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

Case Study: Now Vina

August 2020



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.

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.





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