



Employee relations training for garment supervisors improves productivity

Maintaining and improving labor standards, labor-management relations and productivity is considered crucial for Cambodia's garment industry. In 2005, the industry earned about \$2.17 billion and directly employed some 260,000 workers (who in turn support some 1.5 million family members).

According to a December 2004 study released by the World Bank Group's Foreign Investment Advisory Service, Cambodia's good labor record is a major factor motivating at least half of overseas buyers to keep sourcing garments from Cambodia, despite lower prices elsewhere. According to USAID's report *Measuring Competitiveness and Labor Productivity in Cambodia's Garment Industry* (June 2005), improvements in productivity of 15-20% can be achieved with the right attitude and working conditions.

Recognizing the links between labor practices, productivity, competitiveness and sustainability, MPDF and Gap Inc. initiated a 4-day Supervisory Skills Training pilot in 2005. The goals were to change the attitudes, behavior and skills of 650 supervisors in 7 factories producing for Gap. These factories employ nearly 20,000 workers, of whom 18,000 are female. Although Cambodia's garment factories have a good record on labor standards, disputes between supervisors and workers are frequent and some escalate into strikes and even violence.

Gap, Cambodia's largest garment buyer chose IFC-MPDF as its partner because the Facility has years of private sector development experience in Cambodia, Lao PDR and Vietnam. This includes developing extensive, affordable and locally-tailored resources for management training in partnership with locally-based trainers/training institutions. The Facility also has a rigorous monitoring and evaluation process.

An initial assessment of outcome/impact carried out 12 months after the training began demonstrates the following results:

At the individual level (supervisors): new knowledge/skills and behaviours: 97% of survey respondents stated that the training has provided them with a considerable amount of new knowledge on how to be an effective supervisor. More importantly, this has led to positive changes in the mindset and supervising behavior/practice of 97% of trained supervisors, with 75% of them making significant changes.

At the workplace level: a better working climate: HR Managers in all 7 factories shared the opinion that the working environment has improved since the training.

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HR Managers specifically noted improved communication between Chinese supervisors and Cambodian workers. They also considered that supervisors' problem solving skills were visibly improved, as shown in fewer cases of conflict. Previously supervisors isolated workers who were involved in conflicts or reported them directly to the HR Manager. Now supervisors try to resolve cases themselves.

At the factory level: higher productivity, lower reject rates, lower costs Based on interviews and data from factories, five of the 7 factories (71%) reported a reduction in employee turn over. Six factories (86%) reported increases in production volume. Four factories (57%) all reported less absenteeism, increases in productivity and a reduction in in-line rejections. All of these factors contribute to lower costs. HR managers also believe that having fewer conflict cases will improve the image of the factory and benefit the sector as a whole.

At the industry level: a team of local BDS providers is now ready to offer international-quality training in CSR-related subjects

Development of local training capacity in CSR was one of IFC-MPDF's goals for this project. After rigorous on-the-job training and coaching by *Business Dynamics*, the 3 locally-based trainers successfully delivered training on their own for nearly half of the supervisors. When asked what they had gained, these trainers all agreed that they had benefited substantially. The training fees accounted for 20-30% of their total income in 2005, and more importantly, they feel their skills and opportunities to conduct training and consultancy have greatly improved.

At the stakeholders' meeting organized by MPDF in December 2005, both GAP and factories' representatives expressed their high satisfaction about the results of the Supervisor Skills Training and unanimously agreed that this training should be offered to more garment factories in the industry. Because the garment industry is so important in Cambodia, this type of training could have visible and direct impact on economic growth and poverty reduction.

The Mekong Private Sector Development Facility

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IFC-MPDF is a multi-donor funded initiative set up by the International Finance Corporation in 1997 in Vietnam, Cambodia, and Lao PDR, to reduce poverty through sustainable private sector development. The Facility works through six interrelated programs that seek to improve the business environment; develop the financial sector; improve managerial capacity; and increase sustainable business practices in three sectors that are central to economic growth and poverty reduction – tourism, agribusiness, and garments. IFC-MPDF's donors are the Asian Development Bank, Australia, Canada, Finland, IFC, Ireland, Japan, New Zealand, the Netherlands, Norway, Sweden, Switzerland and the United Kingdom.



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