

Lifting productivity the key challenge for garment industry

Over the past decade Cambodia's garment industry has kept surprising the experts by growing just when they predicted it would shrink. But today it is not just the experts who warn that Cambodia faces its biggest challenge yet. Well informed industry insiders are now saying there is an urgent need for the garment sector to lift productivity to meet the challenge of increased worldwide competition.

Since the end of the Multi-fibre Arrangement (MFA) the global trade in textiles has been undergoing a dramatic realignment. So far, this has mostly worked to Cambodia's advantage, but over the next three years this could easily change. EU and US restrictions on Chinese textile exports will end, and Vietnam's accession to the WTO will give Vietnam the same market access Cambodia now enjoys. If Cambodian garment manufacturers are to benefit from the changes taking place in global textile trade the key will be to lift productivity by working smarter than ever before.

Better Factories Cambodia understands how important lifting productivity is. According to Mr Tuomo Poutiainen *Better Factories'* Chief Technical Advisor, it is one of the main reasons *Better Factories* is focussing on capacity building initiatives for the industry.

In 2005, a major USAID funded study of productivity in the Cambodian garment sector¹ found that Cambodia had a long way to go if the industry was to reach international best practice. Although the report found that overall productivity levels were reasonable by international standards, a worrying issue was that Cambodia's productivity lags behind its major regional competitors, China and Vietnam.

The good news from the USAID productivity report was that productivity could be lifted significantly by working smarter and learning from best practice.

The report also led to the creation of the Garment Industry Productivity Center (GIPC), a USAID funded body which aims to teach local manufacturers how to achieve international best practice.

Ms Jane O'Dell who heads the GIPC explains how she sees its role. 'We bring a hands-on commercial focus to lifting productivity. We concentrate on training

supervisors and managers – and because we have garment industry experts who have run world-class garment factories we know what works, and how to achieve it. This complements the emphasis on work-place communication and cooperation at the heart of *Better Factories* monitoring and training', she said.

Mr Conor Boyle the Assistant Programme Manager and Head of the Training Unit agrees that the new Productivity Center will complement the training programmes *Better Factories* already runs. 'Lifting productivity means doing lots of little things right, and often that means training management along with workers about new techniques or more efficient approaches to present practice. The Productivity Center brings a management-level focus that adds to the training and monitoring work *Better Factories* does and helps demonstrate how good working conditions and high productivity can and should go together'.

'Many people think improving productivity means making people work harder', Ms O'Dell said, 'but for us it means lifting the performance of the whole factory by looking at all the inputs, trying to understand where the weaknesses are, then improving the efficiency of each part of the system'.

According to Ms O'Dell the GIPC has already helped several factories achieve some stunning performance improvements. 'Our aim is to help lift productivity (measured by efficiency in target areas) by 10 – 20%, but already we've helped really committed factories achieve increases of more than 50% in just a few months'.

'Each factory is organic', Ms O'Dell explains. 'They each have a personality of their own, a managerial style of their own, and to meet our productivity objectives we do a detailed individual study of each factory. That way we can tailor a programme to meet each factory's needs and get the best results'.

This tailored approach to training is one which *Better Factories* has also adopted. 'These days working conditions are generally much improved', said Mr Boyle, 'so increasingly we are able to focus on those leverage points in individual factories where even a small amount of training assistance achieves tangible benefits'.



Outside the factory gates garment sector workers often have limited opportunities, but a new *Better Factories* competition aims to give them the opportunity to shine (see box, this page)

Mr Poutiainen stresses that maintaining good working conditions is essential to the Cambodian garment industry. 'Compared with some of its competitors Cambodia faces certain disadvantages, such as higher electricity and transport costs or longer lead times', he said.

'Improving productivity helps make the industry more competitive, but Cambodia still needs to maintain its niche as an ethical producer because competing on price or high labour standards is not enough. Cambodian enterprises must work harder to improve both productivity and garment quality', Mr Poutiainen said.

Ms O'Dell agrees with this assessment. 'We all know there is upward pressure on wages, downward pressure on sales prices, and more world wide competition. Lifting productivity helps offset these pressures. Moreover, a well-run factory is a good place to work. Everyone benefits'.

Please contact *Better Factories Cambodia's* training team (Ph (855-23) 212 847) for information about *Better Factories* training programmes.

Enquiries about Garment Sector Productivity Center training programmes should be directed to the Productivity Centre itself, 3rd Floor, Mild Seven Building, #93 Preah Sihanouk Boulevard. Ph (855-23) 221 425; Fax (855-23) 221 429 or Email gipc@citylink.com.kh Website www.gipc.org.kh

¹ Measuring Competitiveness and Labor Productivity in Cambodia's Garment Industry, USAID Washington, 2005.

New campaign and competition to promote garment workers and give them a chance to shine

A new campaign and competition to give women who work in the garment industry an opportunity to shine outside the factory gates will be launched by *Better Factories Cambodia* and its partners in 2007.

The campaign and competition have been designed to promote garment workers and provide a vehicle to transmit positive messages on garment related health, gender and social issues. The campaign and competition aim to give garment workers an opportunity to realize their value and demonstrate their skills, creativity, and innovation.

The competition will have two separate subject areas: dress design and song writing. These two areas reflect two distinct and meaningful ways for garment workers to communicate their knowledge, sentiment and creativity.

There will be one grand prize winner and two runner-up prizes in each category, along with many smaller prizes for finalists. Ten finalists in the dress making competition will have their dresses made and paraded at the final, and the five best songs will be sung by well-known Cambodian singers.

The campaign and competition will be managed by a task force chaired by *Better Factories Cambodia* together with Ministry of Women's Affairs, UNIFEM, GMAC, Precious Girl Magazine, unions and the Garment Industry Productivity Center, and will be launched early 2007.



New York conference says *Better Factories* 'has helped make a difference'

Better Factories was described as a 'multi-stakeholder partnership that has helped make a difference' at the annual Business for Social Responsibility (BSR) pre-conference Ethical Sourcing Session.

The conference, 'Innovative Strategies – Measurable Impact' in New York in November 2006 brought together major US and European based businesses to discuss approaches to Corporate Social Responsibility (CSR) related issues such as ethical sourcing, labour and social compliance and environmental protection.

The Ethical Sourcing Session was an opportunity for conference participants to learn about *Better Factories* and to discuss how it works with the programme manager and participating businesses. ILO and the Mekong Private Sector Development Facility (MPDF) gave a presentation explaining the monitoring and remediation process and led discussion on future opportunities and challenges facing *Better Factories Cambodia*.

Conference participants were interested in the *Better Factories* approach, which was seen to be consistent with an evolving corporate best practice that looks beyond the financial bottom line to recognise the value of compliance monitoring and training, and a capacity building partnership approach.

The conference gave *Better Factories* an opportunity to study emerging trends and cutting edge tools, methodologies and approaches intended to help businesses address social and environmental challenges and still remain profitable. This type of interaction is expected to help *Better Factories* serve its partners better and provides valuable ideas on how to further improve the monitoring and remediation process.

International Buyers' Forum meets again



The 16 largest international buyers met with key garment industry stakeholders at the third Buyers' Forum in December.

The third Buyers' Forum was held in Phnom Penh on 5 December 2006. The Forum brings together key garment industry stakeholders, notably the 16 largest international garment brands who together purchase more than \$1 billion worth of garment products from Cambodia each year.

The Forum, which was convened by *Better Factories* and facilitated by Business for Social Responsibility, a US-based NGO whose members include some of the largest international buyers from the US and the EU, provides an opportunity for buyers, unions, government, manufacturers and *Better Factories* to discuss common approaches and strategies to improve working conditions and the strength of the Cambodian garment industry.

The Buyers' Forum strongly endorsed *Better Factories Cambodia*, describing it as a unique, highly effective programme that has genuine local and international credibility.

Buyers stated that one of the most important reasons they continue to support the Cambodian garment industry is Cambodia's reputation for good working conditions. Participants at the Forum recognised that the Cambodian garment industry's good reputation is based on the quality and integrity of *Better Factories'* monitoring.

Buyers emphasised that although compliance and good working conditions are a key element in buyers' sourcing decisions, by themselves they are not enough. 'Compliance is one part of the sourcing

decision – as evidenced by the 16 international brands who continue to pay to be part of the *Better Factories* programme. But on-time delivery, price and quality are equally important factors when sourcing decisions are made, and we absolutely endorse efforts to increase competitiveness based on higher productivity', said a representative of the buyers.

Data compiled in 2006 shows that the buyers who are involved in the forum and who are strongly engaged with *Better Factories* increased purchase volumes at twice the industry average in 2005. Mr Tuomo Poutiainen, head of *Better Factories* said, 'The strong sales growth from those high profile international brands involved with the Buyers' Forum shows the value of good communication, an open dialogue, and *Better Factories Cambodia's* engagement with buyers'.

The Buyers' Forum came shortly after the 30 November 2006 release of *Better Factories'* 17th Synthesis Report that showed continued improvements in Cambodian garment sector working conditions. More than 80% of the monitored factories are now substantially in compliance with Cambodian law and international standards, and more than 90% pay the correct minimum wage (see article, next page).

The Buyers' Forum is held twice per year, and the next Forum is expected to be held in June/July 2007.



Participants at the Forum heard from buyers and other garment industry stakeholders.

Better Factories Cambodia and ILO work discussed at 11th Government - Private Sector Forum

Better Factories Cambodia and ILO work were discussed at the 11th Government – Private Sector Forum at the Council for Development of Cambodia on Wednesday 24 January. The ILO has been participating in the 8th Working Group on Industrial Relations/Labour that Prime Minister Hun Sen established in June 2006.

The 8th Working Group is composed of representatives from government, the private sector and unions and has been addressing labour related issues such as night shift and contracting practices. The private sector has also raised issues concerning ILO monitoring and is seeking improvements to the current monitoring and reporting process.

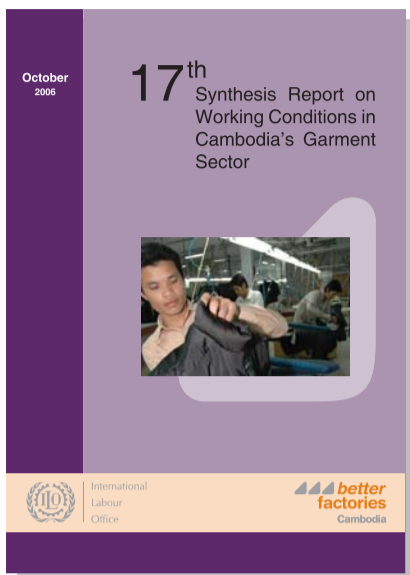
During the Forum private sector representatives took turns presenting issues of concern and provided recommendations for the Government's consideration on a variety of issues ranging from agriculture to taxation and enterprise development. In his speech the co-chair of the 8th Working Group, Dr. Nang Sothy presented the working group's recommendations on night shift and labour contracts and discussed issues concerning labour unions, development of industrial zones and work related to the ILO (monitoring and the Arbitration Council).

After the private sector inputs Prime Minister Hun Sen responded to many of the issues raised by private sector representatives. In his reactions concerning

the ILO he requested that issues raised by the private sector be carefully considered. In relation to monitoring he speculated that there may be people engaged in corruption and reminded the audience how important it is that monitoring reports are accurate. Prime Minister Hun Sen also referred positively to the educative "soap operas" of *Better Factories Cambodia*, saying he enjoyed watching them.

The ILO has sought clarification from the Prime Minister's Office on his concerns. Meanwhile, the ILO will discuss specific issues raised in the Forum with the relevant ministries and industry actors, in support of a process of continuous improvement for this important programme.

Better Factories Cambodia releases 17th Synthesis Report



Better Factories Cambodia recently released the 17th Synthesis Report on Working Conditions in Cambodia's Garment Sector. Synthesis Reports assess compliance with Cambodian labour law and international labour standards in garment factories.

The 17th Synthesis Report introduces a new report format designed to be much easier to understand. It now displays analytical data and progress over time in graphical format in addition to most of the information previously found in earlier Synthesis Reports. One notable change however is that factories not in compliance with specific legal requirements have not been named. Individual factory progress reports are planned to be released later in 2007.

The report covers monitoring data collected from 212 factories in the period from 1 May 2006 to 31 October 2006, and contains many positive findings. 'Many of the findings from the 17th Synthesis Report are very encouraging, and it shows the value of the collective efforts of the garment sector to improve working conditions', said Mr Tuomo Poutiainen, who heads *Better Factories Cambodia*. 'There is no reason for complacency though – there is room for improvement particularly in areas of freedom of association and anti-union discrimination' he noted.

The 17th Synthesis Report is available in Khmer, English and Chinese and can be downloaded from www.betterfactories.org/ilo

Groundbreaking new training and accreditation programme for OSH

A groundbreaking new training course will be launched in early 2007 offering an accredited certificate in Occupational Safety and Health (OSH) for Enterprises. The course, which will be implemented by the Ministry of Labour and Vocational Training with technical support from *Better Factories Cambodia*, is intended for physicians, managers and workers interested in promoting safety and health in the workplace.

The new training course uses a prevention based approach, recognizing that the best way to manage OSH risks is to prevent accidents from happening in the first place. The course will be a major step to building an effective education and OSH training system, and it meets a number of industry needs, including improving health and safety standards and providing an accredited training system for physicians and others.

The course will be comprised of 10 one-day modules conducted over a five-month period, and covers important topics such as health and safety legislation, occupational

hazards, industrial hygiene, risk and OSH management. Teaching will be done using lectures, case studies, exercises, group discussions, demonstrations, field work, quizzes and tutorials.

Successful course participants will be awarded a Certificate in Occupational Safety and Health for Enterprises (COSHE). Enterprise physicians who complete the course can apply to the Ministry of Labour and Vocational Training to be registered as a Certified Enterprise Physician.

The training programme is to be operated under a cooperation framework by *Better Factories Cambodia* and the Ministry of Labour and Vocational Training. *Better Factories* is providing training equipment and a seed grant to the Ministry.

Please contact *Better Factories Cambodia's* training team (Ph (855-23) 212 847) for information about how to enrol in the new Certificate in Occupational Safety and Health for Enterprises (COSHE) training programme.

Better Factories Cambodia upgrades its skills on Fundamental Rights and Principles at Work

Better Factories Cambodia has spent the past five years asking the garment sector to change and improve, but also recognises that it needs to train itself if it is to continue to meet the needs of the garment industry in Cambodia and maintain its professionalism and innovation.

Better Factories recognises that the skills of its staff are vital if it is to provide an effective service such as monitoring, or a training programme that is responsive to the needs of the garment industry.

According to Mr Tuomo Poutiainen, head of *Better Factories*, it is not only the industry which needs to be willing to embrace change and learning. '*Better Factories* itself needs to constantly improve its work and the skills of its people, otherwise we risk being unable to fulfil the important monitoring task we have to do', Mr Poutiainen said. 'We train our staff in a multitude of ways, and we see training as essential to our own success as well as that of the industry'.

'That's the reason we bring in ILO and other international specialists to give our staff the best possible training and knowledge we can', Mr Poutiainen said. 'For example, we recently had Mr Tim de Meyer, the ILO's sub-regional international labour standards specialist spend the whole day with our team explaining the nature of international labour law and the ILO's conventions on fundamental rights', he said. It is important for the *Better Factories* staff to have a broader outlook on issues - bringing in people with legal expertise on labour law from countries like China, Vietnam and Thailand is rewarding and provides staff both skills and motivation to continue to work under tight timelines and pressure.

Looking to the future Mr Poutiainen, plans to formalise *Better Factories* training programme. 'We want to make sure *Better Factories* continues to meet industry needs and provides a great service in the future, particularly once *Better Factories* becomes a locally managed organization in 2009', said Mr Poutiainen.

Corporate Social Responsibility Conference

According to a recent Corporate Social Responsibility (CSR) conference in Cambodia, the private sector accounts for more than 90% of employment in Cambodia (both formal and informal jobs), but struggles to expand because it is inhibited by high levels of corruption and 'informal fees'.

The December 2006 conference, organized by PACT and USAID, heard that there is a need to enhance the government's will to fight corruption, and the private sector is one of the most powerful lobby groups that can influence government policy.

According to speakers at the conference, Corporate Social Responsibility is an important tool the private sector can use to fight corruption and build political will.

The conference speakers emphasized that Corporate Social Responsibility is important to Cambodia's private sector, and to the garment sector in particular as it relies on the country's good reputation for labour standards to protect sales and prices.

Stars of At the Factory Gates praise soap opera



A full house viewing an episode of *At the Factory Gates* during lunch break.

The TV stars who appeared in *Better Factories Cambodia's* new soap opera series, *At the Factory Gates* recently praised the project and the series. Speaking during post-production, the stars and director of the series said that television is one of the most effective ways to teach and communicate with Cambodian people.

'To me it is a good idea to produce *At the Factory Gates*', said Mr Nhem Sokun who played the role of the union president in the series. 'It is for all Cambodians, and for all people. It shows what life is like for a Cambodian

garment worker, as well as the problems they face', he said. One of Cambodia's most famous TV actresses, Keo Pichpisey starred in the series as the union vice-president. 'At the Factory Gates is one of the best stories made for Cambodian people, I've seen', she said. 'When people watch it, they learn about the law but they also come to understand about the daily struggles in the life of garment factory workers', Ms Keo Pichpisey said.

Even the bad guy of the series, played by actor Pov Kisan praised the soap opera and *Better Factories Cambodia* for making it. 'I think

it's great that ILO *Better Factories Cambodia* produced this series to educate workers about their rights and responsibilities", said Mr Pov Kisan. "Although I'm the bad guy, the worm in society that all people despise, people can learn from me how not to be'.

Although *At the Factory Gates* is meant to be entertaining, it has a serious purpose which is to communicate workers' rights and responsibilities in a way which is clear and easy to understand. 'After they have been broadcast, the soap operas will be used for

factory-based training', said Mr Conor Boyle, *Better Factories Cambodia* Assistant Programme Manager. 'We know that many women starting work in garment factories have limited education and these soap operas are an incredibly effective way of communicating with them in a way which they can really understand', Mr Boyle said.

Trial screenings with workers have brought a positive response. 'It's great', Ms Sean Bopha said after watching it. 'I liked the story, but I also learned a lot, and it's easy to understand – it's something all workers can watch'. Ms Krai Channy agreed that it was very informative. 'It educates me about the law and disputes, and it showed me how a good practice should be', she said.

Better Factories Cambodia also hopes to show what the life of garment workers is really like. 'We know from our research that some people in the community have negative opinions about the women who work in the garment industry, and we want to help paint a positive picture of these young women who contribute so much to the Cambodian economy', said Mr Tuomo Poutiainen, head of *Better Factories Cambodia*.

The director of the series, Mr Tith Thearith agrees that soap operas are an ideal way to communicate with Cambodian people. "It is useful to do a series like this in soap opera form because it gives us the time to explain our message to the audience and communicate good information. It touches their eyes and ears directly", Mr Tith Thearith said. 'If we had done a radio broadcast instead it would not have been appreciated in the same way. Radio would have been more like propaganda. TV series attracts a larger audience and because *At the Factory Gates* stars many famous actors and actresses the audience is interested in them and what they say', he said.

At the Factory Gates was produced to help factories with their in-house training, and it covers important workplace issues and trains workers on their rights and responsibilities in a way that is easy to understand. Each episode is an enjoyable and captivating drama in its own right but has an underlying theme relevant to garment factories:

- Episode 1 - Grievance handling
- Episode 2 - Dispute prevention and resolution
- Episode 3 - Occupational Safety and Health
- Episode 4 - Working mothers and breast-feeding
- Episode 5 - Stealing
- Episode 6 - Underage workers

The series comes with explanatory comic books to help convey the messages in each episode.



Mr Chum Phally, ILO *Better Factories Cambodia* Remediation Officer, looks on to ensure the workers understand the key messages.

Single issue seminars

Better Factories Cambodia offers training seminars on important issues for garment factories. The seminar topics are chosen on issues which are likely to benefit both factories and workers. Seminars are highly participatory and usually run from one to three days, depending on the topic.

First Aid Training – 2 Day Training Course (in Khmer)

About the Course	Practical First Aid skills through demonstrations, hands-on practice and simulation exercises. Expert trainers from Cambodian Red Cross teach the course. Successful participants receive a First Aid certificate endorsed by the Cambodian Red Cross. Topics covered have been chosen for their relevance to garment factories and include: Controlling bleeding; wounds; poisoning; unconsciousness; broken bones; body hygiene.
Target Participants	Cambodian workers, supervisors and union representatives who are working on the production floor with first aid responsibilities. Course available to all interested factories.
Dates & Venue	2 Groups: 19 – 20 February 2007 OR 22 - 23 February 2007 Location: VBNK Training Centre #28, Street 80, Phnom Penh

Negotiation Skills Training (in Khmer)

About the Course	The aim of this course is to teach negotiation and problem solving skills that encourage consensus solutions to workplace problems within the factory. Participants will learn skills that help build trust, confidence and cooperation between negotiating parties and that increase the effectiveness of their communication. The underlying principle of this course is that negotiations should be conducted at the factory level by those closest to the source of the conflict, as this will create the best possible outcomes for all. Topics include: 'negotiation' - what it means, the problem life cycle, what to do when problems are encountered during a negotiation, phases of negotiation, and characteristics of negotiators.
Target Participants	Cambodian supervisors, union representatives, liaison officers and shop stewards involved in workplace negotiation and dispute resolution.
Dates & Venue	3 May 2007 Location: VBNK Training Centre #28, Street 80, Phnom Penh

In the news

Multi-stakeholder Initiatives: Cambodia Case Study – The New York Times, 8 November 2006.

Better Factories Cambodia is described as a promising multi-stakeholder initiative in a New York Times special supplement on business and social responsibility. Copy of article available on the *Better Factories* website.

URL: www.betterfactories.org/content/documents/News%20NYT%203-Nov-06.pdf



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#9, St 322, Boeung Keng Kang 1 - Phnom Penh, Cambodia - PO Box 2642
Tel: (855-23) 212 847 ext 106 - Fax: (855-23) 212 903

For electronic subscriptions, register through our website www.betterfactories.org/ilo
For other enquiries, contact the Communications Officer at betterfactories@ilo.org

