

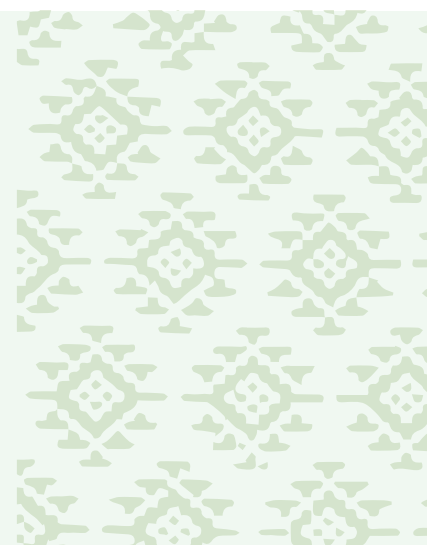


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TACKLING CHILDCARE: The Business Case for Employer-Supported Childcare in Vietnam

Case Study: Pou Chen

August 2020



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.

"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.¹

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

¹ 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.





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