workers' childcare expenses, but many companies do not comply or choose to provide only a nominal amount as a monthly subsidy.

## Education and housing support for workers' families

The company provides scholarships for the children of its workers and for some children from the local community to contribute to the cost of education from elementary school to university. In 2018, Feng Tay awarded scholarships worth VND 3 million (\$129) each to 49 children from the kindergarten to help continue their education.

Moreover, acknowledging the increased demand that industrial growth in Trang Bom has placed on local schools, Feng Tay donated around VND 9.2 billion (\$395,000) between 2012 and 2016 to cover around one-third of the construction costs for a local public primary school, which is also attended by children that have graduated from the factory kindergarten. The company also intends to donate around VND 18 billion (\$773,000) in 2020 to build a secondary school, to provide quality higher education for graduates from the company-sponsored primary school and kindergarten.

Every year, the company also builds four houses for its workers—identifying the families most in need with the help of the trade union. In 2018, the company spent VND 160 million (\$6,876) per house, a valuable contribution towards the safety and security of workers' families.

## The Business Benefits

### Benefits for recruitment

Recruitment is a pressing concern for Feng Tay in its Trang Bom factories. With an annual staff turnover of around 14 percent and plans to grow the workforce by 10 percent over the coming years, the company needs to recruit thousands of workers per year. Given the increasing competition for workers in Trang Bom, it is challenging for Feng Tay to fulfill its ongoing recruitment needs. In this context, the management views the kindergarten as an invaluable selling point. The company features the kindergarten in its job advertisements in the local area, which account for half of all new placements. The management believes that it is commonly referred to in word-of-mouth recruitment by existing workers, which accounts for the other half.

The kindergarten enhances worker recruitment in two main ways, according to Le Quoc Thanh, Operations General Manager of Feng Tay Vietnam Holdings. Firstly, it is a tangible demonstration of Feng Tay's commitment to its workforce; it is thought to be a powerful symbol of the company's commitment to worker welfare, even for workers without children of kindergarten age. Secondly, workers join the factory with a longer-term view of their future childcare needs.

Given the popularity of the kindergarten and its long waiting list, it makes sense for workers to think about this in advance as they will need to accrue some service at the factory before they can enroll their children. This is confirmed by workers. In a focus group discussion with five female workers with children in the kindergarten, four said the kindergarten is what had initially appealed to them about the company. The fifth said that although she was initially attracted to the factory by the predictable hours and strict compliance with overtime regulations, she stayed because of the kindergarten.



## Benefits for employee retention

The management sees the company's support for employees' care responsibilities as a critical factor in helping to retain workers in a competitive market. Since establishing the kindergarten and dormitories in 2008, average monthly turnover at the factory has reduced from 5 percent to 1.74 percent, despite intensifying competition for workers from other companies in the area. The reduced turnover rate is estimated to save the factory (which in 2018 had a workforce of 10,679) up to around VND 34 billion (\$1.46 million)<sup>8</sup> per year, based on the 2018 workforce and wages data. According to Khue Tu, who manages the kindergarten and dormitories, "One of the benefits of the kindergarten is that it encourages workers to stay here."

From conversations with the management and workers, it is clear that the kindergarten has a strong effect on workers' decision to stay at the company. The annual turnover rate of workers with children in the kindergarten is 0.13 percent, compared to an annual rate of around 24 percent across Feng Tay's entire Trang Bom workforce. This demonstrates that the kindergarten is a highly effective way of retaining workers for at least three years that their child is enrolled in the kindergarten, in addition to the time that workers stay while anticipating future childcare needs. Discussions with workers in focus groups support this. A female worker who does not have children says, "I definitely think the kindergarten is an incentive to stay at the factory as children whose parents have the longest service at the company are prioritized."

As parents of children placed in the kindergarten comprise only around 2.5 percent of the workforce, low turnover among this group alone is not enough to make a substantial difference to the company's overall turnover rates. It is thought that the kindergarten promotes better retention among other workers as well, as they see the company's investment in the kindergarten as evidence that it cares about workers' well-being.

*"I am sure that the kindergarten makes workers feel proud and trusting of the company even if they don't have a child there."*

Hien Pham, Former Operations General Manager

The company's provision of subsidized dormitories for workers and their families also has an impact on turnover rates. The average length of residence in the dormitories is nine years for families, compared with five years for single women and just three years for single men. Focus group discussions with workers indicate that many workers stay at the factory to take advantage of the low-cost, comfortable accommodation to save money and support their families.

## Benefits for productivity

One of the reasons that the Feng Tay Group invests in kindergartens for its workers is that it believes that by reducing their childcare concerns, workers are better able to focus on their jobs (Feng Tay Group, 2018). This is borne out at Feng Tay in Trang Bom, where Operations General Manager Le Quoc Thanh observes that workers with children in the kindergarten are more engaged with their work and focused on the tasks at hand. According to Tai, a factory supervisor with a son in the kindergarten, "Knowing our children are taken care of in the kindergarten relieves a mental burden on us parents."

## Enhanced relationship with brand

As Nike is its primary buyer, Feng Tay aims to maintain a strong relationship with the company and align with its values. Supporting childcare is one way that Feng Tay has positioned itself as a leading supplier, going beyond statutory compliance to invest in its employees' welfare. This support is recognized and valued by Nike, which has featured Feng Tay as an example of good practice on

<sup>8</sup> This figure is calculated on the basis of labor inputs alone and does not take into account overhead costs such as energy use, materials, building maintenance, government taxes, and so on. The figure is based on the costs of reduced productivity associated with an average five-month trajectory for workers to gain 100 percent productivity (60 percent in month 1; 75 percent in month 2; 85 percent in month 3; 90 percent in month 4; 95 percent in month 5) and costs associated with recruitment and training.

its “Purpose” webpage, with a video clip that includes footage of the company’s onsite kindergarten at one of its factories in China. Cuong Luong, Nike’s Vietnam Sustainability Manager, highlights Feng Tay as one of a handful of best-practice examples of suppliers that support childcare, drawing attention to the commitment of the company management and the high-quality teachers as factors that make Feng Tay’s kindergarten stand out.

### Enhanced relations with stakeholders

Le Quoc Thanh, Capital Operations General Manager, says that the kindergarten helps raise Feng Tay’s profile as a leader in the local business community, which allows it to maintain positive relations with local government. The local government was so supportive of the project that it donated the land on which the kindergarten is built, ensuring that this was near the factory, but within a residential zone. In 2018, Feng Tay received formal recognition from the Dong Nai Province Department of Education and Training for the high standards of its kindergarten (Feng Tay Group, 2018). According to Le, the local government is particularly impressed by the company’s significant subsidization of the costs for each child.

The kindergarten has also received national recognition. Staff from other kindergartens comes to learn from Dong Phuong. In November 2019, the company was invited by the Ministry of Education to present at a seminar in Ho Chi Minh City on models for education in industrial zones. The kindergarten has also been visited by Vietnam’s vice president and deputy minister of education and training.

### Investing in the future workforce

Feng Tay’s management takes a long-term view on people’s development and sees the kindergarten as a means to connect with and invest in its future workforce. This is a savvy strategy, given that the labor force in Vietnam is projected to shrink by 5 percent as a share of the total population by 2040 (World Bank, 2016). In the medium to long-term, Vietnamese companies will have to work even harder to recruit and retain good workers.

The management feels the kindergarten helps it foster a positive long-term association with the children of its current workforce. The first children to attend the kindergarten when it opened in 2008 are already in grade 11 and, according to Khue Tu, kindergarten and Dormitory Manager, they know and appreciate the culture of the company. “We are very invested in the next generation of the company and hope that second and third worker generations will come back to work here,” says Tu.

Apart from this, international research suggests that quality early education and care has a positive impact on longer-term individual potential, making it more likely that they will develop into healthy and productive adults (see, for example, Berlinski and Schady, 2016).

### Lessons Learned

According to Le Quoc Thanh, Operations General Manager, the most important ingredient for the success of onsite kindergartens is “commitment from the top.” Part of this commitment comes from a belief that the kindergarten and dormitories bring significant benefits for the company, especially in terms of worker retention and recruitment.

Based on the success of Dong Phuong kindergarten, Feng Tay built another kindergarten of a similar size in 2016, which has proven similarly popular. The new kindergarten provides care for around 900 children of workers at its factories in Xuan Loc District (also in Dong Nai Province), covering a total workforce of 23,400. It reached capacity within one year of construction and currently has around 150 children on the waiting list.

The management believes that parents initially thought that public kindergartens were of higher quality, but that the example of Dong Phuong convinced them that their children would receive excellent care and education in the factory kindergarten. Having already built one kindergarten, the company was able to apply lessons learned to the construction and operation of the new one. These mostly concerned about the use of space, often based on feedback from teachers and parents, such as making the corridors wider and installing more bathrooms. The management says that the company

*"I am sure that the kindergarten makes workers feel proud and trusting of the company even if they don't have a child there."*

Hien Pham, Former Operations General Manager

has medium-term plans to build another kindergarten to serve its factories in Ba Ria-Vung Tau Province.

The management believes that the process for setting up a kindergarten in an industrial context might vary by province. As the land for the Dong Phuong kindergarten was donated by local government and falls just inside a residential zone (as opposed to an industrial zone), securing the relevant permits was straightforward. It took less than a month from the submission of the application to approval by the local government. According to the management, it is now much easier for manufacturing companies to set up kindergartens in industrial zones due to a change in legislation in 2016, which requires that land is set aside in industrial zones for services including kindergartens. The management advises that in contexts where four factories share one kindergarten, such as at Feng Tay, the kindergarten needs to be registered to just one legal entity.

## Conclusion

Feng Tay's management is very positive about the experience of building and operating a kindergarten for its workers. This is reflected in the fact that the company built a second kindergarten following the success of the first. It is now thinking about building a third. Workers agree that Feng Tay's provision of a kindergarten, and subsidized dormitories, contribute to their overall satisfaction at work and their decision to stay on at the company, especially given the high quality of both facilities. Although the main reason Feng Tay decided to build the kindergarten and dormitories was to take care of its workers and live up to its stated values and mission as a company, the management readily acknowledges that they have brought significant business benefits—especially with recruitment and retention of workers.



Photo credit: Ergon Associates, 2019



Photo credit: Ergon Associates, 2019



Photo credit: Ergon Associates, 2019



# Greenland

Footwear manufacturing, Hai Phong City



## Greenland's workforce profile 2019

### Women represent:

- 77 percent of the overall workforce
- 66 percent of line supervisors
- 71 percent of office workers.

### Greenland I supports parents through:

- Onsite kindergarten for children age 2 to 5
- Medical care for children attending the kindergarten
- Enhanced maternity leave
- Subsidized accommodation for migrant workers and their families
- Provision of housing for families of the poorest workers
- Support for community medical clinics.

### Key business impacts of providing childcare support:

- Recruitment advantage over other local factories
- Reduced staff-turnover rates
- High levels of employee satisfaction, leading to enhanced productivity
- Stronger relations with local community.

## Background

Greenland<sup>7</sup> is a footwear manufacturing company with two production facilities in Vietnam, located side by side near Hai Phong, about 70 kilometers from Hanoi. Greenland I and II, which opened in 1997 and 2003 respectively, are part of a larger manufacturing group that has its head office in Taiwan, China, production sites in Cambodia and Bangladesh, and research and development centers in Vietnam and China. Collectively, Greenland facilities produce around 15 million shoes each year. Greenland I has a workforce of 3,687 workers.

Greenland's goal is to create world-class manufacturing facilities and provide personalized access and quality service for its buyers. Since it launched its first factory in China in 1994, Greenland has built an impressive portfolio of buyers, including global footwear brands Clarks, Tommy, Camper, Ecco, Merrell, and Ugg. Greenland is participating in Better Work Vietnam as part of its commitment to aligning with international best practices.

This case study examines the impact of Greenland's support for its workers' care responsibilities in Vietnam, focusing on the company's operations at its Greenland I factory and the onsite kindergarten for children of workers from Greenland I.

## The Business Context for Supporting Childcare at Greenland

It is a challenge for Greenland to maintain the stable, motivated, and experienced workforce it needs to drive high levels of productivity that can meet its clients' demands for high quality at the best possible value. The company faces tough competition for the best workers from other factories in Hai Phong, which has a thriving and diverse manufacturing sector. In particular, there are a significant number of electronics companies in the area, offering higher wages and air-conditioned factories, which workers view as more favorable for employment than garment and footwear factories. Given that many of these local electronics factories are looking to expand, labor-market conditions are growing more challenging for employers in the Hai Phong area.

7 Greenland is represented as a legal entity in Vietnam by a holding company called Golden Top.

To counter the strain on local recruitment, Greenland I relies substantially on sourcing labor from other provinces in Vietnam. An estimated 70 percent of the workforce at Greenland I comprises internal migrant workers, most of whom live onsite in worker dormitories. But like local workers, migrants also have an array of job options, and factories need to work hard to recruit and retain them by offering attractive benefits and working conditions.

The factory's provision of care supports for workers includes an onsite kindergarten for workers' children and accommodation for migrant workers, who wish to bring their children with them. While the decision to build and operate a kindergarten for workers' children was partly philanthropic, the management team also felt that an onsite kindergarten would benefit productivity. Providing childcare support for workers helps Greenland I to differentiate itself from other employers in the Hai Phong area, forming a key element of the company's wider strategy to become an employer of choice for both local and migrant workers.

## How the Company Supports Childcare for its Workforce

### Onsite kindergarten for workers' children

Greenland I provides an onsite kindergarten for its employees' children age two to six, prior to starting school at age six. As of June 2019, there were 117 children in the kindergarten (31, age one to two years, 54, age three to four, and 32, age five to six). The children are looked after by nine full-time kindergarten staff, in line with Vietnamese regulations, which stipulate a maximum of 15 children to each carer.

Greenland paid for the construction of the kindergarten, which opened in 2011. The company manages the kindergarten itself and covers almost all operational costs—around VND 250 million (\$10,743) per quarter for salaries and miscellaneous costs. Workers pay a monthly fee of VND 300,000 (\$12.89) per child, which covers up to four meals a day for children, including breakfast (not routinely provided at all Vietnamese kindergartens), lunch, a mid-afternoon snack, and—if parents are working overtime at the factory—dinner.

The kindergarten's working hours offer a high level of convenience and flexibility for working parents, dovetailing neatly with their working hours at the factory. Since kindergarten staff is engaged directly by Greenland, operating hours can always be scheduled around the production needs of the factory. This means that the standard working hours of the kindergarten are from 6.30 a.m. to 4.30 p.m. (compared to the standard opening time of 7 a.m. for public-run kindergartens), and working hours can be extended up to 6.30 p.m. during the busiest period of the year from May to June so that parents can work overtime at the factory. Parents do not have to pay additional fees when they work overtime, and their children have to stay late. The kindergarten operates continuously throughout the year, even during summer, when public kindergartens are closed.

Greenland employees value the high educational standards at the kindergarten. All teachers have a two-year post-secondary school diploma in early childhood education, and they regularly attend courses run by the Vietnamese Department of Education and Training to upgrade their skills. Children are provided basic education in mathematics and reading, in line with the Department of Education and Training guidelines. Teachers at the Greenland kindergarten are very satisfied with their terms of employment and consider that they are better paid and better treated than teachers in other kindergartens in the area.

Places are in high demand at the kindergarten. Applications are invited in early June, to be submitted to the human resources manager. After four weeks, the list of admitted children is posted on the company notice board. For the 2018-19 school year, the factory could meet only 75 percent of demand. It received 36 applications, but only 27 could be accepted. The factory had to apply strict filters to allocate admissions: first priority was given to children with two parents working at the factory and next to children of parents with the longest record of service. According to both workers and the management, these rules are transparently and uniformly applied. Workers reported an occasion where the child of a manager was not given a place while children of longer-serving floor-workers were given priority.

Employees are very happy with the level of care at the Greenland kindergarten. Many workers highlighted the professionalism of the staff, their positive and respectful attitude towards the children, and the nutritious food that is served. One worker says, “The best test is whether the children are happy to go there every morning, and they are.” The kindergarten’s appeal to managers as well as workers is a testament to its quality. Five of the current management team, three of whom are Taiwanese, have their children in the kindergarten.

### Enhanced parental leave and protection for pregnant workers

Greenland takes great care to follow statutory requirements on parental leave, and, in some instances, provides additional benefits. Under Vietnamese law, female workers are entitled to six months’ maternity leave at 100 percent of the basic wage (VND 4.5 million or \$193), provided that workers have paid social insurance premiums for at least six of the 12 months before childbirth or adoption. Fathers are entitled to five days of paternity leave at full pay. At Greenland, as of the beginning of 2019, workers are entitled to six months’ paid leave even if they give birth the day after starting work, with the company making up any social insurance shortfalls. By law, women are also entitled to leave work an hour early each day for the first six months after returning from maternity leave. According to the management, Greenland allows women to extend this period if they believe it is necessary for the wellbeing of the child.

Workers are confident that Greenland respects the law and provides employment security for pregnant workers. Although it is against the law to fire a woman for being pregnant, this is common practice in some factories. A worker who recently returned from maternity leave, says, “Here there is the security of knowing you can keep your job, and there is a place for your children to go when you come back.”

### Medical care and health education

There is an onsite medical facility for workers, with two full-time duty nurses and breastfeeding facilities. Worker access to medical care is prescribed by law, but Greenland I also provides access to

medical care for workers’ children at the kindergarten.

In 2018-19, workers at Greenland I benefited from a series of training on women’s health, including awareness-raising on children’s health issues, with a particular focus on children from ages one to five. These training activities were provided through the HERproject, a global partnership initiative run by BSR, a global non-profit business network, and consultancy. HERproject works with companies to promote investment in the empowerment of women working in global supply chains, including through workplace education programs on health.

### Support for workers’ families

Beyond the factory premises, Greenland also invests in the wellbeing of families in the local community through a series of projects that benefit workers’ families and other local families. Every year since the two factories opened in 1997, Greenland has bought a plot of land and built a house for a “worker in extreme hardship,” totaling an impressive 22 houses. This is based entirely on need rather than performance, with the needs’ assessment made by the management. These workers receive “luck money” from the company to help them settle into their new homes, and there is a ceremony attended by the company management, local authority officials, and representatives of the trade union.

## The Business Benefits

### Benefits for recruitment

The kindergarten provides a valuable tool for recruitment in the context of a very tight local labor market. Greenland’s HR Manager, Mr. Andy Liu, is convinced that some workers overlook the higher salaries and air-conditioned working environment offered by electronics factories in the local area and choose to work

*“Workers want to work at factories where their children can be cared for nearby, and Greenland I offers that.”*

Andy Liu, Capital Human Resources Manager

at Greenland I because it provides access to quality childcare. The company is aware that the kindergarten is an important draw, and so highlights its existence in job advertisements in local papers. In addition to formal recruitment materials, Mr. Liu also believes the kindergarten's existence has been spread by word-of-mouth by satisfied working parents, both in the Hai Phong area and beyond.

Many women workers knew about the kindergarten before they came to the factory and say that it was a decisive factor in choosing to work at Greenland, even for those who are yet to have children. One young female worker without children says, "When I was told about the kindergarten, I saw how my future would be when I had children." She has visited the kindergarten to assess the facilities and feels reassured about having children in the future.

Migrant workers are also drawn to Greenland I by the kindergarten and access to well-priced family accommodation in the worker dormitory. Some migrant couples moved to Hai Phong to work at Greenland specifically to take advantage of priority access to the kindergarten for couples.

### Higher productivity and fulfillment of targets

As a major supplier to well-known global footwear brands, Greenland has to fulfill demanding production targets. Shoe manufacturing is highly specialized and requires workers to maintain high levels of skill at a consistent speed. Managers believe that the kindergarten contributes to employee satisfaction and helps workers focus on their tasks because they know their children are well-cared-for nearby, which in turn helps maintain higher levels of productivity. Ms. Chen, Greenland I's Capital Production Manager, says, "Because of the kindergarten, there is more dedication from the workers, and both the quality and the quantity of the products has improved."

The kindergarten also means that workers are more available to work overtime to meet challenging deadlines, especially during peak production from May to July. As the kindergarten staff is engaged directly by the factory, it also works overtime to match production schedules during busy periods. Workers feel more

comfortable about working late because of the quality of care at the kindergarten. In the words of one female worker with a four-year-old child at the kindergarten, "We most appreciate the dedication of the teachers. If we work late, we know our children will be well looked after."

*"The kindergarten is good for the company and means that the workers feel assured if they know their children are close by; it is a source of mutual support for mutual interest."*

Ben Chen, Vice CEO

### Benefits for retention

Maintaining high levels of staff retention is an important consideration for Greenland. This is not just because of challenging recruitment conditions but is also related to profitability: Greenland is aware that there are significant costs associated with losing a worker, particularly in terms of productivity losses. Andy Liu, the HR Manager, estimates that the average cost of recruiting a new worker at Greenland is at least VND 3 million (\$129). Around 85 percent is due to lost productivity, as it usually takes a minimum of 30 days for a new worker to achieve full productivity.

Based on average monthly turnover figures for 2018, Greenland I employees with children in the kindergarten are 44 percent more likely to stay on in the company than other workers, which means their skills and experience are retained by the factory. According to Mr. Thang Ta, Compliance Manager, "When you help workers, they will feel loyalty to the company." In focus group discussions, workers with children in the Greenland I kindergarten expressed a strong desire to keep their child(ren) there until they started school. This was particularly the case for migrant families, who think moving young children is disruptive to their development.



*“The availability of an onsite kindergarten means that the workers have greater focus on their work, and they are more likely to stay with the factory.”*

Ben Chen, Vice CEO

## Lessons Learned

Due to its popularity and potential to strengthen staff retention, the management has plans to expand the kindergarten, although there is no specific timeline in place yet. One of the challenges involved in expanding, according to Compliance Manager, Mr. Thang Ta, is that there is no space on the current site to expand. They would need to build another building, and children would have to cross a busy road to access it, posing risks to their safety, which is a top priority for the company.

While Greenland has not yet done any empirical research with respect to the business benefits of the kindergarten, it is planning to undertake a cost-benefit analysis of the kindergarten in 2020 to better understand its impact on recruitment, retention, and productivity. They expect the results to confirm what they see and hear anecdotally every day: that it has a positive effect in all these respects.

## Conclusion

Both management and staff agree that the onsite kindergarten, combined with efficient and effective access to statutory benefits such as maternity and paternity leave, contributes to a positive working environment that helps the factory recruit new workers. Given the proliferation of new companies in the Hai Phong area, particularly in the electronics industry where the employees are offered higher wages and an air-conditioned working environment, the kindergarten may become an even more significant factor in recruiting and retaining workers in the years ahead.



Photo credit: Ergon Associates, 2019



Photo credit: Ergon Associates, 2019



# Now Vina

Garment manufacturing, Phu Tho Province



## Now Vina's workforce profile 2019

### Women represent:

- 97 percent of the total workforce
- 97 percent of factory workers
- 85 percent of line supervisors
- 78 percent of factory managers
- 33 percent of senior managers
- 50 percent of board members.

### Now Vina supports parents through:

- Guaranteed subsidized places at the local kindergarten, operated by the municipal authority
- Flexible hours and leave arrangements
- Free medical care at work.

### Key business impacts of providing childcare support:

- Status as an employer of choice in the local area
- High staff retention rates
- Enhanced productivity, based on increased employee satisfaction and reduced anxiety about their children's welfare
- Demonstrated company commitment to supporting the local community, and a positive corporate reputation in the local area.

## Background

Now Vina is a garment manufacturing company with a single production site located across Phu Loc and Gia Thanh communes, Phu Ninh district, Phu Tho province, some 100 kilometers from Hanoi. The factory makes clothes for export for a number of international clothing brands, most notably Li and Fung, Walmart, and Mango. It began operations in 2015.

There are 1,871 (97 percent) women and 57 men (3 percent) employed in the factory. Women work primarily in sewing and cutting and are divided into teams of approximately 25 workers, with each team supervised by a line manager. Most men on the factory floor work in professions deemed to be more traditionally “men’s work,” such as driving forklifts and loading finished garments onto trucks. Women are well-represented in leadership positions at Now Vina, representing 81 percent of management positions overall, including 85 percent of line supervisors and 78 percent of factory managers.

This case study examines the impact of Now Vina’s support for its workers’ care responsibilities, including investment in a nearby municipal kindergarten. The kindergarten is an important source of childcare for working parents at the factory, with clear benefits accruing to workers and management alike.

## The Business Context for Supporting Childcare at Now Vina

Now Vina is committed to supporting the local community in which it operates. This is a key part of the company’s philosophy and is driven by a strong sense of philanthropy on the part of the Kim family, which owns and manages the factory. Mrs. Kim, in particular, cites her own experiences as a young woman worker as having had a direct bearing on Now Vina’s decision to invest in a locally-run kindergarten, “I understand how difficult it can be for young women with children to work and attend to their families, and I thought supporting a kindergarten for them could help.”

Supporting the local kindergarten is not just the right thing to do; there is also a clear business rationale for it. Women—and working mothers—are central to Now Vina’s operations. The vast majority (97 percent) of the workforce is women. The management estimates that approximately 70 percent of workers have at least one child under age six (the age at which children start primary school in Vietnam). Consequently, a large number of the factory’s workers are in need of childcare support. By supporting high-quality, low-cost childcare for its workers, the factory stands to gain in terms of improved recruitment and retention outcomes.

Now Vina has plans to expand production in the future and is currently already under-staffed. The Human Resources (HR) Manager, Ms. Tien feels it could become difficult to recruit more workers locally in light of local labor market conditions. Most other new factories are electronics production sites and typically provide air conditioning and better food and facilities than most garment factories. This creates competition among employers, making it important for Now Vina to find ways to differentiate itself from other local factories.

Now Vina is one of 562 ‘Better Work’ factories in Vietnam. Better Work engages with the factory in a variety of ways, and Now Vina employees and management have, at the request of one of its buyers, undergone Better Work training in gender equality and mitigating sexual harassment. While Now Vina’s buyers have requested specific changes to fire regulations and safety measures, the initiatives to support the childcare needs of its workers are entirely the company’s decision.

## How the Company Supports Childcare for its Workforce

### A partnership with the municipal kindergarten to support higher-quality care for local children

Since the factory began operations, Now Vina’s management has been strongly committed to supporting the local kindergarten in Phu Loc, which is located approximately two kilometers from

the factory. The kindergarten is owned and operated as a state-owned facility by the local authority. As of June 2019, children of Now Vina employees comprise nearly a third of the kindergarten’s overall attendance (170 of 520 children).

In 2015, Now Vina donated VND 2.1 billion (\$90,245) for the construction of a new block to be used as classrooms. Now Vina’s contribution comprised the vast bulk of funds invested in the kindergarten and was supplemented by VND 35.5 million (\$1,525) provided by the Mekong Urban Housing Development Corporation, a national body responsible for providing housing in impoverished areas of the country. In addition to supporting construction of the new block, Now Vina also bought ten computers, four televisions, and installed air conditioning in the four rooms used by the children.

Now Vina’s investment in the kindergarten has led to a significant improvement in the kindergarten’s facilities and increased the quality of care available to local families, including Now Vina’s workers. According to the Principal of the kindergarten, “It was very difficult before. Sitting under a tin roof during the summer season, the heat was unbearable for the children, but now they can eat, play, and sleep peacefully.” Moreover, Now Vina’s investment meant an upgrade in the working environment for staff, as old classrooms could be turned into offices for the teachers.

The quality of care at Phu Loc kindergarten is enhanced by a favorable ratio of children to carers. Children are divided into 17 individual classes and overseen by 51 qualified staff, a ratio of ten children to one carer. This is well below the minimum 15:1 ratio of children to carers specified under Vietnamese law and means that children can benefit from higher levels of attention from staff. According to one female factory worker, “The Phu Loc kindergarten is better than other kindergartens in the region. You get a briefing about the child when you collect them; they are open, friendly, and there are outings for the children.”

The kindergarten has been appraised by the District People’s Committee and the Department of Education and Training and has, uniquely in the Phu Loc area, reached the highest score in the “National Standard for Kindergartens,” meaning that the standard

*“Thanks to Now Vina, this kindergarten ranks first in the district in facilities, education, and mobilization of private finance.”*

Staff member, Phu Loc municipal kindergarten

of the facilities, food, and education have met the children’s dietary and educational needs. According to a kindergarten staff member, this rating was entirely the result of Now Vina’s investment, “Thanks to Now Vina, this kindergarten ranks first in the district in facilities, education, and mobilization of private finance.”

In addition to the considerable investment in the Phu Loc kindergarten, Now Vina also made a donation to the nearby Gia Thanh kindergarten to support the construction of a children’s playground, referred to as “Vườn Cổ tích” (Fairytale Garden).

## Guaranteed kindergarten places for Now Vina employees

While the kindergarten is open to all local families, there is an agreement between the factory and kindergarten to ensure that places are reserved for Now Vina employees. To date, demand for places from Now Vina workers has not outpaced the number of places available.

The kindergarten’s working hours are convenient for workers at Now Vina. It is open from 6.30 a.m. to 4.30 p.m., which, for most of the year, sits neatly with Now Vina’s production schedule. State-run kindergartens do not open until 7.00 a.m. The earlier opening time at Phu Loc was instituted specifically to cater for the work schedule at Now Vina and other nearby factories. The kindergarten does not remain open late. When workers are required to do overtime, they arrange for a relative to collect the children or use a pick-up service. However, unlike other kindergartens in the region, Phu Loc remains during summer, although with a much-reduced attendance of approximately 100 children and 10 staffs.

Now Vina workers benefit from a meaningful reduction in the annual kindergarten fee, according to a policy introduced at the initiative of the kindergarten. Although the annual parent contribution fee is VND 4 million (\$172) per child, they pay only VND 3.5 million (\$150). There is a further VND 500,000 (\$21.5) reduction for parents with two children in attendance. Meal vouchers for each child are VND 10,000 (\$0.43) per day. By comparison, a Now Vina employee who sends her three-year-old to a kindergarten nearer to her home reported annual parent contribution fee of around VND 4.8 million (\$206), and meal vouchers cost VND 15,000 ( \$0.64 per day).

## Monthly childcare allowance

Now Vina also provides an allowance of VND 150,000 (\$6.50) per child each month. All workers with children under six are eligible for this subsidy. This provides a way for the company to support workers who prefer to place their children in other kindergartens that may be closer to their homes.

## Strict compliance with statutory requirements on leave and medical care

Now Vina complies strictly with statutory requirements concerning parental leave, maternity leave, and time to take care of children under 12 months old.

Due to the fixed shifts in the factory, there is a limit to how much flexible working hours can be provided to factory workers. However, the management tries to provide flexibility where possible to retain committed and productive employees. For instance, one worker reported that she regularly takes one day of annual leave every month to care for her sick mother, even during periods of peak production.

Now Vina operates an onsite medical facility with two full-time nurses for its workers, in line with Vietnamese law. This also provides facilities for breastfeeding, where women workers can express milk and are entitled by law to one hour per day to breastfeed. Women are free to use the breastfeeding facilities as and when they like, although to date, there has been limited uptake.

## The Business Benefits

Mrs. Kim, Now Vina's General Director, emphasizes that altruism was the most important driver for investing in the local kindergarten, but the company's generous contributions have translated into unexpected benefits for the company in terms of recruitment, retention, productivity, and reduced absenteeism.

### Benefits for recruitment

The Phu Loc kindergarten is thought to be instrumental in making Now Vina an employer of choice in the local area. According to the HR Director, Ms. Tien, other factories in the region offer the same benefits, but “do not provide guaranteed access to a kindergarten, and this may give Now Vina an advantage.” Ms. Tien is convinced that the quality of the kindergarten, and the positive working environment in the factory, has been spread by word-of-mouth—a key recruitment mechanism—around the district and has bolstered the factory's reputation as a company that cares for its workers.

### Benefits for staff retention

The kindergarten also helps Now Vina maintain low rates of staff turnover, currently at 3 percent annually. This brings substantial benefits in reducing costs associated with recruiting and training new staff. It is estimated that it takes at least three months for a newly-recruited worker to reach full productivity, operating at 50 percent in the first month, 70 percent in the second month, and 90 percent in the third month. In the context of tight production deadlines, even marginal losses in productivity can have an impact on the company's ability to fill orders efficiently and on time. It is very much in Now Vina's interest that existing employees are retained to recoup the investment in training and loss of productivity.

An estimated 70 percent of the sewers have at least one child under six, so the management sees the kindergarten as playing a central role in the retention of workers. Indeed, for many workers, having the kindergarten that known for its quality service nearby is what attracted them to the company in the first place and provides an important motivation to stay on. One woman who works as a sewer stated, “Other companies in the area are not like Now Vina, which has have invested in improving services in the local

kindergarten. It means I don't have to worry about my child during the day.”

### Benefits for productivity

There are indications that the company's investment in the kindergarten has had a positive impact on productivity at the factory. Workers report a sense of greater focus on their work because they know their children are well-cared-for at the kindergarten. This also contributes to a sense of greater loyalty and satisfaction among employees, which contributes to higher levels of productivity.

Now Vina—as with most other garment factories in Vietnam—provides bonuses to workers if they maintain 100 percent attendance—VND 200,000 (\$8.6) per month. As a result, most workers are reluctant to take unplanned leave. When workers do take leave at short notice, it is typically because of a sick child (estimated at 70 percent of cases) or, to a lesser extent, because of a sick parent. This could be mitigated, for instance, by providing some access to the medical clinic for workers' families or by providing awareness-raising sessions on children's health and nutrition.

### Benefits for community relations

Mrs. Kim believes that Now Vina's support for the kindergarten has helped strengthen relationships with the local community and enhanced its reputation as a trusted and respected company in the local area. The opening ceremony for the new block was attended by representatives of the District People's Committee. The local kindergarten supported by the company cares for both the children of factory workers and from families from the wider locality. In fact, the parents of more than two-thirds (350 out of 520) of the children attending the Phu Loc kindergarten do not work at Now Vina.

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*“Other companies in the area are not like Now Vina, which has invested in improving services in the local kindergarten. It means I don't have to worry about my child during the day.”*

Factory worker

## Conclusion

Now Vina's main motivation to invest in the kindergarten was a desire to support its workforce. Mrs. Kim says, "When our workers are more comfortable with their childcare, that makes me happy." The Finance Director, Mr. Lam says that the company may look at measuring the positive impact of providing access to low-cost, good-quality childcare on recruitment, retention, and productivity in the near future. He says that as Now Vina commenced operations only in 2015, they have not yet had the time to "convert the benefits of the kindergarten into financial benefits for the company." The testimony of workers and the views of the HR Manager Ms. Tien would suggest that, when they do undertake this quantitative analysis, the investment in the kindergarten may have led to productivity and profitability rewards over the long term. Till then, there is little doubt that both management and staff see the kindergarten as contributing to the positive working environment in the factory and therefore to the high staff-retention rates.



Photo credit: IFC, 2019



Photo credit: IFC, 2019



Photo credit: IFC, 2019





# Pou Chen

Footwear manufacturing, Dong Nai Province



## Pou Chen Vietnam's workforce profile 2019

### Women represent:

- 83 percent of the total workforce
- 80 percent of factory workers
- 75 percent of supervisors
- 40 percent of senior managers
- 42 percent of executive committee members.

### Pou Chen Vietnam supports parents through:

- An onsite kindergarten
- Parenting training program, in partnership with UNICEF
- Monthly childcare allowance
- Predictability of hours and leave
- Visits to workers' homes.

### Key business impacts of providing childcare support:

- High staff-retention rates
- Enhanced productivity and employee satisfaction
- Demonstrated leadership status in sustainability
- Enhanced relationship with brands
- Strengthened relations with local community.

## Background

Pou Chen Group is the largest branded athletic and casual footwear manufacturing company in the world (Pou Chen, 2019). The Taiwanese group is a strategic partner for a number of high-profile global brands, including Nike, Adidas, Asics, New Balance, Timberland, and Salomon (Pou Chen, 2019). Vietnam is its largest production base, contributing 46 percent of total sales in 2018 and employing around 150,000 workers (Pou Chen, 2019a). The group also has major operations in Indonesia and China.

This case study is focused on Pou Chen Vietnam, one of Pou Chen Group's ten factories in Vietnam. The factory is located in Dong Nai province, around 30 kilometers from Ho Chi Minh City, where it produces exclusively for Nike. Established in 1994, the factory employs around 16,500 people (as of August 2019) and is the oldest of Pou Chen Group's Vietnamese factories. It makes seven types of basketball and specialized sports shoes.

Approximately 85 percent of the total workforce at Pou Chen Vietnam is women. Women account for 75 percent of supervisors, and 40 percent of senior managers. An estimated 50 percent of the workers are from the local area, and the rest migrated from the center and north of Vietnam when Pou Chen Vietnam was founded. Up to 90 percent of these workers have now settled in the local area.

This case study looks at the impact of Pou Chen Vietnam's support for its workers' care responsibilities, including investing in an onsite kindergarten.

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*"We could have just built a normal kindergarten, but we wanted to create a sustainable, green kindergarten. It is important for us to put sustainability at the heart of everything we do."*

Peter Tsai, General Manager

## The Business Context for Supporting Childcare at Pou Chen

Pou Chen Group has sought to build and maintain a leadership profile during Vietnam's fast-paced growth in the footwear industry over the past decade. During this time, many international brands shifted a significant proportion of their production to Vietnam while also increasing their emphasis on environmental and social sustainability (Bain, 2018; Lu, 2019). Pou Chen Group's efforts to align with the growing sustainability commitments of major international brands have helped to give it a competitive edge.

Pou Chen Vietnam's decision to build an onsite kindergarten for workers in 2011 corresponded with an enhanced sustainability focus for the group. The Pou Chen Group established its Sustainable Development Department in 2012 to ensure that sustainability principles were fully embedded in its operations (Pou Chen, 2019). Pou Chen Vietnam wanted its new kindergarten, and other childcare support for workers to be consistent with its environmental and social sustainability ideals and set an example of good practice in the local and global manufacturing industry. Staff satisfaction and loyalty are particularly important considerations for Pou Chen Vietnam. The onsite kindergarten is one of its initiatives to cultivate closer relations with its workforce by supporting their care responsibilities.

Higher employee satisfaction rates are also linked to lower staff turnover, another important consideration for the company. Pou Chen Vietnam produces highly specialized shoes and, according to the factory management, this means that its workers are among the highest skilled and trained workers in the sector. One reason that Pou Chen Vietnam has been able to maintain this high level of technical know-how is that it has achieved unusually high levels of employee retention over a period of time. The average employee tenure is 11 years. This means an older workforce profile than many footwear factories—an average worker age of 38 years, compared to the industry average of 25.9 years for women, and 25.5 for men (Better Work, 2019).

## How the Company Supports Childcare for its Workforce

### Provision of an onsite kindergarten

Pou Chen Vietnam started building its onsite kindergarten in 2011 and opened its doors to in October 2014. The day-to-day running of the kindergarten is outsourced to Saigon Consultancy, a private educational consultancy, with oversight and monitoring by the factory. Currently, 420 children are enrolled in the kindergarten (60 children age two to three; 120 age three to four; 140 age four to five; and 100 age five to six). The kindergarten can accommodate up to 500 children. For now, demand is steady and in line with capacity.

Pou Chen Vietnam's kindergarten is the company's flagship sustainability initiative and involved an upfront investment of \$2 million (VND 46.5 billion) for design, construction, and materials. It is seen as an example of best practice in employer-provided care on an industrial site in Vietnam and is renowned for its striking environmentally-friendly design, which has attracted international attention and awards. Representatives from private and public sectors and non-government organizations visit regularly to learn from Pou Chen Vietnam's experience, including other footwear manufacturers, who are interested in setting up their own kindergartens. Pou Chen Vietnam has hosted the national education minister who visited to inform the establishment of similar facilities in other industrial zones.

The quality of education and the professionalism of the staff is a particular draw for parents. There are 12 classes, 26 teachers, and a further 30 support staff, including one special-needs

*"I chose the kindergarten because it's the most convenient option. Also, the tuition fees are reasonable due to support from the company. The teachers and staff are very friendly and well trained. They are very respectful when dealing with the children."*

Female fire-safety worker

teacher, who provides individual tuition to seven children with learning or behavioral difficulties, including autism and attention-deficit hyperactivity disorder (ADHD). Teachers receive internal professional development training twice a month and further training from the local authority over the summer. A review panel, which includes two people from the factory's management board, regularly monitors teaching quality.

Pou Chen Vietnam makes a substantial contribution to the kindergarten's ongoing operational costs so that fees are kept low for its workers while guaranteeing a high standard of care and facilities. Parents pay VND 800,000 (\$34) per child per month, which covers three meals a day (breakfast, lunch, and afternoon snacks). Children with special needs are given free tuition. By contrast, public kindergartens in the local area typically cost VND 900,000 to 1 million (\$39 to 43) per month, including meals; a babysitter anywhere from VND 1.3 to 2.5 million (\$56 to 107); and a private childcare facility can cost VND 1.4 to 1.6 million (\$60 to 69), excluding meals. Some parents make additional voluntary contributions to the kindergarten, organized through a parents' forum, of VND 200,000 (\$8.6) per year for ad hoc items.

Parents appreciate the kindergarten's extended working hours, which match the factory's daytime production schedule. The kindergarten is open from 6.30 a.m. to 5.00 p.m., from Mondays to Saturdays. For workers, this compares favorably to public kindergartens, which typically close at 4.30 p.m. and are not open on Saturdays. If parents are working overtime, children can stay later at the kindergarten, for a fee of VND 50,000 (\$2.15) per month, where they are looked after in a designated classroom.

The kindergarten is particularly valued by certain migrant workers from other provinces, as they are less likely to have family networks in place in the local area. As one supervisor explained, "There is no one at home to look after our children because many of us come from somewhere else." These workers may also have difficulties placing their children in public institutions due to their status as temporary residents, according to a recent study (World Bank, 2016).

Pou Chen Vietnam is the second of Pou Chen Group's ten Vietnamese factories to open a kindergarten. The other is at Pou Yuen, in Ho Chi Minh City.

## Engagement with workers' family lives

In 2018-2019, Pou Chen Vietnam trialed a parenting-skills program for its employees in partnership with UNICEF. This partnership is part of a broader UNICEF factory program on child rights in Vietnam's manufacturing sector in Vietnam, implemented with the Center for Child Rights and Corporate Social Responsibility (CCR-CSR).

The program, called "Nobody's Perfect," was popular among the 242 employees who took part—60 employees from Pou Chen Vietnam's administration center (representing 30 percent of all administration staff), 160 production workers, and all 22 kindergarten teachers.

The program was adapted by UNICEF Vietnam from the Public Health Agency of Canada's "Nobody's Perfect" training program and is designed for parents of children age up to eight. It consists of eight two-hour modules; topics include child safety, behavior and positive parenting, play, and health and nutrition. The sessions are delivered by a trained member of Pou Chen Vietnam's HR team and—looking beyond the pilot—the plan is to train more facilitators so that more workers can benefit from the training.

Feedback from participants was resoundingly positive; 100 percent of those surveyed after the training say they were either very satisfied (80 percent) or satisfied (20 percent) with the training, and 92 percent say that they had become more confident in parenting skills and related stress-management techniques. Many parents spoke about improved communication with their children and their sense of achievement in becoming "positive parents."

One female worker from the legal department with a three-year-old daughter says, "The most interesting part was how to nurture children more, how to talk to them more softly." Another male worker says, "After participating in the training, I look at my child with more love, more friendliness, and he can tell the difference. He said to me, 'Before, if I dropped a bowl, you would

yell at me, or smash the table, but now I don't see you yelling. Instead, you tell me to go clean up the mess and take another bowl and continue eating.”

While the majority of trainees were women—reflecting the overall composition of the Pou Chen Vietnam workforce—the training also had a positive response from men and has helped them play a more active role in family life. Male participants reported that the training helped them become more involved in caring for their children and that this has helped them be more understanding of the contribution that their wives make to caring for their families. The mixed sessions have a positive effect, as men and women feel they learn from each other.

The training also helped build stronger connections between workers, with respect to both parenting and work. Some groups continue to participate in messaging groups to further support and learn from each other outside the sessions. According to a female worker, “The facilitator set up a Zalo group for us. It is a messaging platform for us to chat and get advice from other members if our children get sick or to show videos of our children playing.”

Pou Chen Vietnam also organizes community-style events for workers and their families. In June 2019, a “Family Day” at Pou Chen attracted 17,000 workers and family members (Pou Chen, 2019b). This and other team-building/family activities have been organized across ten factories and have become annual events for employees to look forward to. As part of its commitment to the personal wellbeing of workers and their families, Pou Chen Vietnam’s management and HR staff undertake monthly visits to the homes of workers in need of support.

### Monthly childcare allowance

Parents whose children do not attend the Pou Chen Vietnam kindergarten are entitled to a childcare allowance of VND 150,000 (\$6.45) per month per child. The childcare allowance is available to women only.

The allowance helps subsidize alternative childcare arrangements for parents who are not able or choose not to enroll their children in the kindergarten. Vui, a production line supervisor, said: “It is

the most effective way for Pou Chen to support childcare, as it can reach everyone.”

### Support for pregnant and nursing workers

With an average of 5 percent of the female workforce pregnant at any time, Pou Chen Vietnam has well-established systems in place to look after its pregnant workers. Pregnant and breastfeeding workers are issued badges to ensure that they are not given hazardous work. Pregnant women have access to a separate room for lunch, where they benefit from air-conditioning and one extra dish to provide additional nutrition. The company also has a lactation room for nursing mothers with a refrigerator for storing milk.

*“I like it here because there is no excessive overtime. Other companies make their workers keep on going up to 10 p.m.”*

Female supervisor

### Predictability of hours and leave

Many workers cite the “stable hours” at the factory as a benefit that helps them balance work and family responsibilities. For Tuyen, 32, who has a seven-year-old daughter and has worked in the administration department for eight years, this is a key factor in her decision to stay on at the factory. At Pou Chen Vietnam, overtime and night work are carried out strictly in compliance with national labor laws. For instance, workers with children under one and pregnant workers are not allowed to work night shifts.

## The Business Benefits

### Benefits for recruitment and retention

Support for workers’ care responsibilities is one of the ways in which Pou Chen Vietnam cultivates loyalty and achieves high rates of employee retention. At less than 0.5 percent per year, staff turnover rate is lowest in the Pou Chen Group factories in Vietnam,

compared to the overall average of 1.3 percent across Pou Chen’s Vietnamese operations. Low staff turnover means that Pou Chen Vietnam has not needed to recruit factory workers for two years.

*“Having a kindergarten makes us closer to our workers, which has a benefit for our business.”*

Cheryl Lin, HR Manager

Pou Chen’s high employee-retention rate is rare in the manufacturing industry, where factories typically have much higher levels of workforce turnover. A study by Better Work (2012) found that over a quarter of all garment workers (28 percent) in Vietnam had been with their employers for less than one year. If Pou Chen Vietnam’s turnover is level with the Pou Chen Group average of 8 percent, it would cost the factory an additional VND 11.3 billion (\$485,600) in lost productivity. If its turnover was 28 percent (in line with the Better Work figure), it would cost a VND 40.2 billion (\$1.7 million) in lost productivity.<sup>9</sup>

Low staff turnover helps Pou Chen Vietnam control costs associated with recruitment, which could be substantial for a facility of its size. These costs relate to induction training, management and supervisor time spent with new workers, and the time it takes for new workers to achieve productivity levels of more experienced workers. It is estimated that it takes around three months for a newly-recruited production worker to reach full productivity. Moreover, the longer a worker stays at the factory, the faster and more productive they become, and the longer it takes to train their replacement. As the workforce at Pou Chen Vietnam is highly trained and skilled, losing workers is likely to have a higher cost for Pou Chen Vietnam than for other factories in the group.

The factory does not have immediate plans to conduct any significant recruitment drives for workers. The company’s current human resources focus is more on increasing investment in existing employees—rather than recruiting new ones—to create a more

flexible and agile workforce to increase productivity. However, when the time comes, Pou Chen wants to recruit the best workers available. According to Cheryl Lin, the factory’s HR Manager, “In the past, we looked for high productivity; it was simpler. In the future, we need people with more skills, who can operate more complex machinery, who can absorb more information and change.”

This aligns with the government’s new national strategy on the industry, which sets out plans to use technology to improve productivity (Vietnam Law and Legal Forum, 2019), and with a growing recognition of the need to invest in workforce training and development to respond to growing digitization and automation. As the company seeks to recruit and retain more skilled workers, the kindergarten and other childcare supports are likely to be a useful differentiator for Pou Chen.

*“The kindergarten is an important reason for workers to choose this factory. Most factories require overtime, but public kindergartens do not account for this. Here it is supported. Also, other schools are off on the weekends, but this kindergarten is open on Saturday.”*

Female employee in legal department

## Benefits for productivity

Employer-supported care can also help workers be more productive by reducing levels of “presenteeism”; that is, when workers are present for work, but not completely focused on the job at hand because of anxiety about their child’s care. Tien, 29, who works in the fire-protection department, says that the kindergarten helps him achieve more at work: he can focus completely on his work because he knows his child is well looked after nearby. By contrast, other workers say that when they have to leave their children with family or private childcare providers, they worry that their children won’t

<sup>9</sup> This figure is calculated on the basis of labor inputs alone and does not take into account overhead costs such as energy use, materials, building maintenance, government taxes, and so on. The costing is based on the costs of reduced productivity associated with an average three-month trajectory for workers to gain 100 percent productivity (60 percent in month 1; 75 percent in month 2; 85 percent in month 3), and costs associated with recruitment and training.

acquire the key skills and knowledge for their age, especially social skills. The Pou Chen Vietnam kindergarten also helps to reassure supervisors. According to one supervisor: “If my staff had children in the kindergarten, I would worry less. I would feel like it was a safe place for their children. If the worker feels safe, then I feel safe.”

According to Peter Tsai, the factory’s General Manager, the kindergarten is particularly important for migrant workers. Without it, many would have to leave their children behind in their hometowns to be looked after by grandparents. The anxiety and unhappiness caused by this separation could have a negative influence on workers’ wellbeing, with potential knock-on effects for productivity at work. Research in China has shown that migrant workers’ separation from their children can have a profound impact. One study found that 80 percent of migrant workers in China with “left-behind children” reported feelings of inadequacy as parents and anxiety, worry, and guilt about the effect on their children (CCR-CSR, 2013).

### Benefits for attendance

Unplanned absenteeism rates are already extremely low (about 0.01 percent of the workforce per month on average) at Pou Chen Vietnam, but even three people missing on a line of 100 can have significant implications for meeting production targets, so it is important to maintain low absenteeism rates. Bonuses incentivize high levels of attendance, but Cheryl Lin, HR Manager, estimates that there are still around 100 days lost every month to unplanned leave. According to one group of supervisors, well over half of the unplanned leave taken by workers is likely due to care responsibilities. So support for more reliable and better-quality care and parental training on children’s health could help reduce unplanned time off.

### Benefits for strategic partnership with brands

Pou Chen Group is a very successful player in the highly competitive global footwear industry and has worked hard to build and maintain its status as a strategic partner of big global sportswear brands, including Nike, Adidas, Reebok, and New

Balance. These brands have high expectations for their suppliers. As a basic precondition, they expect all suppliers to meet a rigorous set of quality and compliance requirements, but they expect that strategic partners, like Pou Chen Vietnam, will go “beyond compliance” and demonstrate a more innovative and proactive commitment to social sustainability and worker wellbeing. In this context, Peter Tsai, General Manager, feels that the one thing that differentiates Pou Chen Vietnam from other factories is its long-term investments in its workers, including its childcare supports such as the kindergarten.

### Benefits for community relations

Pou Chen Vietnam’s vision of social sustainability involves giving back to the local communities in which it operates, and its provision of childcare supports, especially the kindergarten, help it to achieve this. Pou Chen Vietnam maintains a good relationship with local authorities by providing an example of good practice from which both private and public sectors can learn. It can even have a positive influence beyond its immediate community, as shown by regular visits by representatives from across public and private sectors seeking to learn from Pou Chen Vietnam.

### Lessons Learned

Pou Chen Vietnam is proud of how smoothly its kindergarten runs now. However, the company faced several early challenges, especially related to licensing and regulatory requirements. It cautions other factories to take these complexities into account if they are planning to establish their own onsite kindergarten. For instance, land zoning was an early hurdle. The land on which the kindergarten was built was classified as industrial land as it belonged to the factory and needed to be re-zoned to open an educational facility. According to Pou Chen Vietnam’s management, it was crucial to have the support of the local government to secure the necessary licenses and permits.

Getting the license to operate the kindergarten and meeting Pou Chen Vietnam’s own high standards on the desired quality of care were other difficult issues, and the solution ultimately lay in finding

the right partner. After weighing its options, Pou Chen Vietnam decided to outsource the operation of the kindergarten to a specialized educational consultancy, which was better positioned to apply for a license and had a track record of recruiting high-quality teachers. Because the consultancy is a private entity, it can operate on a more flexible basis than public kindergartens and can match the kindergarten's working hours to the factory's shift schedules, including overtime and Saturdays.

For factories that do not have the resources to build or operate their own kindergartens, Peter Tsai, Capital General Manager, feels a childcare allowance for workers could be the next most effective way to support working parents, provided that the amount is calculated so as to make a meaningful contribution to childcare costs. Such an allowance can be rolled out and managed at significantly less financial and administrative costs than building and operating a kindergarten. This might be more appropriate for small companies without the resources to build or set up a kindergarten and an effective way for larger factories to ensure that their entire workforce can benefit from some form of care support. It is also still an important backup mechanism for Pou Chen Vietnam, which provides support to workers who choose childcare that is closer to their homes and are unable to take advantage of the onsite kindergarten.

After its successful pilot, the company is exploring how to proceed with UNICEF's parenting training. It is looking at how best to measure the impact of the training on workers so that the program can be adjusted and improved to ensure its success.

*“Do not think about a kindergarten as a “quick win”. It takes time and resources: you need to think about this with a longer-term perspective to build the company's relationship with workers.”*

Cheryl Lin, HR Manager

## Conclusion

Workers and management agree that the kindergarten, parenting training, and other childcare supports help foster a sense of loyalty and belonging at Pou Chen Vietnam, with many continuing to work at the factory for over a decade. This aligns with Pou Chen Vietnam's focus on environmental and social sustainability and also brings substantial benefits for the company in terms of quality, productivity, and profitability.





Photo credit: Ergon Associates, 2019





# Taekwang Vina

Footwear manufacturing, Dong Nai Province



## Taekwang Vina's workforce profile 2019

### Women represent:

- 84 percent of the overall workforce
- 23 percent of board members
- 53 percent of senior managers
- 58 percent of supervisors
- 56 percent of office workers.

### Taekwang Vina supports parents through:

- Provision of a shared kindergarten for its four factories
- Monthly childcare allowance
- Investment in municipal kindergarten and upgrades to local schools

### Key business impacts of providing childcare support:

- Better retention outcomes through increased worker loyalty
- Reduced absenteeism
- Enhanced relationship with buyer

## Background

Taekwang Vina is part of the Korean-owned Taekwang Industrial Co. Ltd. The company has supplied footwear to Nike since 1987 and has operated in Vietnam since 1994. Taekwang Vina produces sportswear, running, kids, Supercore, and Jordan shoes for Nike.

This case study focuses on Taekwang Vina's four factories in Dong Nai Province, all located in close proximity to one another, 40 kilometers from Ho Chi Minh City. Around 33,000 of Taekwang Vina's total Vietnamese workforce of 49,461 is based in Dong Nai, with the remainder split between Moc Bai in Tay Ninh Province, near the Cambodian border and Can Tho Province, in the Mekong Delta.

Women account for 84 percent of Taekwang Vina's Dong Nai workforce. The average age of the company's Dong Nai workers is 35 and the average length of service is seven years. More than 50 percent of Taekwang Vina's Dong Nai workers are migrants from elsewhere in Vietnam, in particular the Mekong Delta.

This case study looks at Taekwang Vina's support for its workers' care responsibilities in Dong Nai Province, particularly through the provision of a kindergarten that services its four factories in the area.

## The Business Context for Supporting Childcare at Taekwang Vina

Taekwang Vina is a strategic partner to Nike; its business model depends on a close relationship with the brand. It is also the largest labor-intensive manufacturing company in Long Binh District and has an important profile in the local business community. Consequently, when Taekwang Vina received recommendations to build a kindergarten from both Nike and the local government around 2012, the company gave the idea serious consideration, encouraged by its trade union. Each party saw an opportunity for Taekwang Vina, as a large and respected employer, to create a positive demonstration effect to other factories of the benefits of providing childcare support for workers. For its part, Taekwang Vina's management saw the kindergarten as an opportunity to contribute to the welfare of its workforce, while strengthening

the company's position as a supplier of choice to Nike and its reputation as a socially responsible employer in the local community.

Over time, the kindergarten has taken on greater significance for Taekwang Vina in the context of a tightening labor market in Dong Nai. Due to its proximity to Ho Chi Minh City, Dong Nai has been at the center of Vietnam's industrial growth in recent years, which means there is strong competition for workers and factories to rely heavily on internal migrants to supplement the supply of local workers.

Yet even as industrial operations continue to grow in the region, many workers from rural provinces are choosing to return to, or stay in, their hometowns—particularly in the Mekong Delta, where many foreign investors are starting to set up factories to take advantage of lower costs and ready labor supply. Even though wages are lower in the countryside, living costs are lower too, and workers can rely on extended family networks for support for the care of children and elderly relatives. In light of these factors, competition for workers in Dong Nai Province is increasingly fierce. In this setting, Taekwang Vina's kindergarten helps set it apart from other employers and strengthens its ability to recruit and retain workers.

## How the Company Supports Childcare for its Workforce

### Shared kindergarten for four Taekwang Vina factories

In 2014, Taekwang Vina invested more than VND 50 billion (\$2.1 million) to construct the Thai Quang kindergarten on land already owned by the company. It opened its doors in June 2016. Although it sits opposite the largest of the four Dong Nai factories, children of workers from all four factories are eligible to attend.

Taekwang Vina outsources the operation of the kindergarten to an education company, which manages an annual operating budget of more than VND 9 billion (\$387,000). This includes monthly teachers' salaries of VND 6.5 to 6.7 million (\$279 to 288). Taekwang Vina pays 65 percent of the budget, and parents

*"We have breakfast overlooking the kindergarten entrance and we can see how happy the kids are on their way in."*

Supervisor

contribute the remainder—VND 800,000 (\$34) per child. Parents also pay VND 100,000 (\$4.30) for uniforms but do not pay an annual infrastructure fee, as is common at other kindergartens. The overall cost for parents still amounts to less than half the average cost for kindergartens in the area. A local public kindergarten would cost around VND 1.7 million (\$73) per month, while workers reported that private kindergartens could cost up to VND 3 million (\$129). Even group-care or home-care, which are often unregulated and of poor quality, cost around VND 1.2 million (\$51.60).

Thai Quang kindergarten has space for 500 children and runs almost at capacity by the end of 2019. Parents can register their children at any time, including when they first join the factory. Although around 10 percent of Taekwang Vina's 33,000-strong workforce have children age three to six—the ages served by the kindergarten—there is no waiting list, as some workers who live further from the factory elect to put their children in facilities closer to home. If the kindergarten does become oversubscribed, priority will be given to those in difficult circumstances, such as people with disabilities or single parents.

The kindergarten is particularly valued by Taekwang Vina's migrant workers, who comprise over 50 percent of the company's Dong Nai workforce and whose children account for more than 75 percent of the enrollment. These children do not have permanent residence registration in the neighborhood. A World Bank study suggests that it can be more challenging for them to be admitted into public kindergartens (World Bank, 2016). At the same time, migrant workers are much less likely to be able to rely on nearby family-support networks to provide childcare than local workers, so the Taekwang Vina kindergarten fills an important gap.

Children are divided into 15 classes: there are five for each age group: three to four years (121 children), four to five years (164),

and five to six years (155). Children are looked after by 35 qualified teachers, 60 percent of whom are university or college graduates in kindergarten education. Thai Quang strictly follows the national curriculum for older children. Younger children become familiar with the alphabet, numbers, and storytelling, and play traditional Vietnamese games. All children have a 2.5-hour nap every day and receive breakfast, lunch, and two snacks.

The kindergarten provides flexibility and convenience for working parents, as its working hours align with Taekwang Vina's production schedule and shift times. It opens from 6.20 a.m. to 6 p.m., which allows children to be looked after during overtime shifts at no extra cost to parents. Unlike public kindergartens, it stays open all year round, closing for public holidays and for three days in May.

Parents express high levels of satisfaction with the Thai Quang kindergarten, and many would even like the kindergarten to take younger children. However, the management has no immediate plans to offer this due to the higher level of care needed for infants and related resource implications. Aside from the convenience, workers with children in the kindergarten most appreciate the professionalism of the teachers, the fact that there is CCTV to provide oversight, and the medical care their children receive in the clinic.

### Financial support for the construction of a municipal kindergarten and primary school upgrades

Taekwang Vina has provided financial support to two nearby municipal kindergartens, enhancing childcare options for its workers beyond the onsite kindergarten and improving access to childcare for other families in the community. Before the company built Thai Quang kindergarten in 2014, it donated VND 4.6 billion (\$198,000) to extend and renovate An Binh kindergarten, run by the municipal authority, with a capacity for 400 children, many of whom are the children of Taekwang Vina workers. It also made a VND 233 million (\$10,000) contribution towards the operational costs of another municipal-run kindergarten, Nhon Trach.

In addition, Taekwang Vina provides ongoing financial support from its annual charity fund—VND 1.9 billion (\$81,650) in 2019—for the refurbishment of primary schools attended by the children of its workers in the rural, impoverished parts of the province, where many of the workers live. Since the program started in 2000, ten such schools have been refurbished with funding from the company.

### Predictable hours and flexible leave-taking

In focus group discussions, workers cited the predictable hours and limited overtime as among the things they most value about working at Taekwang Vina and the most important factor helping them balance paid work and unpaid care responsibilities. Around 80 percent of workers' shifts run from 7 a.m. to 4 p.m. (with an hour's lunch break) and even with overtime, workers are generally able to leave by 5 p.m. Shifts that fall outside these hours, including night shifts, are done on a rotational basis, with three weeks' notice. Notice of overtime is always given at least 24 hours in advance, in line with regulations.

Women workers—who make up the majority of Taekwang Vina's workforce—reported that supervisors generally understand about them having to take leave for a family business and that this is something they appreciate about working for the company.

### Monthly childcare subsidy

At Taekwang Vina, all mothers receive a monthly allowance of VND 100,000 (\$4.30) for each child under six, even if their children attend Thai Quang kindergarten.

Supervisors believe the childcare allowance is one of the supports most appreciated by mothers in their lines. It helps subsidize alternative childcare arrangements for parents who are not able or choose not to enroll their children in the kindergarten. While companies are required by Vietnamese regulations to assist and support the construction of day-care or nursery facilities, or to cover a part of the childcare or nursery expenses for the workers, many employers fail to comply or provide nominal monthly subsidies as low as VND 10,000 (\$0.43).

## Support for pregnant and nursing mothers

Taekwang Vina strictly complies with all regulations concerning pregnant and nursing mothers, including provision of a lactation room and restrictions on working hours. This is important protection for this category of workers, given that Better Work Vietnam has found that the leading area of non-compliance on gender-related issues is the failure to protect pregnant women and nursing mothers against health and safety risks (Better Work, 2019). The company also goes beyond compliance to supply milk for pregnant women and subsidized formula milk for mothers of infants.

## The Business Benefits

### Benefits for retention

Given the challenges in recruiting workers in Dong Nai, Taekwang Vina's management believe that the kindergarten is valuable in setting the company apart from others as an employer of choice and encouraging workers to stay on. Taekwang Vina workers with children in the kindergarten are unlikely to look for jobs elsewhere. In 2019, the monthly average turnover for workers with children attending Thai Quang was just 0.01 percent, compared to an average of 1.93 percent across the entire workforce in its Vietnamese factories in 2018. This means that workers almost never leave the company while their children are enrolled in the kindergarten. But Taekwang Vina's management is convinced that the kindergarten also promotes loyalty among the broader workforce, even among those without children of kindergarten age, as it shows that the factory is committed to the welfare of its employees. HR Manager Lee Wang Choul believes this encourages workers to stay on at the factory and also appeals to prospective workers.

Taekwang Vina is keenly aware of the substantial cost savings associated with achieving higher levels of employee retention. Unlike most employers in the industry, it has developed its own detailed system for measuring and tracking the costs of worker turnover. According to Taekwang Vina's calculations, around 85 percent of total costs of turnover stems from the lost productivity associated with new workers' first four months on the job, when they are still learning the ropes and have not yet reached full

productivity. The remaining amount is accounted for by the costs involved in recruiting new workers (including advertising costs and staff time for recruiting and onboarding new workers), training (including salary costs for trainers and trainees, and staff time for administration), covering additional overtime while vacancies remain unfilled, and issuing new employee cards and uniforms.

In an effort to bring down turnover costs, Taekwang Vina has set itself a target to reduce average monthly employee turnover across all of its factories, from 1.9 percent at the end of 2018 to 1.6 percent by the end of 2019. The company estimates that even this small reduction in turnover (0.3 percent per month) will save VND 6.7 billion (\$288,000) per year. So far, Taekwang Vina's strategy for meeting its target has focused primarily on a retention bonus scheme and mentoring program for workers with less than a year's service at the company; workforce data shows that these workers are the most likely to leave. However, progress has been slow due to the challenging labor market conditions in Dong Nai.

Taekwang Vina calculates that reducing average monthly worker turnover by only 0.3 percent will save the company \$288,000 each year.

In this context, it may make sense for the company to explore alternative initiatives to strengthen retention rates. Introducing further support for care responsibilities is a relevant option, with a particular focus on migrant worker needs, which may include provisions for elder care and care for younger children. The company records employees' reasons for leaving and has found that one of the main reasons is that internal migrants want to return to their hometowns so that their extended families can help with childcare.

### Reduced absenteeism

Unplanned absenteeism can be highly disruptive to productivity, with significant cost implications. According to supervisors, one of the most common reasons for workers not turning up for their shift at Taekwang Vina is children's sickness. Although supervisors

empathize, they say it is a challenge when workers have to take leave at short notice to care for young children and can have a negative impact on production schedules. This is particularly difficult to manage on some lines, where up to 80 percent of workers have young children.

*“When I moved my child to the kindergarten, I didn’t have to take any unplanned leave for the whole year.”*

Factory worker

Supervisors report that workers with children in Thai Quang kindergarten are less likely to take leave for reasons related to childcare. This is partly because the kindergarten’s working hours match those of the four factories, so workers do not have to deal with any gaps in childcare provision. Also, the kindergarten can look after children in the clinic if they have a slight fever or mild illness.

Lee Wang Choul, HR Manager, estimates that, on average, 200 people take unplanned leave across Taekwang Vina’s Dong Nai workforce of around 33,000 every day. Even though this represents only 0.6 percent of the workforce, Taekwang Vina calculates that this costs the company around VND 22 billion (\$945,000) per year.<sup>10</sup> Yet, without the kindergarten, these costs could be even higher. Taekwang Vina’s factory in Moc Bai District, Tay Ninh Province, which does not have an on-site kindergarten, has an unplanned absenteeism rate of 0.76 percent. An equal rate at Taekwang Vina’s factories in Dong Nai would cost the company an additional VND 5.5 billion (\$236,000) per year.

Taekwang Vina calculates that an average unplanned absenteeism rate of 0.6 percent costs the company \$945,000 each year across a workforce of 33,000 in its Dong Nai factories.

## Productivity gains from better employee engagement

The company has not attempted to quantify any productivity gains related to the kindergarten and believes that it would be difficult to measure precisely. However, the management and supervisors feel that the kindergarten has a positive effect on workers’ overall engagement and loyalty to the company, which leads to a better team environment and a sense of mutual purpose that makes it easier to meet production targets. Supervisors believe that the kindergarten helps the company gain the trust of workers—even of those without children—which makes workers more willing to work hard for the company. The business depends on its ability to provide a reliable and high-quality supply of footwear to Nike, and this is not possible without an engaged and dependable workforce.

*“Employees’ engagement comes from pride and loyalty to the company, and the kindergarten has a big impact.”*

Lee Wang Choul, HR Manager

Supervisors say they see a clear difference in the level of focus of workers with children in Thai Quang kindergarten, and those with young children placed elsewhere, who are more distracted during working hours by concerns about their children’s wellbeing. Supervisors also report that workers with children in the kindergarten are more available to work overtime, which is necessary to ensure that the factories meet production targets. As the kindergarten matches the factories’ hours, workers with children in the kindergarten never have to leave early or arrive late due to childcare.

<sup>10</sup> This estimate is based on wages for the standby team that is in place expressly to replace absent workers, in addition to ongoing social-insurance payments and other costs for absent workers.

## Enhanced relationship with the buyer

Taekwang Vina only supplies to Nike, which means that the company's success is inextricably linked to its ongoing strategic partnership with the brand. The management believes that the kindergarten has helped Taekwang Vina build its status as a leading supplier. Nike encourages all its suppliers to support workers beyond just complying with the law and the requirements of its Code of Conduct, but it is significant that Nike recognizes Taekwang Vina as an example of good practice in employer-supported childcare.

Nike awards its suppliers with bronze, silver, and gold rankings for social and environmental sustainability. Only a handful of Nike suppliers worldwide have achieved gold or silver status, which requires a strong track record on social and environmental performance and efforts that go beyond compliance. One of the ways that suppliers can improve their score is through investment in infrastructure. Taekwang Vina has held a silver rating since 2017. Although childcare support is not expressly specified as a criterion in the framework, the management believes that the Thai Quang kindergarten has had a clear influence on its rating.

## Enhanced reputation with key stakeholders

When Taekwang Vina decided to build the kindergarten, it acted partly on a recommendation from the local government. Now that it has been in operation for several years, the management believes that it helps the company maintain a good relationship with the local government and sustain its social license to operate as a large local employer. According to Taekwang Vina's management, there is a lot of interest from the government in quality of education in Dong Nai Province, and Thai Quang has been used as a reference for best practice.

Beyond local government relations, the Thai Quang kindergarten is a symbol of Taekwang Vina's commitment to its workforce, helping to foster goodwill with the government as the Taekwang Group

sought to expand its operations in Vietnam beyond footwear. In 2017, Park Yeon-cha, the Taekwang Group's Founder, met with the Prime Minister of Vietnam, Nguyen Xuan Phuc, in Dong Nai, and visited the kindergarten and other facilities for workers.

Representatives of other private and public kindergartens have visited Thai Quang, which is regarded as a benchmark for educational quality, and a U.S. investor recently visited to see a best practice example of a manufacturing company building a kindergarten to support its workers.

## Lessons Learned

Mr. Donald Nam, President of Taekwang Vina, says that setting up a kindergarten for a factory workforce is not without its challenges, but considers that these are vastly outweighed by the benefits. Mr. Nam cites ensuring children's safety and food quality as the main challenges but believes that outsourcing the day-to-day operation of the kindergarten to a private company has been a crucial aid. The chosen company is a specialist in kindergarten education and has very high standards—teachers are of good quality, and there have been no accidents at the kindergarten in the three years it has been open.

*"The benefits certainly outweigh the challenges. I would strongly recommend to other companies that they open a kindergarten for their workers' children."*

Lee Wang Choul, HR Manager

Securing the relevant permits and setting up the kindergarten—frequently cited as one of the most significant challenges by other factories in setting up kindergartens—was relatively straightforward for Taekwang Vina as the company had recommendations from Nike and the local government. Additionally, the kindergarten was built on empty land that already belonged to the company, but which falls in a residential zone. This made securing permits easier as there was no need to request a change in land tenure, which can be a complex and lengthy process.

The Thai Quang kindergarten is an interesting example of how international brands such as Nike can play an important role in promoting employer-supported childcare, by connecting suppliers with one another and encouraging them to exchange experiences and best practices. For Taekwang Vina, the award-winning kindergarten of Pou Chen—another footwear manufacturer and Nike supplier—was a very influential benchmark. Nike helped arrange Taekwang Vina’s visit to Pou Chen’s kindergarten, which provided Taekwang Vina the opportunity to see first-hand the design and operation of a best-practice kindergarten and develop a deeper understanding of the business benefits of investing in childcare for its workers.

## Conclusion

Taekwang Vina decided to build Thai Quang kindergarten due to recommendations from Nike, the local government, and the trade union in 2014. The company saw this as an opportunity to stand out from its competitors and be an employer of choice in the local area, secure its ongoing strategic partnership with Nike, and contribute to the welfare of its workers. After three years of operation, the management is convinced that building a kindergarten has made an important contribution towards these aims, helped reduce turnover and absenteeism, boost recruitment outcomes, and foster a sense of loyalty and engagement among its workforce.



# Annex. A snapshot of government regulations on Employers and Childcare in Vietnam

## Overview

Vietnam's regulatory framework provides a series of benefits and protections for those with childcare responsibilities and encourages companies to invest in childcare support.

Key legislative documents include:

- The revised Labor Code that will come into effect from January 1, 2021.
- Social Insurance Law, 2014
- Law on Corporate Income Tax, 2013

## Summary of legislation

Legislative provisions relevant to employers and working parents are outlined in the table below and reflect the content of the 2019 Labor Code.





## Paid parental leave

Type	Duration	Details	Relevant laws
Maternity leave	6 months (single birth) + 1 month for each additional birth  Adoption leave can be taken until the child is four months old	Up to 2 months (of the 6) can be taken as prenatal leave.  Workers can return to work after 4 months of leave with approval of employer (and continue to receive maternity allowance, in addition to wages).  If requested, female workers can be granted additional unpaid leave as agreed with their employer.  Female employees are entitled to a lump-sum allowance equal to twice the basic salary (per child) in the month of birth or adoption. If only the father is covered by social insurance, allowance is payable to him instead.	Labor Code, Article 139  Social Insurance Law, Article 34, Clause 1 Articles 35, 36, 40
Paternity leave	5 days for single birth  7 days for surgical or premature birth before 32 weeks of pregnancy  10 days for twins, or 3 additional days for each additional child from the third  14 days for 2 or more children plus surgical birth	Available to male employees paying social insurance premiums.  Male workers can take leave while the child is under 6 months old	Labor Code, Article 139, Clause 5  Social Insurance Law, Article 34, Clause 2
Taking care of sick children under 7 years old	Leave period must not exceed 20 working days, if the child is under 3 years old, or must not exceed 15 working days, if the child is between full 3 years and under 7 years old	Paid by social insurance allowance	Labor Code, Article 141; Social Insurance Law, Article 27

## Other maternity provisions

Type	Provision	Details	Relevant laws
Pre-natal (pregnancy) examination	5 days' leave (1 day per examination)	Paid by social-insurance agency on full salary  Employee and employer are not required to pay social insurance premiums	Labor Code, Article 139, Clause 2 & Article 141  Social Insurance Law, Article 32
Miscarriage, abortion or stillbirth	10 to 50 days' leave, depending on the length of pregnancy		Social Insurance Law, Article 33
Death of a new-born child	90 days' leave if the child is under 60 days of age  30 days' leave if the child is 60 days or older		Social Insurance Law, Article 34, Clause 3
Implementation of contraceptive measures	7 to 15 days' leave depending on the type		Social Insurance Law, Article 37
Recovering or convalescent after confinement	5 to 15 days' leave in a year	25 or 40 percent general minimum salary	Social Insurance Law, Article 41
Nursing children under 1-year-old	60-minute break every working day with full wage		Labor Code, Article 137, Clause 4
Night work, overtime work, and long-distance business trips	Workers who are 7-months pregnant or nursing children under 1-year-old are not required to work in these circumstances		Labor Code, Article 137, Clause 1
Protection from dangerous/hazardous work	Pregnant workers and workers nursing children up to one-year-old must be transferred to non-hazardous/dangerous work or have their daily hours reduced by 1 hour, without wage or benefit reductions		Labor Code, Article 137, Clause 2
Work that adversely affects the function of maternity, childbirth, and child rearing	Employers must provide adequate information and occupational safety and health equipment to the workers doing the works in the list stipulated		Labor Code, Article 143, Clauses 1 & 2

### Statutory protection for new mothers

Women cannot be dismissed by their employer when they are pregnant, on maternity leave, or raising children under 12 months.

Labor Code, Articles 37, 122, 137, 140

Employers are required to reinstate female employees to their previous work when returning from maternity leave, without reduction in wages or rights. If previous work is no longer available, employer must arrange other work for the employee with the same (or higher) wage.

### Childcare support

The Government's policy is to develop plans and measures to organize day-care facilities and kindergartens in areas with a large number of workers.

Labor Code, Articles 135, 136

Employers shall assist and support in building day-care, nursery facilities, or in covering a part of the childcare or nursery expenses for the workers.

### Flexible work

The government encourages employers to create conditions for providing female and male workers with regular employment, and apply systems of flexible working hours, part-time work, or home-based work.

Labor Code, Article 135, Clause 2

### Financial incentives for employers to provide childcare

Non-public ECE institutions can obtain long-term, low-rent facilities, and housing, or be assigned land to build facilities under various forms: (1) Land allocation with no land-use tax; (2) Land allocation with land-use tax exemption; (3) Land rental with no rent.

Decree No. 53/2006/ND-CP

Enterprises investing in the socialization of education and training, vocational training, health, culture, sports, and environment shall pay reduced tax on income from the socializing activities.

Decree No. 218/2013/ND-CP

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