



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

Case Study: Greenland

August 2020

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

Greenland¹ 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.

¹ 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



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Contact information

East Asia and the Pacific

Amy Luinstra
Regional Lead
Gender and Economic Inclusion
Tel: +84 24 3937 8776
Email: aluinstra@ifc.org

Vietnam

Hang Vu
Operations Officer
Gender and Economic Inclusion
Tel: +84 24 3937 8749
Email: hvu5@ifc.org

Visit www.ifc.org/gender/EAP to find out more

