



FACTORY IMPROVEMENT PROGRAMME FINAL REPORT OF THE CHIEF TECHNICAL ADVISOR

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Acknowledgement

The CTA would like to thank the wide variety of individuals and institutions who, over the last five years of project implementation, provided the support necessary for FIP to achieve its considerable range of results. In particular, the support of the direct counterparts at the national level has been crucial to the project's success, including that of the Employers' Bureau of the Vietnam Chamber of Commerce and Industry (VCCI), the Employers' Federation of Ceylon in Sri Lanka and the Council of Indian Employers and its affiliate the Faridabad Small Industries Association in India. This support was strengthened through the tripartite guidance provided by the national-level advisory and steering committees set up in each country, with participation of trade unions and government representatives.

Colleagues within the ILO have provided invaluable guidance and support, in particular the offices in Hanoi, Colombo and Delhi. With regard to national and international experts and service providers, learning went both ways, with the project gaining as much from their support as it provided. Similarly, the support of the donors, the Swiss State Secretariat for Economic Affairs (SECO) and the US Department of Labor (USDOL), both in terms of project finances but also guidance and encouragement, has allowed the implementation of what was an innovative approach – that of integrating a range of concerns into broad-based factory improvement – but which in part through the dissemination of lessons learned in FIP has become much more widely accepted.

Finally, the project, being applied at the enterprise level, depended on the support, commitment and hard work of workers and managers on the factory floor. The most rewarding aspect of the project has been seeing the concrete improvements that have led to safer, more competitive enterprises, where management and workers alike recognize the benefits of respect, open communication and collaboration to address issues of common concern.

Abbreviations

AIDS	Acquired Immune Deficiency Syndrome
BDS	Business Development Services
CIE	Council of Indian Employers
CTA	Chief Technical Adviser
DWCP	Decent Work Country Programmes
EFC	Employers' Federation of Ceylon
EYB	Expand Your Business
FIP	Factory Improvement Programme
FSIA	Faridabad Small Industries Association
HIV	Human Immunodeficiency Virus
HRM	Human Resource Management
ILO	International Labour Organization
LED	Local Economic Development
LMDP	Local Manager Development Programme
MDGs	Millennium Development Goals
MOLISA	Ministry of Labour, Invalids, and Social Affairs
MPI	Ministry of Planning and Investment
MSE	Micro and Small Enterprise
NCPC	National Cleaner Production Centres
NPC	National Programme Coordinator
OSH	Occupational Safety and Health
PHDCCI	PHD Chamber of Commerce and Industry
SECO	Swiss State Secretariat for Economic Affairs
SIYB	Start and Improve Your Business
SME	Small and Medium-sized Enterprise
SRO	Sub-Regional Office
SWOT	Strength, Weakness, Opportunity, Threat Analysis
TOT	Training of Trainers
VCCI	Viet Nam Chamber of Commerce and Industry
VGCL	Viet Nam General Confederation of Labour
VNCPC	Vietnam Cleaner Production Center
WISE	Work Improvement in Small Enterprises

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Executive Summary

Over the period 2002 through 2007, the Factory Improvement Programme, with funding from the United States Department of Labor (USDOL) and the Swiss State Secretariat for Economic Affairs (SECO), worked in Sri Lanka, then Vietnam and India, directly supporting local institutions – typically employers organizations – on providing support to local manufacturing operations.

During this period, the project organized over 60 seminars on the core elements of the programme, as well as seminars and workshops on other topics, including child labour, HIV/AIDS in the workplace and workers with disabilities. More importantly, given the FIP methodology's focus on direct, factory-level support and guidance, around 2500 enterprise-level visits were carried out by FIP teams, directly supporting improvements in factory operations. A number of points can be seen as a result of FIP's implementation over the last five years:

- Developed based on ILO research into global production chains and corporate social responsibility, FIP was originally seen as a demonstration project under funding under the ILO's DECLARATION programme. With time, it evolved to focus on a sustainable approach to building national institutional capacity to support the development and strengthening of local industries.
- The FIP approach shifted over the course of the project, from being mainly a series of seminars on distinct topics with limited enterprise support to a fully integrated methodology with strong local teams, making clear linkages between bottom line issues of quality and productivity to areas of primary concern to the ILO, including health and safety, working conditions, workplace relations and dialogue.
- The project's impact at the factory level has been clearly demonstrated, both in reviews by outside parties and the views of those most closely involved in its implementation, including workers, managers and project partners. It was the estimate of the project teams that over 50% of factories experienced considerable improvements in a range of operations. In worker surveys, the vast majority of workers were familiar with the programme and felt that it had had considerable positive impact on the factory.
- Specific figures for improvements varied from programme to programme and factory to factory, but reviews highlighted some of the dramatic changes that resulted. In Sri Lanka, the first USDOL/ILO review indicated reductions in defect rates of over 40%. A later study found corresponding reductions in labour turnover and absenteeism (34% and 27% respectively).
- With the goal of the project shifting from that of demonstrating good practice to developing a sustainable programme supporting ILO constituents and objectives at the national level, the project developed a wide range of supporting tools. These included training modules for each of the subject area, tools for factory participants, checklists and programme monitoring tools for both the ILO and local counterparts.

- A range of additional outputs have been developed. These include case studies, many of which are available online through the project website www.ILOFIP.org, good practice guides, and sector specific training materials. In addition, the project developed a knowledge management system – the FIP KMS – that allows all the various programmes to regularly upload and access materials across countries, strengthening linkages and learning across groups involved in the programme.
- The project has also focused on sharing lessons learned. Working with the ILO disabilities and HIV/AIDS programmes, specific modules were developed to use the FIP training / in-factory methodology to drive change and develop local institutional capacity. The project also worked extensively with Better Factories Cambodia, which utilized the FIP approach, trainers and materials to introduce its modular programme. This modular programme is now a core component of the growing Better Work project. Similarly, a CSR programme was implemented in China, using the FIP materials and again the methodology, with very positive results.
- As a result of the positive results of FIP, the Swiss donor has agreed to finance a continuation of the programme, under the new name, SCORE (Sustainability through Competitive, Responsible Enterprises). SCORE will allow the ILO to expand FIP to new countries while continuing to support the ongoing programme in India as well as the FIP-based programme in China. In Vietnam, the FIP team in HCMC operating out of the local employers organization offices (VCCI) will run one additional FIP programme, with over 50% of costs covered through factory contributions, as part of a transition to Better Work.
- A series of lessons learned and recommendations have resulted from these various implementations of the Factory Improvement Programme. FIP and its training / advisory service approach, linking good labour practices to competitiveness, is certainly an area of need with ILO constituents and their members. The methodology, tools and direction will continue to shift, as the ILO learns from each programme.

FIP has demonstrated that good labour practices – operating in an atmosphere of respect, opening channels of dialogue, respecting workers’ rights, providing a healthy and safe working environment – is directly supportive of manufacturers becoming stronger competitors in global markets. Given the shifting nature of global production chains, and the resultant growth in the importance of systems of voluntary compliance, this is perhaps the most important output of the project. **FIP has helped strengthen the business case for decent work;** as a result, increasingly, effective organizations will take this into account.

Background

This is the end-of-assignment report by the Chief Technical Advisor of the Factory Improvement Programme, implemented under Swiss and US funding. It is not a terminal report, in that FIP has not ended. The current phase of implementation will continue until later in 2008 under a no-cost extension agreed to between the ILO and the Swiss government; another phase of the project is expected to be approved by the Swiss donor in the near future, based on results achieved in the current phase, with continuation of activities in India and expansion of the programme to new countries.

The approach taken in the latest phase of FIP cycles in Vietnam and India, largely implemented in 2007, was based on the same integrated training / factory-advisory methodology followed in earlier implementations, but now targeting the adoption and implementation by partner institutions of the FIP methodology. The goal of this modification in project design was to broaden the use and impact of FIP, beyond the initially foreseen target of National Cleaner Production Centres, to a larger number of institutions.

Under the plans for the next phase, the FIP methodology will be modified to continue what has been an on-going process of boosting reach, increasing sustainability of both impact and services, and cutting unit costs. This report will not directly focus on the changes foreseen or proposed for future development of FIP, although it will touch on related issues in the section on recommendations; rather, it will focus on what was done and what impacts were achieved during the CTA's tenure as project manager of FIP.

Context

Increased interdependence between countries, commonly known as globalisation, has been the defining phenomenon of the last decade of development. A number of different factors have contributed to this process, most notably, increased flows of foreign direct investment (FDI). According to the World Investment Report 2000, referenced in the development of the original project document under Swiss funding, the level of FDI in 1998 was estimated at \$2.5 trillion dollars. Such investment takes many forms: that of joint ventures, often in minority positions; subcontracting and production sharing; and non-equity arrangements, for example turnkey operations and long-term contracting.

Lower production and labour costs, differences in regulatory frameworks, and the desire to access outside markets has led firms across a wide range of industries to transfer some of their operations to developing countries. From an organisational perspective, there has been a fundamental shift in the nature of the relationships in and the governance of corporate production chains. The formerly dominant model of rigidly hierarchical firms manufacturing goods within wholly-owned facilities in national operations for local markets has given way to trans-national operations of alliances and supplier-based manufacturing that serve a range of global

markets. The increasing distance both in terms of value chain relations and geographic distance have led to a variety of decent work challenges.

Providing decent work for employees entails a process that requires firms to tackle what is often seen as a trade-off between internal profit objectives and standards set by national legislation and universal principles such as those set out in the UN Global Compact and the ILO Declaration on Fundamental Principles and Rights at Work (“ILO Declaration”). At the same time, the variety of initiatives and principles that have emerged in the social arena have proven confusing for many companies, while the blurring of corporate boundaries, mentioned above, which has seen shifting expectations concerning the responsibility for supply chains that stretch into developing countries and the process of globalisation, has added to the confusion. The original design of FIP was, therefore, seen as a means of addressing a need by enterprises participating in global production chains to meet profit objectives, these standards and society’s expectations.

As enterprises in Asia attempt to enter global markets, they face demands from overseas buyers for higher quality products, timely delivery of goods, and lower prices. Increasingly, they are also facing pressures to comply with national and international standards covering the areas of human rights, labour and environment. Given these pressures, the target group that is most likely to benefit from an integrated approach addressing competitive, social / labour and environmental pressures are enterprises which are facing such pressures, often from overseas buyers, including those in such export-driven sectors as textile and garment, footwear, seafood processing, wood processing and furniture, electric appliance and electronics assembly. These industries are typically clustered in zones close to larger industry-based cities, such as Hanoi and Ho Chi Minh City in Vietnam, Colombo in Sri Lanka and Delhi and Mumbai in India. Given the pressures they face, these clusters have constituted the core recipients of services provided by FIP in Asia.

Based on research conducted on global supply chains, the quality and productivity challenges faced by firms in developing countries appears largely due to limited managerial capacity, technical capacity of workers, and understanding of human resource management, as well as the need to upgrade production facilities. These challenges are aggravated by:

- 1 Limited understanding of and compliance with national labour and environmental standards;
- 2 Often poor occupational health and safety, social protections and working conditions for workers at the factories;
- 3 Weak and in many cases, poor worker-manager relations;
- 4 Limited support for and capacity of trade unions inside the factories.

These final points indicate other constraints on competitiveness, in addition to those such as quality and costs facing manufacturers. The benefits of improving both production practices and working conditions is

increasingly clear in Asia's labour intensive industries. A growing number of enterprises in growing numbers of sectors have to comply with either codes of conduct of buyers, which typically highlight the importance of national law, or internationally-recognized factory certification schemes. A focus on what is broadly referred to as corporate social responsibility or CSR is increasingly seen by many organisations in Asia as an investment leading to workers' satisfaction, reduced labour turnover and increased enterprise performance – while also opening the door to the provision of products to demanding international buyers.

Despite a low market penetration of labour-related services in the FIP countries of Sri Lanka, Vietnam and India, the further integration into the world economy puts more emphasis on sustainable industrial development and has focused considerable attention on issues beyond product quality, cost and delivery, to include working conditions, labour and environmental practices of suppliers. In order to address this broader range of market pressures, and based on lessons learned in the ILO's research into codes of conduct, FIP has continued to provide what has been a well-received, integrated approach to factory upgrading.

When the FIP project was first conceptualized, there was limited overlap between its approach and other ongoing activities addressing good labour practices in global chains. Overlapping mainly occurred in targeting sectors (export-oriented factories) and with regards to the involvement of multinational buyers. Bearing this in mind, the project differentiated itself from other programmes and traditional training and consultancy services on the following key aspects:

- 1 Approach – Involving workers and managers in joint efforts;
- 2 Integrated methodology – addressing labour relations, working conditions, quality, health and safety and other issues together, with clear linkages between each;
- 3 Scope - focus on in-factory consultancy rather than solely on training;
- 4 Intensity - continuous technical support of target factories over an extended period.

FIP – An Evolving Methodology

The FIP methodology (see “Annex 2 - Summary of Factory Improvement Programme Modular Training”, at the end of this document, for a more in-depth outline of the FIP structure) finds its roots in a factory level programme initially developed at UNIDO by the CTA. This earlier programme, initially titled the [On-the-Job Training Programme](#) (also see [here](#)) and later the [TQM Awareness Programme](#), was implemented in Africa in the early 1990s. While the focus was mainly on issues of quality and productivity, it also covered areas of workplace communication and at a rudimentary level that of compensation. More importantly, it was based on an approach of both training and rapid in-factory advisory visits with the goal being a systems-based improvement in production facilities. While effective, this programme of work ended when I, as backstopping officer, changed positions.

The training / in-factory methodology was taken up again at the ILO as the basis of an approach to addressing growing demands for action in relation to global supply chains, buyer codes of conduct and labour practices. Following a research programme conducted by the ILO on global supply chains and the implementation of voluntary private initiatives or codes of conduct (see [Implementing Codes of Conduct: How Businesses Manage Social Performance in Global Supply Chains \(2004\)](#). Mamic, Ivanka. International Labour Office and Greenleaf Publishing, Geneva), which indicated that for such initiatives to function, an integrated approach was required. The research furthermore indicated that a business case for pushing improvements in social practices was required, pointing to the need to link improvements in labour practices to bottom-line issues like quality, productivity and sales.

The project's roots can also be traced to existing ILO programmes to improve practices at the enterprise level, for example SYB, IYB (Start Your Business and Improve Your Business) and WISE (Work Improvement in Small Enterprises). Like these other programmes, it is based on initiating processes of self-improvement in the enterprises involved. At the same time, FIP in its past implementations and as initially designed is based on a more intensive process of support and a higher level of organizational complexity. While SIYB and WISE have traditionally focused on micro and small enterprises, FIP in its initial implementations focused on medium and large factories supplying multinationals and global supply chains – although recent programme cycles in India focused on both micro and small enterprises, with considerable impact in each.

Initial implementation of FIP was financed by the US Department Labor through the ILO's Declaration programme, under the title of the [Local Manager Development Programme \(LMDP\)](#). The first implementation, starting in 2001, was with eight medium to large garment factories in Colombo, Sri Lanka. This first implementation had significant positive results, both in terms of bottom-line impact and in social areas. (see [University of Sussex-Best report](#) and the [Mid-term Assessment of LMDP by the US and ILO](#)).

Based on developments in the LMDP project, discussions began with the Swiss Government on the linkage of LMDP and its FIP approach to a process of expanding capacity and focus at Swiss-financed National Cleaner Production Centres (NCPCs). The concept behind these discussions was the possibility of refocusing the Centres from a solely cleaner production or environmental approach to one of sustainable production, following triple bottom line (environment, social / labour, and profit) considerations. This appeared to match well with FIP's integrated methodology.

Following consultations between UNIDO, as the implementing agency for most NCPCs, UNEP and the ILO, together with the Government of Switzerland, a [memorandum of understanding](#) was signed by [high level representatives](#) of the four parties at the World Summit on Sustainable Development on September 3, 2002.

Based on the MOU, the Swiss Government and the ILO continued the development of a [project document](#) targeting the introduction of labour

services into three Swiss-funded NCPCs as an initial exploration of the approach. The [agreement on the project](#) was signed in Geneva on December 9, 2002 with a project Chief Technical Advisor appointed in October 2003.

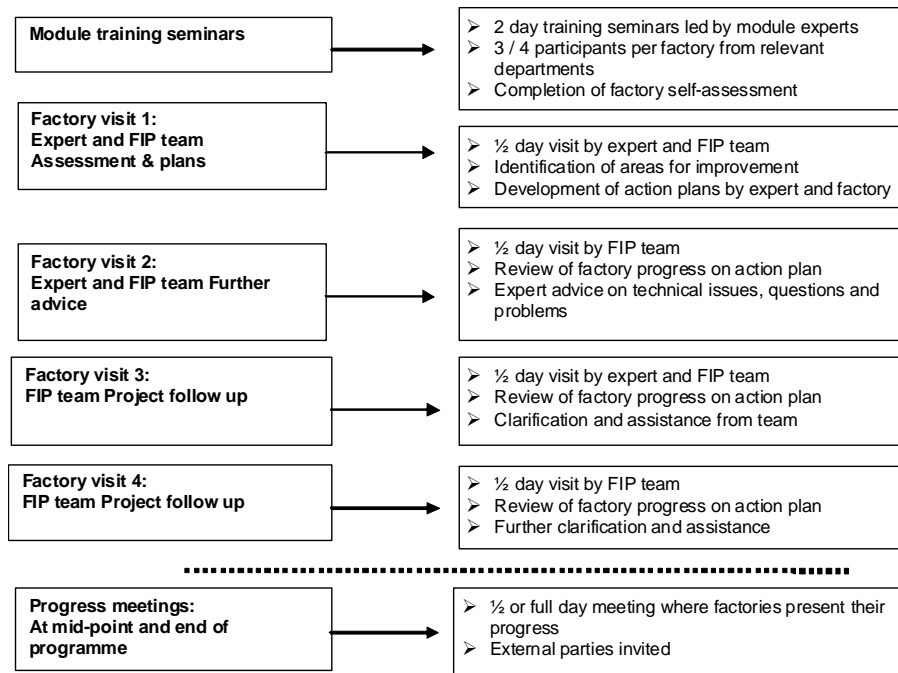
Vietnam was the first country specifically developed with Swiss support, with an [agreement reached](#) at the end of 2003 with the Vietnam Chamber of Commerce and Industry for the implementation of one round of FIP with a group of local factories. Eventually 12 factories were identified, representing a range of sectors and ownership structures, and FIP initiated in October 2004. Six modules of training and consultancy were carried out, with very positive results. Productivity, quality, health and safety, labour relations, HRM and environmental impact all saw improvements to varying degrees.

In Sri Lanka, activities already begun under the US-financed component continued until 2006, with a third implementation of the programme in the garment sector there. Eventually, factories representing roughly 10% of the garment sector, in terms of both factory numbers and workers employed in the country's garment sector, took part in FIP cycles in the area around Colombo. In India, progress was slower, with the ILO reaching agreement with the Council of Indian Employers for implementation of FIP only in 2005. Finally, in 2006, following completion of a [market assessment](#) indicating the high potential of implementing FIP in the auto components sector, it was agreed that the first full programme would take place outside Delhi, in the industrial city of Faridabad. Two programmes, focusing on an electroplating cluster and a light engineering / metal working cluster, began in 2006 and were completed by end-2007.

Project Strategy and Approach

Building on experience from previous implementations of factory-level improvement programmes, including but not limited to FIP, as well as the ILO's research on the implementation of codes of conduct across supply chains, the initial design of FIP – as mentioned above, as initially referred to as the Local Manager Development Programme – was as a demonstration programme targeting four country-level implementations. The funding for this, agreed in 2001, was supplied by the US Department of Labor through the ILO's Declaration programme.

The structure of individual programme cycles, outlined below, of group training followed by four visits per module to each participating factory, including two with the module expert and two without, has remained relatively consistent over the course of the eight implementations. With the goal of boosting sustainability, the project is currently intending to pilot an approach of only 1 expert visit, and with time will probably push for increased responsibility on the part of the service providers, perhaps to the point where they themselves implement certain modules, both as experts and in terms of support. This would appear the best path to full cost coverage.



Following discussions with the US donor and the Swiss government, it was agreed that these implementations could serve as a starting point for the capacity building of Swiss-funded National Cleaner Production Centres. The basic methodology proposed was that the selected NCPCs would serve as the base and support the implementation of FIP cycles, thereby developing ‘on the job’ a deeper understanding of issues outside the area of cleaner production, in particular those related to labour practices and general production.

The initial project document agreed with the Swiss donor suggested this approach would be taken with three countries / NCPCs, with potential expansion at a later stage and under additional financing. Following a [mid-term review](#) by the donor and the ILO, carried out in 2005, it was decided that this approach did not provide enough impact, and that the target institutions as service providers and project partners should be expanded, while focus would be on two countries, Vietnam and India. Based on this, the project approach was re-designed to provide assistance to target groups of multiple partner institutions which in turn were to provide Factory Improvement Programme services to participating supplier factories. The focus on developing the capacity of NCPCs was replaced by the goal of developing multiple partner institutions and service providers who could provide FIP-related support, although the NCPCs in Vietnam and India have continued to provide direct support to the programme.

Under this new non-NCPC-specific approach, FIP as a project has sought to equip partner institutions and service providers with the necessary skills and tools – in the form of capacity building, training materials and other supporting elements – to work with local factories, improving labour conditions in these factories, increasing their competitiveness, and at the same time meeting the requirements of multinational customers.

Capacity building of partner institutions has again been through an on-the-job approach, facilitating their management and implementation in their

delivering FIP's targeted, modular, training programme, involving seminars, site visits, and factory-specific change management assistance and guidance in establishing required management systems.

Sustainability strategy

Following the Swiss/ILO mid-term review, a new approach has been taken to broaden project impact, one of supporting multiple institutions in their adoption and implementation of the FIP methodology.

Sustainability will depend on ensuring both the effectiveness of the approach, something which has been demonstrated in previous implementations, and the ability of partner institutions to both deliver the product and cover their own costs in the process. With the goal of boosting cost recovery / increasing sustainability, the project has consistently sought to reduce costs while also pushing for a cost recovery methodology with those institutions involved in implementing the programme. In terms of reducing costs, this has been done through a number of approaches.

The project has increasingly relied on national level experts, some of whom have been developed during the course of project implementation. In the future, one key means of reducing costs would be through the modification of the structure of the programme, through reducing the number of modules and consolidating coverage while also reducing the time spent on factory level assistance and expert visits.

Increasing factory contributions and cost recovery has also been consistently pursued, with FIP raising more on a factory by factory basis than most if not all other ILO projects implemented to date. In Sri Lanka, contributions rose from \$3,000 per factory in the first FIP implementation to \$5,000 in the second to \$7,000 in the third implementation. This resulted in the majority of costs – although still not all – being covered through participant fees. In Vietnam, while the first programme implemented in Hanoi was carried out without factory contributions, the last two cycles, in Hanoi and HCMC, raised \$1000 and \$3000 per factory, respectively. In India, where the programme worked with micro and small factories, fees ranged from \$500 to \$1500 dollars per factory, a considerable rate for SMEs.

This approach has depended on finding factories willing to pay such fees. In most cases, in Vietnam and Sri Lanka, this has resulted to some degree in the participation of those enterprises facing compliance pressure. There were many exceptions, mainly in cases where some previous relationship existed with the service providers VCCI and VNCPC in Vietnam and our project team in Sri Lanka. This has not been the case in India, where most factories took part because of the support of their association, the Faridabad Small Industries Association, and the goal of boosting quality and productivity as supported by FIP.

Institutional Framework

Project management unit

The project management unit based in Bangkok, comprising the Chief Technical Advisor and administrative support, supported the country-level teams with the implementation of the project. The responsibilities of this unit included the continued development of supporting materials and tools as well as administrative support of the project. This included the preparation of country level workplans and budgets; management of personnel and liaising with ILO colleagues and other stakeholders.

Following the Swiss mid-term review the project budgets were decentralized to the regional level. Prior to this, and due to changes being implemented in the ILO's financial control systems, the budgets had remained in Geneva, a less than optimal approach.

The CTA has been closely involved in start-ups of activities at the country level, including the selection of service providers, the selection of experts, the relations and capacity building of local partner organizations and the general methodological approach taken which needed to be adjusted to each country programme.

Country level Project Support Unit

The project established in each location country-level project support units, staffed through personnel employed by the project and located either within the ILO or the primary counterpart organizations. In Sri Lanka, following the first programme implemented from an ILO office, the following two programmes were carried out from a base at the ILO's national employer constituent, the Employers Federation of Ceylon (EFC). Similarly in Vietnam, after a first programme implemented from an ILO project office, FIP teams were established at the service providers offices at VCCI and VNCP as well as at the VCCI headquarters in Hanoi. In India, the project was from the start decentralized to the offices of the Faridabad Small Industries Association, with three local service providers backing up FSIA.

FIP teams supporting each programme cycle comprised two or more specialist staff with experience in factory level consulting and training, backed up by an external advisor and one administrative support staff.

The primary role of external advisors has been in facilitating the adoption and implementation of FIP by local partner institutions through partner institution FIP Teams. In this, they provided advice on the FIP methodology, ensured that the institutions provided agreed-upon services, and collaborated with the local counterpart institution on the further development of training or other materials to support FIP at the national level.

Partner institutions and FIP Support Teams

With FIP cycles implemented eight times, three in Sri Lanka, three in Vietnam and two in India, there is a clear difference of approach that has been taken in the first four cycles (FIPs 1, 2 and 3 in Sri Lanka and the WMFIP pilot in Hanoi, Vietnam) versus the approach taken in the following four (in Hanoi and HCMC, Vietnam and two programmes in Faridabad, India).

Based on the mid-term review and following the first four implementations, it was decided that simpler and more effective means of carrying out FIP programmes would be through contracting support from institutional collaborators for implementation of FIP as a package. Based on this model, the services provided under FIP, already well known, were clearly delineated in output-based contracts touching on training services expected, transport, FIP support teams, number of factory visits, documentation of results and reporting requirements.

The approach of providing services through partner institutions put greater responsibility and ownership with the local partners (eg. VCCI and VNCPC in Vietnam, FSIA in India), based on an agreed upon budget together with implementation requirements as outlined in service contracts. Under this 'outsourced' approach to FIP, the ILO project team and advisors at the national level worked closely with the local partner institutions to ensure quality and results.

Within VCCI and FSIA as partner institutions for Vietnam and India respectively, they created FIP support teams responsible for carrying out the implementation of FIP. These teams in turn worked with local service providers, companies or institutions contracted to carry out the day-to-day implementation of FIP cycle support. Under the approach, VCCI and FSIA, together with their service providers, were responsible for:

- 1 Identifying participant factories for the programme, based on agreed criteria;
- 2 Implementation of baseline survey of participating factories and the creation of key performance indicators to monitor impact;
- 3 In consultation with the ILO, identifying suitable experts for each module, supplying said experts with required training materials;
- 4 Organizing training seminars and reporting sessions as well as factory-level follow-up;
- 5 Ensuring at the factory-level the establishment of Factory Improvement Teams and the creation and implementation of Factory Improvement Plans;
- 6 Ensuring the careful documentation of results of the programme based on case examples and key performance indicators;
- 7 Completion of required reports.

Based on past implementations of FIP, and following the methodology of training followed by consultancy, the project has through each programme cycle targeted having service providers staffing of one specialist for every 4 to 6 factories supported. In future implementations it may be possible to increase the number of factories supported by each FIP specialist if the

methodology is modified to involve lower levels of direct factory-level assistance.

Advisory Committees – Oversight and Support

The project has been supported by National Advisory Committees (NAC) in each country, Sri Lanka, Vietnam and India, which met at least twice a year. These committees included representation of both workers' and employers' organization, the national counterpart organization and the ILO. Also taking part were other relevant institutions and stakeholders, such as research institutions, trade and sectoral associations and academia, that have important inputs and comments to make on how to address project objectives at the national level. The NACs were advisory in nature, providing useful comments and insights as recommendations to the project counterpart institution, project management and the ILO. Specific composition of these bodies included the following:

FIP Advisory Committee - Sri Lanka

Chair: Mr. Gotabaya Dasanayake, Director General, EFC
Ms. Tine Staermose, Director, ILO Colombo
Ms Shafinaz Hassendeen , Senior Programmes Officer, ILO Colombo
Mr. Jayantha R de Silva, Regional Specialist, ILO/FIP
Mr. Ravi Peiris, Deputy Director General, EFC
Mr. Lucky Samaranayake, Administration Manager, EFC
Mr. Mahinda Madihahewa, Commissioner General of Labour, MOEL
Mr. Jagathweera, Asst. Comm. of Labour. Social Dialogue, Dept of Labour
Mr. Umma Lebbe, Commissioner of Labour, Dept. of Labour
Mr. Lesley Devendra, General Secretary, SLNSS
Mr. Palitha Athukorale, General Secretary, JSS
Mr. M.K. Hemapala, JSS
Mr. Gerald Lodwig, General Secretary, NWC
Mr. Tuli Cooray, Secretary General, JAAF
Mr. T.G. Ariyaratne, Deputy Secretary General, JAFF
Mr. R. Thiagarajah, IR Consultant – Board of Investment

FIP Advisory Committee - Vietnam

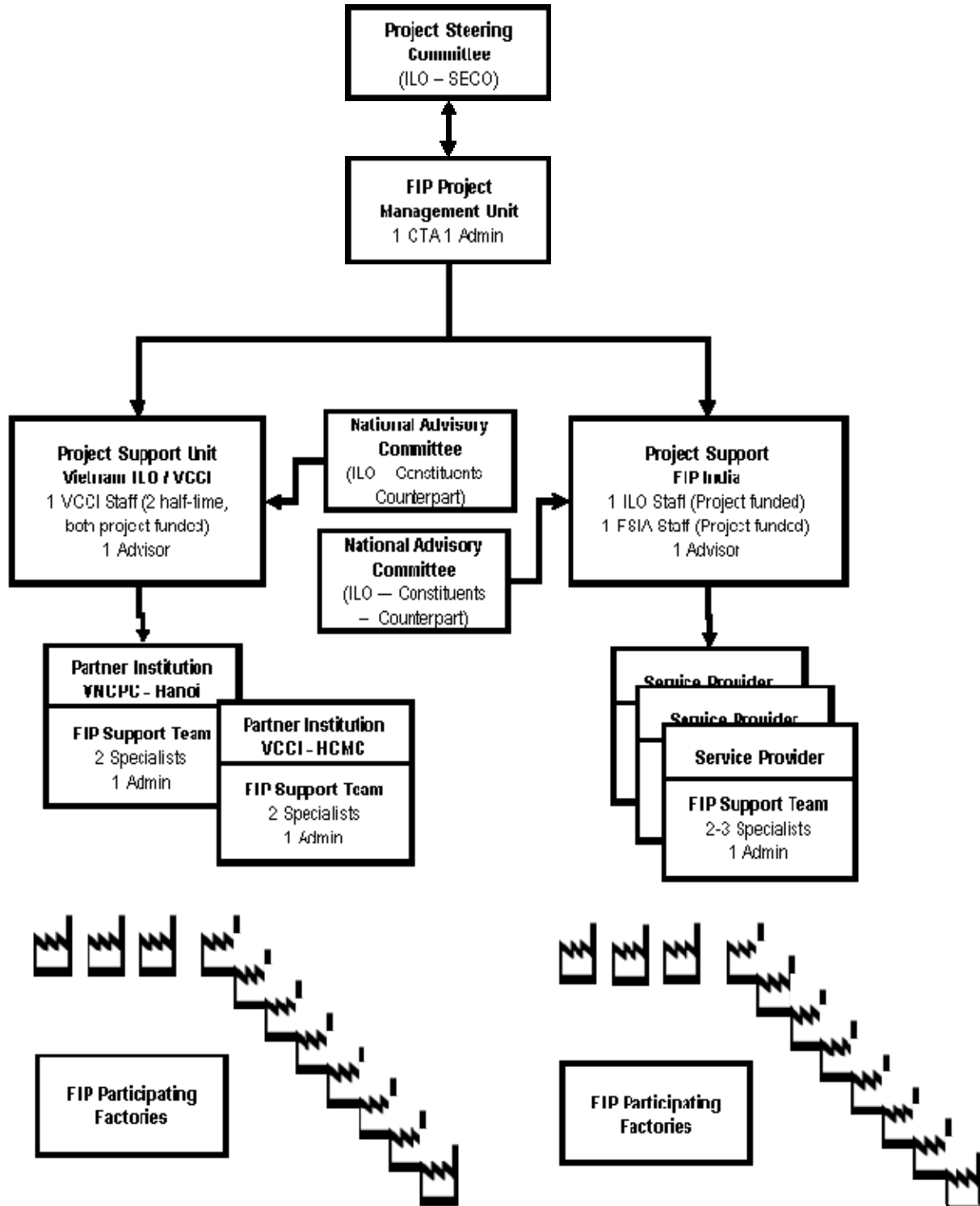
Chair: Mrs Nguyen Thi Tuyet Minh, Vietnam Chamber of Commerce and Industry (VCCI)
Mr. Chu Hoang Anh, Ministry of Labour, Invalids and Social Affairs (MoLISA)
Mr. Dang Quang Dieu, Vietnam General Confederation of Labour (VGCL)
Ms. Nguyen Thi Thuan, University of Labour and Social Affairs (ULSA)
Mr. Daniel Lenggenhager, Swiss Economic Cooperation Organisation (SECO)
Ms. Caitlin Wyndham, Consultant, FIP / ILO

FIP Advisory Committee - Faridabad, India

Chair: Mr. S.K. Saxena, Director General, DGFASLI, Ministry of Labour
Mr. Jawhar Sircar, Additional Secretary, Ministry of Micro, Small and Medium Enterprises
Mr. Darshan Singh, President, AITUC Haryana (nominated by the central union)

Mr. S. S. Chauhan, INTUC, Haryana (nominated by the central union)
 Mr. B.P. Pant, Secretary, Council of Indian Employers
 Mr. Rajive Chawla, President, Faridabad Small Industries Association

Organization Chart – FIP Project in 2007



Core Programmes – Outputs and Results

FIP has been a programme of training and factory level advisory or consultancy services. In this role, it has had two clear objectives. First, it has sought to develop and implement a methodology of linking general management practices with labour practices, to effect broad-based and where possible 'transformational' change in the participating factories. Second, the project has sought to disseminate this integrated approach, both through a demonstration effect on other parties, including national institutions, brands / buyers, local firms, and other development programmes and projects; and through the collaboration with local institutions or service providers as local partners.

In implementing the core programmes over sixty training seminars have been organized in three countries, an average of around one per month over the five years of implementation. In addition, many times this number of typically less formal sessions have been organized at the factory level.

	Training Seminars	Factory-Level Consultations
Sri Lanka	21	812
Vietnam	29	980
India	16	644
Total	66	2436

The project has sought to expand the impact of the programme through the implementation of short in-factory trainings on topics covered, adjusted to highlight areas of particular concern to local factories. These in-factory trainings also proved a means of further developing the local service providers' capacity, as having to teach topics, rather than just participate and support coverage of modules, helps build a much deeper understanding not only with those taught but also those teaching.

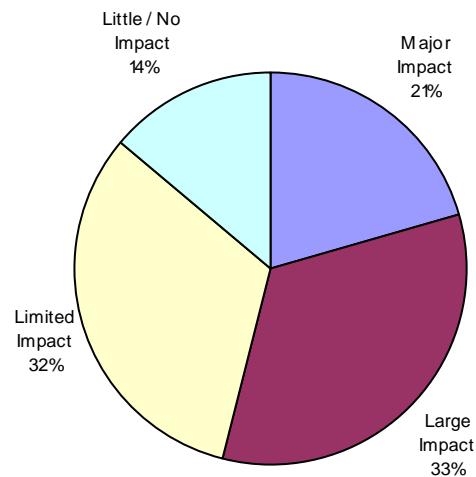
This in-factory training and support is in fact the primary component of the programme; it is this advisory support that drives change, motivates factory workers and managers and ensures actual change takes place. Without the factory level support, it is the CTA's experience that most of the changes seen in the programme would not have taken place. During the course of the 8 cycles the project and its partners carried out over 2500 factory consultations and visits, most in support of specific modules. Roughly half of these included the participation of experts with specific knowledge of the topics being addressed.

During the course of the programme and the cycles carried out in Sri Lanka, Vietnam and India, 87 factories from a broad range of sectors took part in the programme. The enterprise level results of the direct interventions with these 87 facilities need to be considered within the

context of what was being attempted and what is typical in terms of success of change management initiatives. Starting with this latter point, typical TQM or re-engineering programmes, with what are usually more limited objectives – boosting quality, increasing sales or strengthening a specific area like HR or productivity – fail to achieve their targets in around 75% of cases.

Of the factories that have taken part in the direct modular programmes of FIP, based on the assessment of impact by the project teams, over 50% were heavily impacted, with major or transformational improvement taking place in around 20% of the cases. The remaining 46% of factories saw only limited improvements, often undertaking a wide range of initiatives but without these having a major change of operations, and with little probability of long term sustainability at the factory level.

Factory Impact - Overall Programme



Note on evaluation of impact: A wide range of researchers and theorists have looked at change management and success rates of improvement efforts. The findings from a few of these include: Two-thirds of Total Quality Management (TQM) programs fail, and reengineering initiatives fail 70% of the time (Senge); Management history is littered with failed innovation programs (e.g., TQM, quality circles, Re-engineering, and job enrichment) that started with a bang but fizzled out. (Repenning); Leaders of the corporate reengineering movement report that the success rate for Fortune 1000 companies is below 50%, possibly only 20% (Strebel).

The evaluation of impact of FIP on the participating factories, as presented here, is based in large part on a review by the project teams, managers and CTA, in addition to the interviews conducted by researchers and reviewers, combined with a consideration of quantitative data. Factory impact as presented in this report has been broken into four categories, based on the following groupings: **Major impact** – transformational, long term impact on relations, capacity, systems and facilities. The facility looks different and operates differently in a broad range of areas. **Large impact** - considerable impact on relations, capacity, systems and facilities but with some areas overlooked. Sustainability will need to be assessed over time; **Limited impact** - clear improvements without transformation - Systems were changed, perhaps some mechanisms of dialogue introduced, but without the lock-in we would like. There is expected to be limited long-term sustainability unless unforeseen changes occur; **Little / No impact** - changes were introduced in some cases, in some areas, but of marginal nature. Little long term impact.

The Factory Improvement Programme, attempting to link productivity and quality to labour practices and environmental impact, can be seen to be much more ambitious than the change efforts typically studied, focusing as they do solely on quality or production; as such, to have achieved major or transformational impact in the majority of cases can be seen as quite successful at the enterprise level. Furthermore, it should be noted that these figures are based on the assessment of FIP teams external to the factories. If they were based on the views of factory managers, the figures would be considerably higher.

The cycles in each of the three country level programmes implemented have varied considerably in nature, due to the phase of development of the programme and its methodology, the nature of industries, the sectors addressed, the relationships with counterparts and service providers. Summaries of these three programmes are presented below. For more in-depth information see the [reports](#) developed by these programmes, or the [reviews](#) carried out on these programmes.

Core Programmes – Sri Lanka

Sri Lanka was the first programme addressed, with operational funding for all three cycles provided by the US Department of Labor. The first programme in Sri Lanka began in April 2002, with training starting about two months later, in July of 2002, then ending roughly nine months later. This was followed by two more cycles, starting in April 2003 and November 2005.

The programmes in Sri Lanka were targeted at large garment facilities supplying primarily to well known multinational brands. This can be seen as a reflection of the considerable interest by these brands, and therefore the factories, in the range of areas covered by FIP. The garment sector is typified by intense price pressure, high quality requirements and increasingly the need to address labour and social requirements as listed in buyer codes of conduct. The choice of the garment sector is also a reflection of the work that led to this programme, the ILO's research into multinationals' implementation of corporate codes of conduct and voluntary initiatives.

During the course of the programme in Sri Lanka, 29 factories took part in the programme. While this may appear to be quite limited, a few factors need to be considered. First, these were large operations, employing on average around 1000 workers, with some employing over 2000 workers in one facility. The 29 factories employing roughly 30,000 workers represents around 10% of the existing base of garment factories at the time of implementation as well as 10% of the garment workforce.

The majority of factories in Sri Lanka, 55%, witnessed either major or large degrees of change. The nature of these changes are outlined in some of the comments from reviews highlighted below, focusing on everything from OSH to dialogue and relations to quality and competitiveness. Given the importance this sector plays in the national economy, FIP can be seen as addressing a priority area – that of improving labour practices while strengthening the competitive position of this sector in global markets.

The counterpart for the programmes in Sri Lanka was the Employers

Federation of Ceylon, which completed a [case study](#) on the programme and their involvement. While the first programme was implemented mainly as an ILO activity with constituent support, the second and third programmes were implemented by EFC, with ILO support. While EFC has not continued to provide FIP as implemented by the project, it has continued to provide training developed during FIP on workplace cooperation and social dialogue.

Review findings – Sri Lanka

Factories of the size addressed in Sri Lanka are complex operations, often with quite well developed managerial capacity. That FIP was seen as a very useful programme with considerable support in the garment sector testifies to its effectiveness in a range of areas. The findings of the [mid-term assessment](#) carried out by an independent USDOL/ILO team highlight the positive impact, as well as the support the project found in Sri Lanka.

Workers interviewed in all the participating factories stated that they have experienced benefits in the form of improved working conditions, OSH, and improvements in human resources management systems, that, for example, track more carefully the amount of overtime worked by each worker.... The brands interviewed stated that they had witnessed remarkable changes in the participating factories, and were quite impressed with the results of the project.

As with all programmes, it is been difficult to develop concrete measures of impact. The factories typically have no reliable figures or limited data collection, in particular on the softer issues of HR, relations and even OSH. That said, one party consistently present in the factories, and concerned with both production and compliance performance, are the buyers from participating factories. These buyers, who have a presence in the facilities on a regular basis, viewed the results of FIP in Sri Lanka – and elsewhere – very positively, with the USDOL / ILO mid-term assessment report stating:

The brands interviewed stated that they had witnessed remarkable changes in the participating factories, and were quite impressed with the results of the project. They were not alone in stating that other factories wanted to participate in the programme after it had started. This helped confirm for the AT [assessment team] that the project would have little problem in attracting other factories to participate in the future.

One of the goals in each programme cycle was to help participating factories implement record keeping systems in a broad range of areas, both to track the impact of the project and to professionalize the factory operations. The assessment cited figures drawn from these systems, which were maintained by factory management and monitored by the project. According to these figures, there were impressive improvements in productivity and quality performance, as indicated in the following excerpt from the report:

The average rate of ‘inline’ and ‘end of line’ quality rejects have been reduced by 46% (from 15.74% to 8.76%) and 40%

respectively (13.49% to 8.16%). Average labour turnover and absenteeism have reduced by 26% (from 9.04% to 6.66%) and 34%, (from 7.67% to 5.03%), respectively. Increased output per worker has resulted in the reduction of actual cost/min of production from an average of US \$0.1255 to \$0.0708/min, or 43.58%.

With the goal of measuring impact sustainability at the factory level, a year after the completion of the programme the findings from the donor's assessment were complemented by a review carried out by a researcher from the Institute of Development Studies, University of Sussex. This researcher, Ms. Sarah Best, spent three weeks visiting factories, interviewing workers, managers and other stakeholders and attempting to ascertain the results of FIP1 and to some degree the second programme in Colombo, FIP2. Her report, [found here](#), states:

In terms of sustainability, the factories had managed to maintain a lot of the good practices developed during the programme. There was also evidence that skills and ideas generated during the FIP had acted as a catalyst to further changes.

She went on to state, though, that the maintenance of progress was not across the board. Where change was effected and maintained, it was often the result of committed management:

In the factories that continued to collect [statistical data], the indicators show that in some instances performance improvements were sustained and improved upon, whilst in others the gains made had been eroded or reversed.

The more successful ones were those where there was senior management commitment and participants had adequate authority, skills and resources to drive change initiatives. Smaller firms, with weaker management systems at the outset, tended to experience a proportionately bigger impact than those with more sophisticated operations

Ms. Best similarly found the issue of measuring impact on the 'soft' issues challenging. As such, she relied on a proxy measure to give some indication of impact on workers, stating:

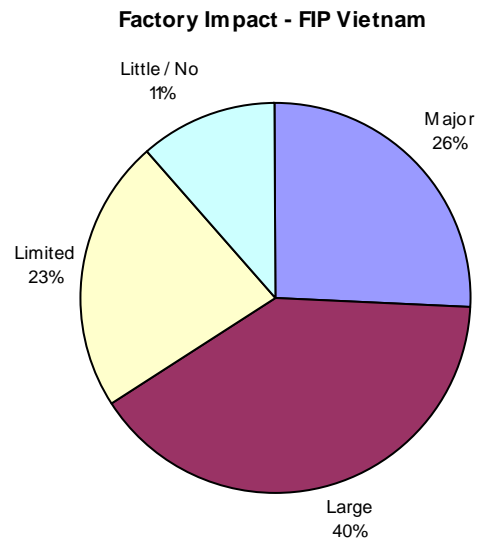
Falls in labour turnover (34%) absenteeism (27%) provide indirect evidence that improved people management can increase employee satisfaction and commitment. Managers believed these improvements had direct consequences for efficiency and cost control. For example, through lower recruitment and induction costs and lower risks of production hold ups due to absenteeism.

The Best report reached the conclusion that "The major challenge for the FIP is to strengthen the social dialogue component by increasing employee involvement in the programme." As the programme moved on to Vietnam and India, this was a challenge addressed through the introduction of a new methodological element – the worker-manager-constituted Factory Improvement Team (FIT). FITs were central to each of the following

programmes and proved to be, in cases where they had true worker participation and were fully endorsed by management, a primary means of building communication and commitment to address common goals while changing the nature of relations between levels on the production floor.

Core Programmes – Vietnam

There have been three programmes implemented in Vietnam, two in Hanoi and one in Ho Chi Minh City. The first programme, starting in October 2004 and finishing in July 2005, involved 12 factories, with primarily US funding (SECO funding covered the costs of a local advisor, Daniel Keller, as well as that of the administrative assistant. The cost of the experts, seminars and other operational expenses were covered by US funding). This was a multi-sectoral programme, in that the factories taking part came from a highly varied group of industries – including garments, medical supplies (syringes), printing, street lighting, electrical boxes, auto parts, motorcycle manufacturing, and footwear. The multi-sectoral implementation in Hanoi provided an opportunity to test this varied participation approach.



Following the initial programme in Hanoi, two more programme cycles were implemented with local partners, bringing the total to 35 mainly medium and large sized facilities, involved in a wide range of sectors. In terms of impact, the success rate in Vietnam was quite high. The project and its teams in Hanoi and Ho Chi Minh would estimate that 40% of factories experience large degrees of change and 26% underwent a transformational effect. Factory management appeared eager for assistance in adapting to the pressures of WTO ascension, entry into global markets, price and labour requirements of buyers and general competitiveness.

In terms of programme approach, strengths can be seen with having a uni-sectoral participation, as *inter alia* experts can be hired with specific knowledge, factories can learn from others producing similar goods and relying on similar production processes, cases and materials can be tailored and the FIP support team can develop more in-depth understanding on the specifics of the sector being considered. At the same time, taking a multi-sectoral approach allows the project to select participants from a larger pool of potential fee-paying industries, it results in a broader process of learning with regard to the current working environment, and in a pilot it allows the project to develop a better 'feel' for the local market, perhaps setting the stage for a more tailored, sector-specific following round.

In the case of the pilot in Vietnam, the latter appeared to be the case – the multi-sectoral approach appeared to work well, the results for at least 50% of the factories were very positive, opening the door to further rounds, with the support of local constituents and in particular the local employers organization, VCCI. It also resulted in the willingness of the local Swiss-financed cleaner production center VNCPC to serve as a service provider in the second round. In the first round they had been resistant to having more of a role than that of providing support under the cleaner production module as well as monitoring the project and completing case studies on the results.

Following the SECO/ILO midterm review, a market assessment was conducted on the potential of expanding FIP in Vietnam in a second phase. This indicated the strength of implementing a programme centred on the industrial zones outside Hanoi and Ho Chi Minh City, supporting the possibility of implementing the programme through the service providers VNCPC and VCCI HCMC. Based on this assessment and its recommendations, which were endorsed at a tripartite stakeholder verification meeting carried out on February 24 2006, planning began on two new programmes, centered at VNCPC and VCCI HCMC.

These two programmes were almost simultaneously launched in late 2006, with CEO meetings organized in each location at which factory managers and owners committed their operations to the overall objectives of the programme. Also organized just prior to the start of the programmes were training-of-trainers programmes for the service providers and their teams that would support the programme. At these ToT sessions, the CTA went through in detail the full range of activities and support expected to be provided in each cycle, while also reviewing the general philosophy, approach and themes covered by FIP. This training was based on the in-depth implementation guide that had been developed by the project, a tool that has proven useful in helping others develop a more considered understanding of how FIP works.

The programme in Hanoi, which took place over the duration of 2007, relied on the support of the VNCPC as the service provider. The Hanoi Final Report of the VNCPC can be found here, providing in detail a description of the programme and its results. In this programme, 11 factories, employing a total of around 5,800 workers, started the programme and 10 factories eventually completed the full programme. These factories represented three sectors, including large printing operations (a film on FIP Vietnam and one of the steel structure factory participants can be found here), two factories producing pre-engineered steel structures and the remainder coming from the garment sector.

This cycle was fully embedded in the VNCPC, with the Centre handling all aspects of planning, day to day implementation, expert selection, factory selection and factory level follow-up. This was done with the regular advisory support of a project consultant based in Hanoi as well as the project CTA. In order to facilitate the startup of the VNCPC, the project coordinator employed by the project in the pilot programme also worked with the VNCPC until May 2007.

In Ho Chi Minh City, the programme cycle begun in December 2006 and

continuing until the end of 2007 had 12 factories participating, all from the garment sector. Again, for more in-depth information the reader can see the HCMC Final Report of the service provider, VCCI HCMC.

FIP HCMC – Factory Participant Summary

Ownership	3 Joint stock , 4 private, 5 FDI
No. of employees at target factories	13,400
Main Markets	Domestic, US, EU, Japan
Buyer Relations	International and domestic buyers
Certification	8 factories have ISO or SA 8000 certification
Code of conduct	All 12 factories apply various buyer code of conducts
Trade union	All 12 factories have an established trade union

In HCMC, the brands/buyers expressed great interest and support for the programme, and numerous factories heard about the programme from their leading buyers. As such, VCCI HCMC had considerable support in identifying participants. They also were able to rely on their close relationship with a number of factories. These two factors, existing contacts and buyer support, have proven important in each programme implementation, in Sri Lanka, Vietnam and India. This is particularly true when high fees are being charged, as was the case of FIP HCMC (\$3000 per factory, roughly 30% of the cycle's operational costs, vs. \$1000 per factory charged in FIP Hanoi during the same time period).

Review findings – Vietnam

Specific results of the programme cycles in Vietnam are provided in the final reports as well as in case studies, addressed below. At the same time, the activities in Vietnam benefited from a number of reviews, including two by donors and the ILO of FIP in Hanoi and one in Ho Chi Minh City carried out by a researcher from the Royal Melbourne Institute of Technology (RMIT).

The first [review](#), conducted jointly by SECO and ILO, indicated that the programme had had considerable impact at the factory level. This follows more or less the findings of the work in Sri Lanka. It went on to indicate, though, that developing the sustainability of the overall programme, not in terms of impact at the enterprise level but in terms of continuation of impact with counterparts and service providers, needed further development.

The experiences at the enterprise level and feedback from project stakeholders strongly reaffirm the relevance of the Factory Improvement Programme (FIP). The programme can be credited with stimulating real improvements in the participating factories. These improvements concurrently

and positively impact on the workers and the enterprise.

Notwithstanding the positive impact of the project, the Sri Lanka experiences show that in its current form, the FIP is not yet sustainable. However, the project has made significant and commendable progress in this regard.

The project's major challenge is to build the capacity of local partners to integrate the Factory Improvement Programme (or at least its essence) into their core enterprise operations. To address this challenge, the review team concludes that the project needs to move its orientation from direct enterprises-level interventions to capacity building at the meso-level.

Based on this review, the project has continued efforts to boost sustainability, reducing costs through increasing use of national teams and other economizations, while also boosting cost recovery. In Hanoi, the project through its local implementing partner VNCPC began collecting fees of \$1000 / factory, the first time VNCPC had collected such an amount. While representing only a bit more than 10% of overall operational costs of the cycle in Hanoi, this was a starting point. In HCMC, where the implementing partner VCCI HCMC collected \$3000 per factory taking part, this amount came to over 30% of operational costs. The budget agreed for the next round in HCMC, already agreed with VCCI HCMC, will see cost recovery against core operational expenses cover over 60% of these expenses.

In addition, during the programmes following the first FIP in Vietnam as well as the first in Sri Lanka, the project focused on embedding of activities directly in local counterparts and service providers. As such, during the FIP cycle in HCMC completed at the end of 2007, the FIP team was part of VCCI HCMC, working from within its offices and with direct support and participation of VCCI staff. This has led to VCCI's understanding and interest in FIP, its continuation and its potential for developing their capacity. Similarly, in Hanoi, FIP was operated by the VNCPC, with VNCPC staff as the FIP project team, serving as coordinators and manager.

The potential that has resulted from these changes was highlighted by the second review conducted in Vietnam, the final evaluation done by Mr. Tony Powers for USDOL and ILO. This stated:

The prospects for expansion of the program and its philosophy look promising with the second round of program attracting considerable interest from factories and MNEs. The fact that program management has been devolved more to local institutions and that participants have shown a willingness to pay a service fee also bodes well for the future sustainability of FIP.

This evaluation went on to make a number of recommendations for future work under the project, several elements of which have been taken up during the final phase, under financing agreed by ILO and USDOL. These include those related to the following report recommendations:

- Provide broader access to FIP materials - As mentioned elsewhere in

this report, a variety of materials have been added to the ilofip.org website. At the same time, the materials served as a primary input to the Better Work materials developed by the ILO in collaboration with the IFC. They have furthermore been disseminated to a number of other programmes and used in one way or another.

- Expand the search for, or development of, local experts – During each of the final cycles, experts were almost entirely national, with the exception of the use of project staff, ie the CTA, and the use of some expertise from previous programmes in Sri Lanka.
- Explore the potential of leveraging funds – As mentioned above, the project has continued to push for increasing levels of cost recovery from factory contributions.
- Improve baseline data collection and performance monitoring systems – The project attempted a much more systematic and involved process of baseline data gathering during the final four programmes. This though still faces challenges. As mentioned in other FIP reports and elsewhere here, part of the objectives in each cycle is to develop often non-existent data, so at the start there is little or nothing quantitative to serve as a baseline. At the same time, by its nature, working with multiple factories on multiple topics, providing the time and expertise needed to gather such data is difficult. In these efforts, one of the most useful and simple forms of documenting change is through before / after pictures, many of which have been gathered (see for example the ilofip photo collection here).
- Continue to actively promote the program not only to industry, but to government – The project has continued to promote both the programme and its objective of linking bottom line issues to good labour practices. A variety of videos, TV shows and promotional materials have been developed. As discussed below, national-level meetings have been organized in both Vietnam and India. These together with linkages and support from multinational brands and buyers has raised the international profile of the project.

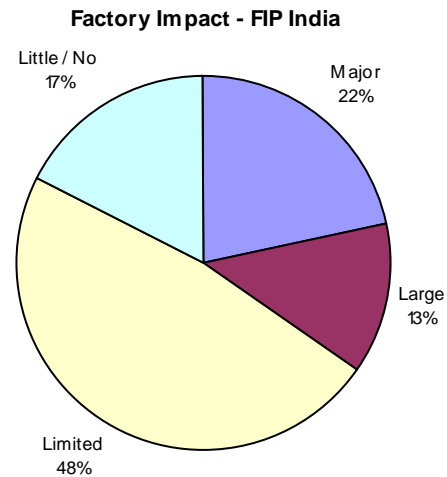
Core Programmes – India

During the course of the CTA's assignment two programme cycles were completed in India, both in 2007 in the industrial district of Faridabad. In collaboration with the Council of Indian Employers (CIE) and its affiliate the Faridabad Small Industries Association (FSIA) as the implementing partner, programme cycles were run in two clusters of small and micro units supporting the automobile and auto-component manufacturing. Thirteen units were part of the light engineering cluster, typically enterprises manufacturing metal components, through processes ranging from bending and forming to drilling, milling and turning of parts, as well as light assembly operations. Given that a great deal of the work revolves around cutting, punching and pressing operations, health and safety is often problematic in such operations.

The second group of ten factories came from the electroplating cluster located in Faridabad. These electroplating units are typically small operations, usually with ten to twenty staff, although sometimes less.

They work in a job shop fashion, taking work when and where they can find it, usually from many of the same factories operating in the light engineering sector mentioned above.

In terms of results, the programme cycles in India had a lower success rate, relative to those in Vietnam and Sri Lanka, in particular in the less formal, smaller enterprises of the electroplating sector. There, only one of the ten factories was seen as ‘transformed’ and was a relatively large and structured electroplating operation. Light engineering, on the other hand, had 4 of 10 transformed, indicating that the FIP methodology does work with SMEs, beyond a certain size or depth of management floor. As highlighted in the comments of reviewers, there is a need for factories to have sufficient absorptive capacity. Yet in an electroplating factory, where the manager is the only one with any supervisory role, and is also responsible for everything from safety to HRD to accounting, there is little time and often ability to take up the initiatives pushed by FIP and the lessons behind these.

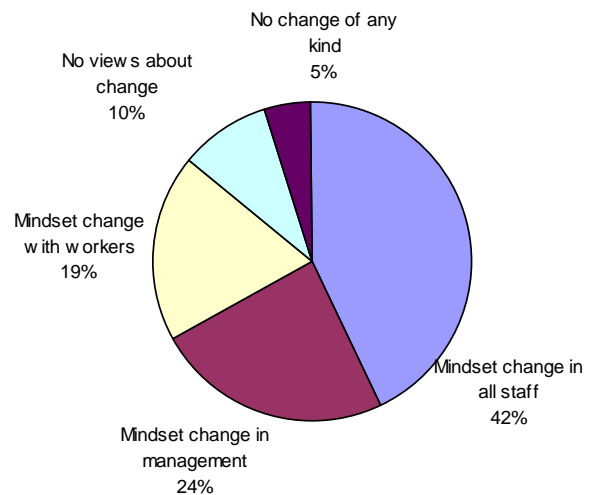


Managers of these operations are usually also their owners, and have little or no managerial backup or support; as such, they are responsible for sales and marketing, product development, HRD, order processing. On some days they are busy on the production floor, operating more as foreman and lead operator than actual factory manager. Other days managers are out trying to find new business. In general, this leads to a difficulty in setting aside time to actually focus on growing or improving their business, or for scheduling visits of FIT meetings and FIP support team visits, moving as they must from one burning issue to the next, typically in an ad hoc fashion.

In implementing the programme cycles in Faridabad the ILO and FSIA utilized the services of three local consulting companies to serve as service providers. These provided the hand-holding support to these units in the form of in-factory consultation. As with FIP cycles elsewhere, the programmes in Faridabad were similarly supported by module experts, who conducted off-site training and, on visiting factories themselves, provided guidance on evolving improvement plans tailored to each operation.

In spite of the limited ‘transformational impact’ highlighted above, the impact perceived by factory managers has been quite positive. At the factory level, most factories implemented a broad range of changes. A review of results of the programme against baseline conditions was carried out by an external specialist (and can be found here), based on a review of the broad range of expert, service provider and team reports drafted. This analysis highlights that the impact of the programme was much clearer at

the start and during the production focused modules than it was in the final modules on HR and social dialogue. That said, the first module, on workplace cooperation, had a broad array of improvements that directly benefited workers, including new eating and washroom facilities. At the same time, the first module together with the module on OSH led to many critical improvements to health and safety practices in the factories. At the same time, anecdotal evidence, including feedback provided to the CTA both by workers and managers, is that there have been rather dramatic changes in numerous factories, in particular with regard to relations between workers and managers. This was supported by interviews of all factory CEOs conducted by a project consultant, where over 40% of those interviewed indicated that there had been a basic change in mindset of all factory staff, while another 24% highlighted changes in management perspectives and 19% changes in worker perspectives. Only 5% indicated there had been no change in mindset.



Due to considerable perceived success in the Faridabad programme cycles, and the visibility achieved for these results, the project and ILO colleagues in Delhi have been engaged in a discussion with the Ministry of Micro, Medium and Small Enterprises (MSME) concerning a possible partnership on the Ministry's large scale cluster development programme. Under the MSME partnership, FIP and its methodology could serve as the model approach to be taken in the MSME programme. At the same time, the Ministry has suggested to the ILO that the ILO take direct responsibility for a large number of the clusters being addressed – the number initially suggested was 100 such clusters – but details on this collaboration require further development.

Review findings – India

The two programme cycles in India were reviewed by two external sources, one being the researcher from MIT, Mr. Akshay Mangla, and the second being Mr. S.A. Khader, former Deputy Director of the National Productivity Council. Both of these reviewers highlighted the results of the programme at the enterprise level, with Mr. Khader indicating that CEOs had found the programme particularly useful.

With the cooperation & dedication of participating factories, FIP Pilot implementation in India is found to be highly successful. The training provided to both workers and managers demonstrated the link between improved social-dialogue and increased company competitiveness, thereby

resulted in positive systemic changes to organizational culture of improvement and camaraderie at the shop floor on one hand and ultimately the business success in terms of improved customer satisfaction, improved quality, cost reduction and growth of business on the other. (S.A. Khader, Final Report: Implementation of FIP Pilot Program)

Mr. Khader went on to highlight the reasons for FIP's success at the enterprise level.

There are certain inherent strengths in FIP's methodology which are very unique and make it very effective:

- The systematic and step by step and module based, building block type approach to easy transfer and absorption of know-how and improvement methodologies to the factories
- Integrated approach of intertwining the shop floor level improvement and linking it with worker concerns, involvement and enhancing cooperation through better employee orientation and relations
- The twinning concept of off-site training & in-factory consultation, ultimately employee suggestions and tapping their creativity
- The innovative approach to realizing participative implementation through the mechanism of FITs (a modified approach of well-known Quality Circle), which in itself is a capacity building initiative in the factory, enhancing participative problem solving and implementation at the same time building ownership of the process
- Focuses on simple but workable & easily understandable improvement initiatives, combined with a powerful monitoring and follow-up mechanism for sustainability

While both found that the programme had been innovative and impactful at the enterprise level, both also had numerous suggestions on how it can be strengthened in future rounds. In particular, Mr. Mangla suggested that the project needed further tuning to better address the needs of the SME sector, specifically factories like those in the electroplating sector, where there is little managerial depth or capacity.

My observations of the EP factory revealed a serious lack of managerial capacity. [...] Without the managerial capacity to absorb the expert trainings, there is little chance that such knowledge would reach workers. (A. Mangla)

The power distance between management and workers is reinforced through prevailing cultural practices and social hierarchies in the Indian context. The lack of basic education of workers (and in some cases CEOs) poses an additional challenge, as neither the experts nor SP's are trained to teach an uneducated audience. Consequently, worker

awareness and involvement in FIP was low based on my observations (as compared to that of management). (A. Mangla)

Quoting one of the service providers, “The program [FIP] should be targeting factories that at least have a basic level of managerial capability.” This would indicate that FIP, as it has been implemented to date, is better suited to small – as well as medium and large – but not micro operations, with at least a minimum of managerial staff and absorptive capacity. At the same time, and as outlined below in the section on “Documenting the impact of FIP”, Mr. Mangla makes a number of suggestions for addressing the issue of worker involvement and power distances that are inherent in much of industry in India. These suggestions should be considered in the continuing development of the FIP approach.



Examples of Factory-Level Changes and Results - Factory Improvement Programme

(Based on programme cycle implemented in Hanoi, Vietnam – 2004-2005)

	Original Situation	Examples of Results
Social dialogue	<ul style="list-style-type: none"> - In almost factories, no true social dialogue; - Top down management only; - Lack of input from workers; - No systematic grievance procedures; - Few mechanisms to reward worker suggestions 	<ul style="list-style-type: none"> - Factory Improvement Teams introduced, regular worker-mgt meetings held in all factories; - Suggestion schemes developed in all factories; - Established grievance procedures in numerous factories <ul style="list-style-type: none"> - Employee notice board updated weekly. At one factory, notices are printed on pay slips so that all employees will be aware of announcements - Bonus schemes introduced for worker suggestions at several factories
Quality	<ul style="list-style-type: none"> - Lack of quality systems with poor data collection and analysis (if any) - Limited understanding of how to identify the root causes of high defect rates and how to rectify this - Only 1 factory had any real statistical process control - Workers unaware of their role in the quality process (except in Stanley) 	<ul style="list-style-type: none"> - Several forms for quality control, data collection sheets developed. - Quality management tools including Pareto diagram, Ishikawa diagram, FMEA charts etc. applied to analyze defect issues - Correct defect rates collected and analyzed monthly - Quality management tools used regularly to manage the QC issues. - Quality defects decreased: <ul style="list-style-type: none"> from 18% at the start of the programme to 8% (Factory A - inline) from 4.6% at the start of the programme to 0.6% (Factory B) from 7.8% at the start of the programme to <1% (Factory C – end of line) from 15% at the start of the programme to 1.15% (Factory D– for punching) from 14.7% at the start of the programme to 2.2% (Factory E – die casting)
Productivity	<ul style="list-style-type: none"> - Poor production planning with little control of materials. - Sewing lines small, one worker did several different processes, which kept productivity low - Limited (if any) systematic collection and analysis of productivity indicators - Poor understanding and implementation of 5S 	<ul style="list-style-type: none"> - Training provided on productivity (meaning, measures & the PDCA cycle) - Identified technical critical points for every new order (Factory F) - Production plans either introduced or improved with clear identification of real production and material usage shown. - 5S system introduced (2S or 3S in some cases) and work floor rearranged in many factories - Introduced productivity indicators/measures - Productivity increased by 35%, workers' salary increased by 32% (Factory F) - Introduction of packing tool to increase productivity by 100% and labour productivity increase by 67% (Factory H)

OSH	<ul style="list-style-type: none"> - In almost all factories, the use of personal protective equipment was not enforced - Training for workers and managers was limited - Measurement of noise and lighting was not undertaken - Most factories did not have OSH regular checklist - Three factories had empty first aid boxes - One factory had emergency exits which were locked - Two factories had electrical hazards with exposed wires directly on the factory floor 	<ul style="list-style-type: none"> - Workers received training on OSH and how to wear PPE at work - Regular OSH checklists were developed and checked every month - Early July, started to introduce exercise for workers twice a day, 5 minutes each hour (Factory F & Factory C). - Cleared aisles and exits, marked them and ensured that they were easily accessible in all factories - First aid boxes filled, fire drills introduced, timed and records kept - Identified harmful/dangerous chemicals and clearly labeled these - Conducted body mapping exercises to demonstrate impact of work on the body - Introduced worker rotation to limit repetitive stress on individual workers (Factory A) - Created OSH policy (Factory B) - Purchased PPE (masks, ear plugs and gloves – Factory I; ear plugs – Factory J & Factory K) and did training to ensure that PPE was worn properly in all factories
HR	<ul style="list-style-type: none"> - Limited HR systems in place: <li style="padding-left: 20px;">lack of performance assessment <li style="padding-left: 20px;">no employee’s handbook <li style="padding-left: 20px;">limited orientation and training in general wage systems not updated 	<ul style="list-style-type: none"> - Performance assessment forms developed and introduced - Training materials developed for new workers developed - Employee handbook developed listing company rules, expectations etc. in numerous factories - Specific policies created for pregnant women - Worker salary increases (by 20% - Factory J, by 20-25% per piece– Factory H) - Surveys conducted to determine worker training needs - Written job descriptions developed and TVA 8 system introduced (Factory K)
CP	<ul style="list-style-type: none"> - Little systematic data collection regarding resource utilization - Poor usage of resources <li style="padding-left: 20px;">+ irregular cleaning of cooling systems <li style="padding-left: 20px;">+ inefficient boiler usage <li style="padding-left: 20px;">+ electricity wastage through non-conformity with required standards or over-use of lighting high material wastage 	<ul style="list-style-type: none"> - Introduced CP indicators/measures eg. Calculation of heat loss through smoke (Factory J) - Introduction of a new transparent roof to save on electricity usage (Viet A) - Introduced system to ensure regular cleaning of cooling system to improve efficiency of power usage (Factory F) - Changed lighting tubes (Factory K)

Supporting Elements – Outputs and Results

Training materials and tools

In support country-level programmes of FIP, the project developed a generic set of modules, covering the full range of topics addressed by the project. These materials, which can be found here, include:

1. Trainers guides and other supporting materials on workplace cooperation, quality, productivity, health and safety, human resources, cleaner production, and workplace relations and dialogue. These materials were developed with inputs from leading experts in the fields covered, both from inside and outside the ILO;
2. Garment sector-specific modules on quality and productivity;
3. Sub-modules on HIV/AIDS and disabilities in the workplace;
4. A photo library of before / after and general workplace images, for use in training but also promotional and other activities.
5. An overall implementation guide for FIP implementation, together with supporting documents and management tools;
6. PowerPoint presentations for use in training programmes.



These training materials are backed up both by case studies illustrating what past FIP participants have done as well as templates and guides that make up part of an FIP 'toolbox', for example, a guide to introducing grievance procedures together with sample procedures.

It is suggested that the project team in now being moved to Geneva continue to develop this set of materials, benefiting from the lessons learned during past FIP cycles with regard to sustainability and cost coverage. Suggestions in this regard are provided later in this reports recommendations.

In developing the materials, the project took advantage of the deep specialist knowledge available in the region, in particular that of SRO Bangkok, including the OSH, gender, and labour standard specialists based

here as well as the worker training and employer specialists. It also worked closely with staff in Geneva to ensure materials already developed at headquarters or in other field offices were reviewed as required.

With the goal of eliminating duplication of efforts within regional projects, and benefiting from existing materials, the project cooperated closely with the garment sector project in Cambodia. As this project has expanded to become the ILO's Better Work project, being implemented with IFC, it should be noted that the modular training programme which serves as the core of Better Factories Cambodia was established based on and with the support of FIP. The materials and design for Better Factories' – and by extension Better Work's – modular training programme are directly based on FIP, an important output of the project, given the large potential of this related project.

**FIP Teams
Workshop - July 5
HCMC**

With the goal of building linkages between FIP's various national programmes, reviewing the current structure and suggesting changes on how the programme could be improved, a workshop was organized on July 5, 2007, in Ho Chi Minh City ([see report here](#)). Taking part were representatives of FIP activities in China, India, Sri Lanka and the north and south of Vietnam, as well as project management in Bangkok. The results of this workshop have set the stage for some of the changes being considered for the next phase. These include:

1. Reduce from 7 to 4/5 the number of modules. Implementing seven modules in under a year puts considerable strain on the factories, which find it difficult to actually implement agreed changes within each module period. This also will result in considerable cost savings.
2. Reduce from 4 to 3 visits per module. Again, this will help cut costs, making the programme more sustainable, while also making it a more bearable load for factories.
4. Adjust role of coordinators depending upon modules and their capacity. It is felt that programme coordinators could have a larger role, eventually serving not only as the contact for the factory but also the expert on specific topics – again cutting programme costs. Long-term, this approach is probably the best means to move toward sustainability of services without donor contributions.
6. Fee: review whether the fee per factory could be raised for each location.
7. Factory selection needs to be more selective, ensuring commitment and suitability, so that the success rate is higher.
8. Consider adding coordinators so that the number of factories in each cycle could increase, and as a result increase income.
10. Make factory exchanges a central element.
12. Consider having a low fee / reduced support programme. This could involve training without factory visits, or a blended

approach of self-implementation together with limited factory level support.

13. Lengthen time for baseline. The teams in each location have found it challenging to develop and document the baseline under the last sequence of cycles, in spite of time being added for this task.

Training of trainers on workers with disabilities

The project developed, in collaboration with the disabilities specialist in ILO Bangkok as well as the concerned department in Geneva a sub-module addressing workers with disabilities and the workplaces they are part of. This was complemented by a similar set of materials on HIV/AIDS in the workplace, also developed by the project in collaboration with ILOAIDS staff in Bangkok and headquarters. These modules can be found here at ilofip.org. These have been pilot tested with factories in Vietnam and Sri Lanka, both pilots having quite positive results, following the standard FIP methodology of training and follow-up by the FIP team.

Taking what was learned in these pilots, in 2007 the project worked with a larger group of garment factories in HCMC, Vietnam, to broaden impact while reducing cost through the involvement of multiple stakeholders, including related projects, multinational brands / buyers, workers organizations and the local service provider, VCCI. The report on this activity can be found [here](#). This report highlights the following results:

The programme in HCMC was very successful, particularly given the cost of less than \$10,000USD. All participating factories intend to hire people with disabilities, and one company has already hired seventeen workers with disabilities. Fifteen of the twenty one participating factories have developed and implemented policies on HIV prevention, and Disability in the Workplace. A number of activities related to HIV prevention have been commenced in the factories, including making condoms freely available, posting HIV prevention information at the workplace and various types of HIV awareness training for medical staff and workers.

A further, significant result of this programme was the capacity building of two local service providers in HCMC. The HCMC Labour Union Centre for Social Activities and the Disability Resource and Development Centre are local, Vietnamese agencies involved in HIV and disability issues respectively. Prior to joining the FIP pilot, these agencies had good technical knowledge about HIV and Disability, however little experience with the kind of in-factory consultancy provided through FIP. Both agencies participated in the pilot in order to improve their knowledge. As a result of the pilot programme, both of these agencies now have the skills and experience to independently deliver these two sub-modules to factories.

As in past FIP implementations, a group of managers and workers from

participating factories took part in an awareness raising seminar, led by ILO-appointed experts. The project took a different approach to follow-up though, in this case passing responsibility to a collaborating group of related projects, brands / buyers, factories participating and a workers training centre. In this way, the cost and logistic requirements of the implementation were considerably reduced.

The programme sought to involve a variety of stakeholders and result in multiple levels of training of trainers (ToT). First, VCCI, the Vietnam Chamber, as project counterpart helped organize training; a number of institutions with thematic specialization with regard to workers with disabilities and HIV/AIDS were involved in the training; buyers / brands and their compliance teams provided encouragement to factories; and at the factory level, workers and managers were trained, in order to spread training across the facilities.

CASE STUDY

Viet Hung Joint Stock Company

The Viet Hung Company was initially established as a State Owned Enterprise, supplying garment product to Viet Tien Company. In 2001 they equitised to become a joint stock company, and supply product for a number of new customers, including several international brands. The company hires 1,550 workers in a factory in HCMC.

Prior to joining FIP programme on disabilities, Viet Hung did not have a disability policy, and had not hired any workers with disabilities (although they had hired some war veterans previously with minor injuries).

After joining the programme in July, Viet Hung decided to make a commitment to hire workers with disabilities, and immediately began the process. The Disability Resource and Development Centre provided the company with contact information about local training centres that provide vocational training for people with disabilities. Viet Hung staff visited each of these centres to recruit graduates to work in their company. During July, they recruited 10 workers with disabilities from the Hoc Mon Centre for Vocational Training of People with Disabilities and Orphans.

Viet Hung provided significant assistance to these young people with disabilities to help them to commence work at the factory. At the factory, they renovated the toilets so that the workers using wheelchairs would be able to easily access them. They also provided some awareness training and information to other staff and supervisors, to prepare them for having workers with disabilities in the company.

The company also provided assistance to the individuals with disabilities. They helped them to find rental accommodation so they could live close to the workplace. The company also provided them with 200,000VND (approx \$13USD), and some household equipment (stove, rice cooker) and basic food to help them set up in their new accommodation. The company also invited family members of the disabled workers to visit the factory to get a better understanding of the workplace. Viet Hung company also invited staff from the vocational training centre to the factory to help the new workers to settle in, and to provide advice to supervisors about how to accommodate the disabled workers.

Documenting the impact of FIP

The project has since the start of the programme attempted to capture key data and performance indicators. This has been a challenge, particularly in Vietnam, where many of the factories have quite limited data available at the start of each cycle. At the same time, the project has had considerable positive results, as indicated by the results of various reports, evaluations and studies, with considerable press coverage at the national level in Vietnam, India and Sri Lanka. That said, there has been limited coverage at the international level.

During 2007 the project sought to address this shortcoming of the project through partnering with Prof. Rick Locke and his team at the Sloan School, Massachusetts Institute of Technology, and Prof. Lynne Bennington, Head of the School of Management, Royal Melbourne Institute of Technology. Both Prof. Locke and Prof. Bennington visited the FIP project site in Ho Chi Minh City, conducting numerous factory visits and interviewing a wide range of stakeholders. While Prof. Locke's report is still pending, the report by Prof. Bennington has been completed (and is available [here](#)), and provides a good overview of the programme in Vietnam.

In respect to the selected factories, it is reasonable to be confident that the program had a high degree of impact, at least in the short-term. Of particular note is that the Final Report prepared by the Vietnam Chamber of Commerce and Industry staff indicated that almost 97 per cent of respondents to a worker survey agreed that the FIP had resulted in substantial improvements for their factories. At the twelve month point, notwithstanding that there is still much room for improvement, major changes had occurred in workplace relations, working conditions, fuel and energy use, productivity and quality, although not across the board in all cases.

While highlighting the ambitious nature of FIP, Prof. Bennington also highlights some of the challenges inherent both in the project and its overall process of change as well as the factories themselves.

The goals of the FIP are somewhat more ambitious and comprehensive than most change programs in that the aim is to create value for not just the factory owners and managers but also for workers and the trade union, which generally would not figure in western change processes – quite the opposite, in fact. Many, if not most, western firms would like to see unions removed from their relationship with employees whereas in the case of the FIP one of the goals was to strengthen the role of the union. [...]

In some cases what was seen in the target factories was very impressive, professional and improvement-oriented. In other cases what was seen was quite depressing. The conditions for many workers were poor, the temperature levels almost intolerable, cleanliness and hygiene poor, factory floors and surrounds required maintenance, and a feeling of pride was

missing.

Prof. Bennington provides a variety of possible steps to strengthen the FIP model, a few of which are highlighted here.

- 1 Greater refinement of the measures used or the addition of qualitative data with each measure would be useful.
- 2 Greater worker representation on FITs [...] The representation here appeared to stop at supervisor level – which is considered worker level in Vietnam.
- 3 Have experts from the brands provide some of the training.

In her conclusion, gives a strong endorsement for the methodology and the results of programme.

The results of the HCMC FIP speak for themselves. Many very positive changes have resulted from this FIP. Many managers have been given a thirst for new ways doing thinking and new and more humane ways of treating employees. [...]

The FIP in Ho Chi Minh City represents a major capacity building endeavour to improve the working conditions of garment and apparel factory workers, develop managers' skills and knowledge, and to strengthen the role of the union by emphasizing workplace cooperation. It also represents a major advance on many other aid programs that focus on just one aspect of under-developed economies. In other words, it takes a more systems-oriented perspective than many programs.

In addition to the work in Vietnam, a member of Dr. Locke's team in Boston visited the project site in Faridabad, India, and similarly conducted a range of interviews with stakeholders and factory representatives. While indicating that the programme has had some success, this report highlights a number of the challenges in the Faridabad programme, including the relatively informal nature of many organizations there, as well as the difficulties of addressing dialogue and relations issues, given the social and cultural context in which the programme operates.

The power distance between factory CEOs and workers limits the extent of interaction. To have managers and workers interacting so regularly is an achievement. Enhanced communication between factory management and workers is a major achievement. Across all of the factories that I visited, managers, supervisors and workers observed a greater degree of interaction and joint problem-solving as a result of FIP.

In his report, the MIT researcher, Mr. Akshay Mangla, makes a number of very useful suggestions on strengthening the project. These centre on building the worker role and strengthening the capacity of service providers to work not only with management but workers on factory

issues. For example, he states:

First, future programs may consider creating a formal role and set of responsibilities for at least one SP consultant to work directly with workers in order strengthen their involvement. Second, FIP could develop a “worker communication” training module for SP’s. I found that some SP’s are better at communicating with workers and integrating them into FIP than others, and so a training module could help ensure that all SP’s have the baseline skills.

He goes on to suggest that we consider introducing a worker sensitivity training element to the programme, so that workers are able to communicate in a manner that allows wider dissemination. At the moment, there is an over-emphasis on working with management by service providers and experts, perhaps in part to their area of comfort and past experience. Mr. Mangala’s suggestions, also put forward in other cases, including at the FIP workshop mentioned above, include the introduction of factory exchanges and the consolidation of modules; as such, these would appear to be useful observations that should be strongly considered.

National-level meetings on factory best practices

With the goal of promoting the programme’s activities and integrated approach to a wider audience, the project organized two national level meetings in Vietnam and India, to disseminate information from the programme on good practice. This involved not only the factories taking part in on-going or past FIP cycles but also other factory representatives, buyers, representatives of workers groups, and government as well as other interested parties.

Following on past factory expositions that have taken place following FIP cycles, the meetings organized in Delhi and Ho Chi Minh highlighted the impact of local FIP programmes, as well as promoted a broader-based approach to addressing compliance and competitiveness challenges, linking the two.

The meeting in Ho Chi Minh City, titled “**Building Vietnam’ Competitiveness through Improved Labor Practices**” and carried out on July 4, 2007, had over 180 participants, including representatives of the business community, international buyers, government, foreign chambers, donors, and the press (see report [here](#)). With VCCI as the primary organizer, in collaboration with the ILO, and given the focus of FIP in particular on enterprise-level activities, the local business community was heavily represented by senior representatives. Top managers of Vietnam’s largest garment suppliers were present to hear about how, under FIP, the project had directly linked profitability to good labour practices.

With national level representation and television coverage, the meeting included presentations by Mr. Ian Spaulding, head of global compliance for Sears Holdings, Mr. Herb Cochran, Executive Director of AMCHAM Vietnam, and Mr. Hoang Van Dung, First Vice President of VCCI. The outcomes of the discussions in the conference showed that together with quality assurance and productivity, labour and labour practices have become critical for enterprises in Vietnam, particularly in the manufacturing and labour intensive industries. However, lack of capability and poor managerial systems have made it difficult for the factories to deal with those challenges simultaneously. The implementation of factory floor-based projects such as FIP has proven both helpful and relevant for the factories.



The meeting in Vietnam was followed by a similar meeting in India (see report [here](#)), again highlighting the strong ties between good labour practices, including improved workplace relations, and competitiveness. With over 100 participants taking part, the meeting included very high level participation, including the Minister of Labour, HE Oscar Fernandes (seen addressing the meeting in the image above), and the Chief Minister of Haryana State, HE Bhupinder Singh Hooda, together with senior representatives of employers, trade unions, foreign governments and again the press.

As with the meeting in Vietnam, the meeting in Delhi included an exposition of the results of the on-going FIP cycles in Faridabad, addressing the light engineering sector and the electro-plating sector. Given the very positive results, which were also highlighted in presentations by the project CTA, project counterpart FSIA and actual participants, the Government of India has developed a much stronger relationship with the project and has expressed interest that previously was not evident.

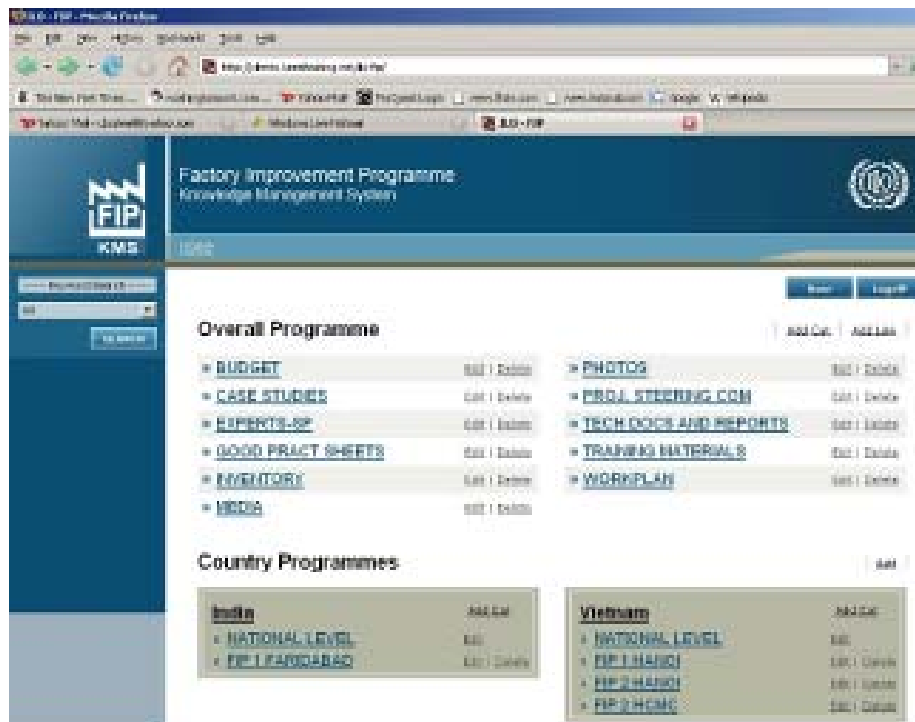
Also participating was Mr. Jawhar Sircar, Additional Secretary of the newly formed Ministry of Micro, Small and Medium Enterprises (MSME). Since this meeting a relationship has developed between the ILO and MSME, centred on FIP and its potential in India. The Ministry is in the process of developing an extremely large project to upgrade 700 industrial clusters. They have expressed interest in using the FIP methodologies for this programme and the ILO Delhi is currently working with the ministry to

develop this initiative. Obviously the potential for this is considerable.

Performance monitoring and data management

The various FIP cycles have created a huge quantity of data. These include baseline surveys, before/after photos, training guides, PowerPoint presentations, promotional materials, factory visit reports, key performance indicator data, terms of reference, contracts, expert reports, final reports, evaluation reports and so on. Performance monitoring data – including baseline surveys and key performance indicators – are currently maintained by individual staff responsible for each factory. At the same time, due to the expanding number of programmes and the start of activities in new countries under a next phase, it is increasingly difficult to manage data and effectively collaborate on materials development, tools, and the like.

The dispersed nature of data had made it difficult track performance across programme cycles or for programmes in different locations to learn from each other. Tools developed in one programme have been accessible to others only with the direct intervention and support of the project office. The reports generated were available at a central location or only with field offices. For this reason, the project developed in 2007 an FIP Knowledge Management System (FIP KMS), a database and content management system serving as a repository for FIP project data. Through this, future work under the project can be shared, management will be simpler and developments in one location will support work in others. Collaboration across activities should be considerably strengthened.



Overall Programme	Country Programmes
<ul style="list-style-type: none">BUDGETCASE STUDIESEXPERTISEGOOD PRACT SHEETSINVENTORYMISDS	<ul style="list-style-type: none">India<ul style="list-style-type: none">NATIONAL LEVELFIP UFAOCCABADVietnam<ul style="list-style-type: none">NATIONAL LEVELFIP HUANGFIP HUANGFIP HUANG

Collection and distribution of sectoral best practices

With the objective of spreading lessons learned, good practices and impact of the project, the project developed a set of tools and approaches for addressing issues beyond core FIP participants. Topics covered range from workplace cooperation to quality practices to health and safety and cleaner production. The resulting good practice guides, many of which can be found on the project website, could be the starting point of a library of such guides, perhaps addressing both generic elements applicable to most production facilities and others developed specifically for determined industrial sectors.

Over 40 good practice sheets have been developed, addressing each of the areas covered by the project. These can be seen at www.ilo-fip.org/tools. The tools follow for the most part a template that focuses on providing guidance to managers and factory teams on taking step by step actions at the factory level.

Additional Outputs and Impacts

The FIP project developed a labor law poster, which was printed in collaboration with the Industrial Relations project in Hanoi, with 3000 copies – 2500 in Vietnamese and 500 in English distributed through the ILO office in Hanoi. A subsequent reprint produced 9000 copies in Vietnamese and 4000 in English. These have been distributed throughout Vietnam via the Industrial Relations projects 11 PWTs (Project Working Teams, tripartite committees established in 11 provinces) and IRASCs (Industrial Relations Advisory Service Centers, also in 11 provinces), and can now be found hanging in hundreds (if not thousands) of factories around the country. Similarly, the two projects collaborated on the use of FIP training materials serving as a core element of the standard tool kit for both PWTs and IRASCs.

Finally, the project developed a large **library of photos** of production practices, good and bad, as well as workers engaged in manufacturing in factories from each of the target countries. More than two thousand of these photos have been made available over the Internet, and can be found [here](http://www.flickr.com/photos/coconutbeach/) (<http://www.flickr.com/photos/coconutbeach/>).



Lessons Learned

FIP has been operating in Asia since 2002, working mainly in export sectors, often in factories located in export processing zones, partnering with local service providers and ILO constituents in support of ILO country programmes. In the course of these last six years there are a number of lessons that have been clearly demonstrated, lessons that merit a review here for consideration in future implementations of FIP as well as the support of ILO to Decent Work Country Programmes (DWCP) and MDGs.

1. First off, it is clear that **there is a strong and positive relationship between good labour practices and workplace relations and competitiveness** issues centred on quality and productivity. A central tenet of the programme has been that those closest to the point of production are those best suited to understanding how to improve a particular operation. This is not revolutionary – rather it is the basis of much of what has taken place in terms of quality control and the TQM movement over the last 50 years. But it is something that often gets overlooked by the rapidly expanding export sectors in the countries where FIP has been active. The ILO and others concerned with labour practices should continue efforts to demonstrate this linkage to sometimes doubtful managers and their supervisors who often believe that only with a firm hand can their workforces be pushed to increase output and quality.
2. Second, it is clear from implementation of FIP, and its results at the enterprise level, that **FIP works**. Based on the project's own assessment of results, over 50% of the factories taking part witnessed major changes in operations with over 20% going through a process that could be termed “transformative”. In these factories, relations were improved, health and safety was clearly much better, the productivity and quality often saw dramatic improvements, workers wages were higher and in general the factories were in a much stronger position to participate in the global economy – and create needed jobs.

This success be credited to a number of factors: The combination of training and in-factory assistance provides the factories with a process of hand-holding needed to implement what are often seen as uncertain changes to operations; the structure of factory level interventions based on the establishment of a Factory Improvement Team chaired by a person determined to implement change and with the power to support decisions; the presence of some external pressure, typically a client who demands higher performance both in terms of bottom line issues (quality / price) and compliance with labour or environmental standards. These factors point to additional conclusions or considerations – that the external pressures may be seen as a good thing, as it is mobilizing pressures, that selection of factories for such programmes should depend in part on whether there is a sense of such pressure and a management team willing to act on it, that the worker/manager Factory Improvement Team

approach should continue to be developed, to ensure worker involvement and, through promoting the results of FIP, its wider use outside of the programme.

3. These last points indicate another clear lesson from the programme, that **the selection of factories, local counterparts, service providers and experts to take part in the programme is a primary driver of results**, both good and bad. Factories of varying levels have taken part, including some that were quite well managed at the start of an FIP cycle and others that were rather disastrous. Across the spectrum, in small operations and large, factories have made good progress, but only when top management at the factory was committed to change and supportive of the FIP intervention. Similarly with service providers, when they were committed to implementing FIP – and this has been the case in almost all cycles – then they were much better suited to run the programme successfully. One challenge for the ILO is in terms of local counterparts. As the programme goes global, and an increasing number of countries are involved, the selection of countries will need to consider the local counterparts, their capacity and the role they will play in project implementation. In some cases, an ILO constituent may be insistent that any programme is operated from within their facilities yet lack the experience and capacity to run the programme. In those cases, the project should carefully consider the best way forward.
4. **Sustainability of a programme of direct support to enterprises has been and will continue to be a challenge.** It depends on creating the capacity with local institutions to provide such services on a cost recovery basis while managing the operation of the overall programme. In turn, it requires that the services provided by the local institutions are seen by enterprises in the business community as worth the cost of their participation, in terms of time, money and commitment. To date, it cannot be said that FIP has achieved this level of sustainability at the institutional level in terms of the full programme. Which is not to say that some level of sustainability has not been achieved: FIP has directly affected the design of other programmes, most notably the large Better Work programme of the ILO / IFC as well as the developing programme of MSME in India, it has resulted in sustained changes within factories that will undoubtedly affect thousands of workers, and it has resulted in a change in understanding of factory level improvement that benefits a wide variety of consultants, institutions and eventually the factory floors of Asia. But the full programme would not continue at this time without donor intervention. That is something that needs, and is, being considered in the design of future implementations.
5. While there is a clear linkage between good relations and working together to competitiveness, **the linkage is less clear with respect to core labour rights, including freedom of association and the right to collective bargaining.** In many of the export-oriented sectors of the developing world producing for developed world markets, there is little or no trade union presence. While this is sometimes due to the nature of the sectors – which are sometimes quite informal – it is also

often due to a little hidden and in some cases explicit hostility to workers organizations. In such an environment, the respect for such rights cannot be addressed solely at the factory level but requires a much more systemic and regulatory approach.

6. **Export processing zones are a particular concern.** FIP has worked with a variety of factories that operate under special export rules, sometimes within a delineated physical space (the zone itself) and other times under special rules, if not explicitly under the law, then implicitly by the way the law is applied. When the export processing zones are located within physical areas, trade union organizers are typically barred access, making organization that much more difficult. At the same time, the government may provide guidelines for operation in the zone that vary from national law, making organizing difficult. This again is something that cannot be addressed in a direct factory-level programme like FIP and requires a regulatory approach, one that can of course be implemented in conjunction with FIP.

These earlier points have had a common theme, the need to complement any factory level programme based on voluntary action with the strengthening of the regulatory environment and its ability to support labour standards. Voluntary initiatives, whether implemented under CSR programmes, compliance standards like SA8000, multinational compliance programmes or national level compliance programmes are not a replacement for the effective implementation of a coherent set of labour laws, backed up by a credible system of enforcement with involvement of tripartite institutions. Without this regulatory framework, there will always be factories that benefit from abusive labour and environmental practices, whose management believes they can save money or make greater profits by illegal treatment of staff or dangerous operations.

Conclusions and Recommendations

The FIP project is at a crucial phase, moving from a regionally-based implementation to what could be a global programme of enterprise support and development provided through the ILO. At the same time, the programmes continue to run in India and Vietnam with specific requirements based on these national programmes. Based on this, the following status summary and recommendations here are broken into three areas – a review of the overall and general programme, to be implemented mainly from Geneva; and reviews of the on-going programmes first in India and second in Vietnam, which will have considerable implications for the ILO and its counterparts in those respective countries and possibly the ILO regional office in Bangkok.

Structure of programmes and materials

The final set of programme implementations, in Faridabad, India as well as Ho Chi Minh and Hanoi, Vietnam, provided a good opportunity to test the set of materials developed under the programme, while also testing the ability to run national programmes, using primarily national staff, experts and counterparts. At the same time, it helped further develop the project's understanding of the feasibility of cost coverage and the strengths and weaknesses of the FIP approach.

With this in mind, a brainstorming / team-building workshop was held on July 5, 2007, bringing together representatives of the FIP programmes currently on-going, including the FIP-based programme in China as well as a representative familiar with the programmes in Sri Lanka. A representative of the Better Factories Cambodia project, the training element of which is based on FIP (as is the developing Better Work project) was unfortunately unable to attend.

The findings of this meeting and review (the summary of which can be found [here](#)) are largely valid still, following the four programmes completed in 2007. Taking as the objectives the strengthening of the FIP model, the improvement in sustainability, and the easing of implementation challenges, the participants developed the following recommendations:

1. *Reduce number of modules.* Teams universally suggested reducing the number of modules from seven to four or five. This would have a number of benefits. Various participants expressed the view that modules were too tight, even if spread over the course of most of a year. By keeping the duration the individual programmes the same – ie. 9-10 months – and reducing modules, it would give the factories and the FIP teams more time to focus on objectives. It would also result in a lower cost, due to expert fee reduction.
2. *Reduce the number of visits per module.* The teams felt that four visits per module were not required – but rather that one take place at the start, to establish goals under the module; one

in the middle, to adjust the objectives or plan; and one at the end to review results. Together with the reduced number of modules, this would allow factories more time between FIP team visits in order to carry out changes agreed to.

3. *Increase fee.* With the goal of coming closer to full cost recovery, it was felt that the next phase of the programme could charge a higher per-factory fee. This needs to be explored further.
4. *Decrease number of visits by expert.* It was felt that the greatest value of the experts in terms of visits was received by the first visit and that additional visits had less impact. It was further suggested that the service providers should over time increasingly take the role of expert, so that under certain modules external support would not be needed, further reducing costs.
5. *Increased role for NPCs.* It was felt that NPCs should have a greater role in the programme, other than just documenting objectives set by Factory Improvement Teams and experts and following up on these objectives. This could include providing in-factory summary training on each module, perhaps to the FITs or perhaps to groups of workers and managers concerned with the topic.
6. *Factory exchanges.* It was felt that the factories would benefit from taking part in factory exchanges, where participating factories visited other factories taking part in the programme. It was further suggested that the willingness to host such visits could be a requirement of participation, ie. an agreement to host all the other factories at least once during the programme. This could include having module experts lead a guided walk-through addressing the topic.
7. *Extend baseline.* There was a feeling that more time could be spent on conducting baseline assessments, so that these can be more useful both for experts and for the teams in assessing what changes would best suit each factory taking part. They would also be more useful in determining the impact of the programme at the end of the cycle.

Based on these recommendations, a number of observations can be made about the possible redesign and reduction in number of modules. **The first module**, that covering workplace cooperation, has proven very effective in its current approach, content and overall design. Of course, it could be developed further, to include more developed supporting elements, including a participants' guide and other tools, but through each of the final four cycles it had considerable impact, resulting in the setting up of Factory Improvement Teams, creating understanding of a continuous improvement methodology, and giving early "wins" to workers and managers.

In the original design and early implementations, quality served as the focus of the first module, as it links to each of themes upon which FIP is

based – including the need for measurement, the benefits of collaboration and involvement, a systems-based approach to improvement and the development of a continuous improvement mentality. In the last cycles, implemented in 2007, quality was covered as **the second module**, where it helped further develop these cross-cutting themes in FIP, themes which are under the current design now introduced in the first module.

While closely linked to much of what is covered in the first, workplace cooperation module, the topic of quality should probably remain as a stand-alone second module. There is a great deal of pertinent material already that is covered in the first module on workplace cooperation, to the point where adding material would be problematic (and deleting material would not be feasible). The project might consider taking some aspects of the current quality module and putting them in the first module; one example is the coverage of the PDCA cycle, which could serve as a central tool of the programme, developed and integrated more fully in the next set of materials. While covered in the current set, PDCA has not appeared to resonate with the participants and gets lost. The methodology might benefit from using the PDCA approach to lock in continuous improvement through repeating its use in each module.

In any case, quality will remain a quite challenging module - there is a great deal of interest here for factories, usually many action items, and a lot of information to cover. As it is both “impactful” and popular, the project should consider keeping it intact, rather than eliminating it or merging it with another module.

The future of the current third module, covering the topic of productivity, is somewhat less clear. As it focuses not only on productivity of people but also of materials, facilities and resource inputs, it directly overlaps with the cleaner production / environment module of the current programme. With this in mind, the cleaner production and productivity modules could be combined into **a third module**, perhaps to be an environmental and resource management module. Having this module stand alone would make clear that FIP addresses the triple bottom line - environment, labour, competitiveness.

Another option in reducing the number of modules could be to put greater focus on issues of productivity and collaboration to boost competitiveness and less on either the issues of HRD and workplace relations or even on health and safety. The reality on the factory floors, though, is that they often - usually - need a strong focus on each of these areas. One of the strengths of FIP has been that it has allowed the project to address topics often overlooked by consultants and ISO 9000 coaches – but which are central to the decent work agenda. One possibility would be to consider the combination of workplace relations and human resource topics into **a fourth module** thereby ensuring issues considered central to the ILO’s agenda are included.

This still leaves the topic of health and safety. The factories in the programmes have benefited greatly from the coverage of this topic, and it has often provided an area of common understanding and interest that all factories, workers and managers can support. It is also of prime concern to factories because of pressures. As it is quite specific, and requires

specialist knowledge to support, it will be difficult to combine with existing modules and as such it could be implemented as **the fifth module**.

One concern with regard to these two final modules would be with respect to their order in the overall implementation. With each module – whether quality or OSH or HR - there has always been the concern that the implementation of its recommendations takes time - more than the module duration - to get factories to actually complete their improvement plan and action items related to this module. This is particularly true with the 'soft' issues of HRD/relations/dialogue. Putting these modules at the end will ensure that they are only just getting started when the FIP support team or service providers finish their support. Yet if you put this module second, before quality or productivity, you might not get the commitment needed from management, which you get by giving them big early benefits to the factory bottom line. There is no clear answer here, only that the project should in the future continue to consider this issue and try to identify the means of addressing the inherent challenges.

In conclusion, the CTA's suggestion for a redesigned programme would be to reduce the number of modules from 7 to 5, covering the following topics:

1. Work place cooperation and factory improvement
2. Quality management
3. Environmental and resource management (combining cleaner production and productivity)
4. Human resource management (including workplace relations)
5. Health and safety

Training Package

The project has already begun the process of reducing the number of modules, further developing the content and packaging, developing participant guides and refining materials based on the existing programmes. This process should continue, with a draft new set of materials available as soon as possible, so that the programmes in India and Vietnam can begin a process of localization and translation.

Case Studies

As mentioned in the Annex to this report, the examples developed into cases and provided in this report are purely illustrative. FIP and its direct, factory level approach provide a case-rich methodology, one that should in the future be more effectively utilized to create a library of examples of how to link good management practices with regard to quality and productivity to good labour practices, including dialogue, HR and respect for workers and their rights.

The project has generated a collection of relatively well written cases from the programme in Hanoi as well as Sri Lanka. There are draft cases from VCCI in HCMC as well as from FIP in Faridabad, each of which would benefit from editing and further development. SECO has expressed specific interest in the India cases. These cases, [which can be found here](#), could quite easily be combined into an attractive publication, with introductory sections provided to each subject area, together with a lead

in on FIP and a set of conclusions. They could be used to further promote and support the FIP programme. They would also, being based on workplace collaboration and good workplace relations, provide support for the ILO's Decent Work agenda. Finally, they would directly support the regional programme on competitiveness and jobs, providing concrete examples of steps being taken by the ILO to support this programme.

Good Practice Guides

Another output that could be useful, and related to the last point, would be the continued development of **good practice guides**. The project currently has about 40 of these developed (see [here](#)) but there is a large variety of additional topics that could be covered, based on work already done in India and Vietnam. We could also use some of the Better Factories Cambodia sheets, adapted to the FIP style. The ILO could also develop a publication at some future stage, once enough topics have been covered to warrant the compilation of the full set and further development.

Linkage to Regional Programme

The regional product line on competitiveness and jobs would greatly benefit from what has taken place under FIP, including the cases mentioned above, the good practice guides, and some of the tools developed. It might be useful to have someone review the possible linkages, in consultation with Geneva and Bangkok management, and determine what could be done to strengthen the product line based on developments under FIP.

Website

The project website (www.ilofip.org) has been recently updated, to include some of the case studies developed under the last rounds, to include some of the tools developed as good practice guides, and to provide a more update coverage on the nature of the project and its methodology. Still, it will require considerably more development in order to become a central tool of use to ILO constituents and others concerned with factory-level improvements to labour practices and other areas. One of the objectives of the next phase could be the continued development of this site, so that it is more of a reference centre. For this, the points raised above, development of additional cases as well as development of a fuller set of good practice guides, could be a starting point. There are several other recommendations that could be made. The site could be expanded to include an interactive section, where questions could be posed or discussions on specific topics organized. Additionally, it would be useful if there were nation- or programme-specific pages, most suitably in local languages. As such, the site and its content, including tools and cases, could to a large degree be translated into Chinese, Vietnamese, Hindi and other languages as FIP expands its reach.

FIP India

The programme in India is at a crucial stage, with great potential to be much bigger if the project is able to build the linkage with the Ministry of Micro, Small and Medium Enterprises (MSME) and its massive cluster development programme. The Ministry has indicated their interest in

partnering with the ILO, based on the results of FIP outside Delhi. MSME have indicated they would like the ILO to directly provide FIP-type support to 100 clusters, a task well beyond the current capacity. At the same time, the FIP model could be adapted to their programme, further supporting the ILO goal of linking decent work to enterprise competitiveness. Several steps would be suggested for immediate implementation:

1. Based on this goal of better linking with MSME, and promoting their use of the FIP methodology, on a priority basis and a first step, the project should find a national but high level expert to support FIP in India full time, and liase / support MSME in their development of the cluster programme. We may even consider having this person sit at MSME and directly support their work several days of each week, if this was acceptable to the Ministry.
2. To make management easier with the India component, the Regional Office should consider issuing some form of sub-EPA (budget) to Delhi, so the programme there can be run in the most decentralized and efficient manner.

Vietnam

Of the two programme components run in Vietnam last year, that in Hanoi and that in HCMC, while both went well the programme in HCMC was more integrated into the operations of the local partner than the programme in Hanoi. VCCI HCMC saw FIP as a high potential programme in terms of building their service capacity and product offering. VCCI management was deeply concerned with the project impact, they took part in all major events and fully supported FIP in a range of stakeholder and factory interactions. While relying on contracted consultants for much of their support, they involved their local staff in trainings and activities and have indicated that now, with a much deeper understanding of how FIP operates, they would like to increase their direct support. They have indicated to me that in the next round it is their intention to involve a much larger share of local staff, beyond those directly responsible for project implementation, as they see FIP as a very good tool for staff development.

Based on this, a strong recommendation would be that another round be implemented in HCMC. The project has received a proposal from VCCI HCMC which, based on some of the recommendations mentioned above, would see project costs covered in their majority by factory contributions; the ILO / FIP project contribution to operational expenses under this proposal would be cut from around \$80,000 under the last cycle to around \$40,000 in the next cycle, indicating a major step in the direction of sustainability. These costs however do not include the cost of backstopping, documentation or further development that the ILO may decide is desired to ensure programme effectiveness. In the project's experience with VCCI HCMC, though, this could be minimized to the degree required, given the developed capacity of VCCI HCMC.

This next round should begin as soon as possible, as an extension of the existing agreement with VCCI, if expenditures are to take place within the timeframe of the current extension. Also, a primary goal of this next round should be better capturing the results and impact. This was a goal

of the last rounds of FIP, implemented in 2007, and the project does have quite a few cases, as mentioned in earlier sections. Still, this report would suggest two steps to improve the capturing of results in a further round:

1. First, the project should consider having someone outside the local counterpart - someone with the skills to research and draft cases - involved from the very start, so that the project is sure to capture well written examples of change.
2. Second, the project should consider involving some international and perhaps academic institution in the implementation from start to finish, so there can be a well documented discussion of the implementation of FIP cycles. The work with RMIT (Royal Melbourne Institute of Technology) in the last cycle resulted in a snapshot of programme implementation, as have the various project reviews. All have highlighted the impact we have at the enterprise level, but come up short in my view on the challenges and design elements built into FIP. It is a complicated programme, based on building a dynamic of cooperation, systems improvement and commitment, meriting a more thorough review. While the contracting of a local partner, even of VCCI itself, could be feasible, one would have to consider the manner of ensuring the quality of the result.

Additional comments

Finally, as mentioned above, the project organized two national level meetings last year on FIP's themes, linking competitiveness to labour practices. Both went well, with the India meeting, having participation of two ministers, directly resulting both in the MoLE's strong support for FIP and MSME's approaching the ILO about collaboration on their cluster development programme. With the goal of disseminating the results of FIP and generating additional contacts, allies and partners in the region, including the donor and other potential donors, the project and regional office should consider organizing a 'brainstorming' with a variety of parties, either here in Bangkok or somewhere else in Asia. This would disseminate tools and results of the project and could highlight FIP's success, but also could help further develop ideas linking good labour practices and competitiveness.

Whatever decisions are taken with regard to the implementation of FIP, with Asia the primary location of project activities the local offices will have a considerable programme to implement over the next few months and – with next phase funding – years to come. This is not just an administrative task but will require technical support, both at headquarters and at the regional level. As such, the ILO will need to consider the manner in which it provides needed international support during the next phase of the programme.

Appendix 1

Summary of FIP Modular Training Methodology

During the programme covered by this terminal report, the ILO' Factory Improvement Programme (FIP) has taken an integrated approach to multi-supplier training for the development of local factories' capacity in industrial relations, health and safety, working conditions, and cleaner production, linking to areas of productivity and quality. The programme involved groups of eight to thirteen factories for a nine to twelve month training and factory-level consulting / improvement programme. Short training sessions for each module were followed by factory visits and consulting in the specific needs of individual factories.

Activities under the Factory Improvement Programme have been funded both by the US Department of Labor and the Swiss State Secretariat for Economic Affairs (SECO). Eight rounds of FIP, with a total of around 100 factories, have been completed in Sri Lanka, Vietnam and India. The objectives of each Programme –made up of six or seven modules – have been:

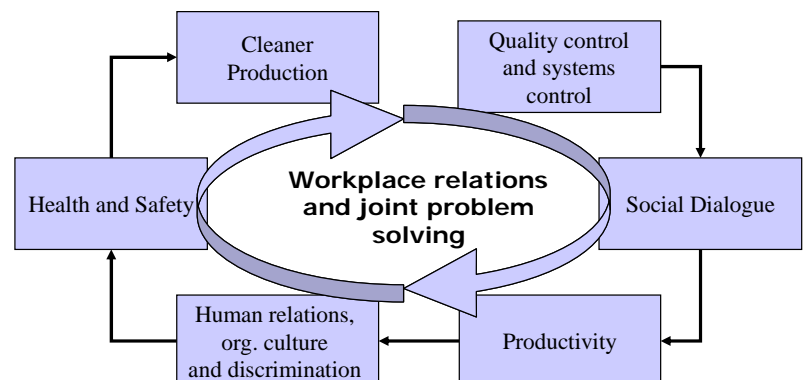
In each country the Programme targeted considerable improvement in working conditions, labour practices, quality and productivity in participating factories as a demonstration of the direct linkage between good management and good labour practices

Around 30-50 workers and managers were directly trained in each module. Others at the factory level have had their skills upgraded by participation in improvement efforts

Local institutions participating have developed the capacity to continue to provide similar services

Module-based training, factory-level improvement

FIP's factory level approach and structure have remained much the same across the implementations, while a variety of steps were taken to boost worker involvement, increase sustainability of impact and more deeply involve local partners. Across all implementations the programme has been made up of training modules and in-factory improvement efforts, covering a range of topics targeted at achieving compliance with the ILO's core labour standards, while boosting competitiveness and reducing environmental impact. The training / consultancy approach has been followed in each implementation, although module content and order have been modified from implementation to implementation, with the goal of learning from past implementations. In each implementation, though, there have been similarities in terms of approach: six or seven modules, each lasting between one and two months; each module starting with a two-day seminar on the topic followed by in-factory consultations both by an expert and later by the FIP support team. As such, country-level programmes have lasted between nine months and one year. The focus of the modules has included the following:



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Workplace co-operation and joint problem solving

The first session sets the stage for all following activities, with the objective of building cooperation, consultation and dialogue between workers and managers at the factory level. It expressly targets improving communications – an objective that is implicitly addressed by each of the sessions, while developing with participating factories an understanding of the FIP approach. It is during this module that the institutional support needed by FIP, embodied by the Factory Improvement Team made up of both workers and managers, is established in each participating factory.

Management systems and achieving quality improvement

The focus on this session is on developing an understanding of the factory improvement approach with participants while also ensuring the “buy-in” of senior management by providing them benefits that impact their bottom-line. During this module, the consulting / self-improvement methodology first introduced in the first module is continued, further strengthening dialogue as well as quality. Including a quality module early in the programme also helps strengthen management commitment while strengthening the systems and process focus included throughout FIP implementation.

Productivity through joint efforts

The next session continues to develop participants understanding of good, systems-based organizational improvement by focusing on increased productivity of all factors of production. The module targets increasing worker involvement, while broadening management understanding of productivity improvement beyond increased workloads for workers.

Social dialogue and workplace relations

A theme throughout the programme is the central role of processes of dialogue and communication in ensuring a well run factory, together with the mechanisms to boost worker / manager communication. This module attempts to focus specifically on the institutional elements of dialogue, including grievance procedures, disciplinary procedures, the nature of collective bargaining, and the relationship of labour standards supporting dialogue and workers’ rights to in-factory practices.

Human relations, organizational culture and discrimination

This session seeks to build on what was covered during the last session, highlighting HR practices that support national labour law, code of conduct goals and core labour standards, particularly with regard to discrimination but also with regard to other areas. The focus is on organizational culture, also seeking to build on activities that had begun under earlier modules. Again, the role of both workers and managers in any improvement effort is emphasized.

Health and safety

This module seeks to use improvements achieved in social dialogue and communications to identify those areas requiring improvement in health and safety. The module also focuses on other areas of working and work-related conditions that could improve the job satisfaction and motivation of employees. These are specific to each situation, but can include such items as healthcare – for example, AIDS and HIV awareness – dining facilities and nutritional content of meals. While for the most part housing may not be provided for workers, for example, factories may during this module examine ways in which they could improve living conditions for workers or address transportation concerns.

Cleaner production and environmental impact

In recognition of the inter-linkage between sometimes competing, sometimes complementary goals that include issues of competitiveness, labour practices and environmental impact, a module has been introduced on cleaner production. This module links heavily to earlier modules, including that on productivity, focusing as it does on optimizing use of resources.

Local team and experts

Experts – either international and, as the programmes were introduced, increasingly national – supported participating factories throughout the programme. These have been leading professionals with in-depth knowledge of the topics being covered – whether they be related to production, safety of workers or industrial relations. ILO staff provided complementary support, given the Office’s considerable experience in a variety of areas, including both in terms of material development and training. The nature of the support provided by experts has meant that factories had access to the latest practices suitable for their operations.

The module experts have since the first programme been backed up by an FIP support team, typically specialists with considerable factory-level experience in each country where the project has operated. The teams supported each programme cycle, developing a rapport with local companies, traveling to factories with experts in each of the module areas in order to assess their current state, then making follow-up visits during the remainder of the module.

- With the goal of increasing sustainability, reducing costs and strengthening local capacity building, the project has increasingly focused on relying on, and where not available, developing the skills of local specialists to serve as experts for each of the modules.

Appendix 2

Project Assessment of Factory Level Impact

	Benefitted	Major Changes Made	Transformation			
			Major Impact	Large Impact	Limited Impact	Little / No Impact
FIP 1 - Sri Lanka						
Factory 1						
Factory 2						
Factory 3						
Factory 4						
Factory 5						
Factory 6						
Factory 7						
Factory 8						
	100%	75%	26%	37%	37%	0%
FIP 2 - Sri Lanka						
Factory 9						
Factory 10						
Factory 11						
Factory 12						
Factory 13						
Factory 14						
Factory 15						
Factory 16						
Factory 17						
Factory 18						
Factory 19						
Factory 20						
	92%	83%			17%	17%
FIP 3 - Sri Lanka						
Factory 21						
Factory 22						Dropped
Factory 23						
Factory 24						
Factory 25						
Factory 26						
Factory 27						
Factory 28						
Factory 29						Dropped
	89%	89%	22%	11%	45%	22%



FIP - Faridabad - EP						
Factory 30						
Factory 31						
Factory 32						
Factory 33						
Factory 34						
Factory 35						
Factory 36						
Factory 37						
Factory 38						
Factory 39						
	100%	20%		10%	10%	70%
FIP - Faridabad - LE						
Factory 40						
Factory 41						
Factory 42						
Factory 43						
Factory 44						
Factory 45						
Factory 46						
Factory 47						
Factory 48						
Factory 49						
Factory 50						
Factory 51						
Factory 52						
	100%	69%		31%	15%	31%
WMFIP						
Factory 53						
Factory 54						
Factory 55						
Factory 56						
Factory 57						
Factory 58						
Factory 59						
Factory 60						
Factory 61						
Factory 62						
Factory 63						
Factory 64						
	100%	58%		25%	50%	17%

FIP - Hanoi						
Factory 65	Green	Dark Green	Grey	Dark Green		
Factory 66			Grey			Dropped
Factory 67	Green		Grey			
Factory 68	Green	Dark Green	Grey	Dark Green		
Factory 69	Green	Dark Green	Grey	Dark Green		
Factory 70	Green		Grey		Orange	
Factory 71	Green		Grey		Light Green	
Factory 72	Green	Dark Green	Grey		Light Green	
Factory 73	Green	Dark Green	Grey		Light Green	
Factory 74	Green	Dark Green	Grey	Dark Green		
Factory 75	Green		Grey		Orange	
	91%	55%		36%	27%	18%
18%						
FIP - Ho Chi Min						
Factory 76	Light Green		Grey		Orange	
Factory 77	Light Green		Grey		Light Green	
Factory 78	Light Green		Grey		Orange	
Factory 79	Light Green	Dark Green	Grey	Dark Green		
Factory 80	Light Green		Grey		Light Green	
Factory 81	Light Green		Grey		Light Green	
Factory 82	Light Green		Grey		Orange	
Factory 83	Light Green		Grey			Blue
Factory 84	Light Green		Grey		Light Green	
Factory 85	Light Green	Dark Green	Grey	Dark Green		
Factory 86	Light Green	Dark Green	Grey		Light Green	
Factory 87	Light Green		Grey		Orange	
	100%	25%		17%	42%	33%
8%						
Total - All Programmes	97%	59%		21%	33%	32%
						14%

Transformation
1. Major impact - Long term impact on relations, capacity, systems and facilities
2. Large impact - Considerable transformation - not across the board change. Major impact on relations, capacity, systems and facilities but with some areas overlooked. Sustainability will need to be assessed over time.
3. Limited impact - Clear improvements without transformation - Systems were changed, perhaps some mechanisms of dialogue introduced, but without the lock-in we would like. There is expected to be limited long-term sustainability unless unforeseen changes occur.
4. Little / No impact - Changes were introduced in some cases, in some areas, but of marginal nature. Little long term impact.

Appendix 3

Seminars - Factory Improvement Programme 2002 - 2007

	Start Date	End Date
FIP1- Sri Lanka		
Management Systems & Quality Improvement	20-Jul-02	21-Jul-02
Productivity, Overtime & Payroll Practices	10-Aug-02	11-Aug-02
Relations & Social Dialogue	5-Oct-02	6-Oct-02
Human Relations & Discrimination	3-Nov-02	3-Nov-02
Occupational Safety & Health	30-Nov-02	1-Dec-02
Continuous Improvement	10-Jan-03	12-Jan-03
FIP2 - Sri Lanka		
Management Systems & Quality Improvement	28-Nov-03	29-Nov-03
Productivity, Overtime & Payroll Practices	16-Jan-04	17-Jan-04
Relations & Social Dialogue	27-Feb-04	28-Feb-04
Human Relations & Discrimination	23-Apr-04	24-Apr-04
Occupational Safety & Health	11-Jun-04	12-Jun-04
Continuous Improvement	23-Jul-04	24-Jul-04
FIP3 - Sri Lanka		
Continuous Improvement	29-Apr-05	30-Apr-05
Quality Improvements	10-Jun-05	11-Jun-05
Workplace Cooperation/ Dialogue	29-Jul-05	30-Jul-05
Productivity Enhancement	9-Sep-05	10-Sep-05
Human Resource and Discrimination	21-Oct-05	22-Oct-05
Occupational Safety and Health	9-Dec-05	10-Dec-05
WMFIP (Pilot FIP - Hanoi)		
Social Dialogue Module	12-Oct-04	13-Oct-04
Productivity Module- Group 1	16-Nov-04	17-Nov-04
Productivity Module- Group 2	23-Nov-04	24-Nov-04
Quality Module - Group 1	1-Apr-05	1-May-05
Quality Module - Group 2	1-Nov-05	1-Dec-05
OSH Module - Group 1	3-Feb-05	3-Mar-05
OSH Module - Group 2	3-Sep-05	3-Oct-05
Mid term Report Section	3-Nov-05	3-Nov-05
HRM Module - Group 1	4-Nov-05	4-Dec-05
HRM Module - Group 2	18-Apr-05	19-Apr-05
Continuous Improvement Module - Grp 1	24-May-05	25-May-05
Continuous Improvement Module - Grp 2	31-May-05	1-Jun-05

FIP HCMC

Workplace Cooperation Module	6-Dec-06	6-Dec-06
Quality Module	3-Jan-07	4-Jan-07
Productivity Module	1-Mar-07	2-Mar-07
Review Meeting	12-Mar-07	12-Mar-07
Human Resources Module	12-Apr-07	13-Apr-07
Cleaner Production Module	22-May-07	23-May-07
Module 5 training seminar Module	14-Jun-07	15-Jun-07
CSR conference	4-Jul-07	4-Jul-07
FIP meeting	5-Jul-07	5-Jul-07
Midterm Review Meeting	6-Jul-07	6-Jul-07
Health and Safety Module	1-Aug-07	2-Aug-07
Workplace Relations Module	12-Sep-07	13-Sep-07
Final review session	5-Dec-07	5-Dec-07

FIP Hanoi

Workplace Cooperation Module	2-Jan-07	3-Jan-07
Quality Module	1-Mar-07	2-Mar-07
Productivity Module	5-Apr-07	6-Apr-07
Review Meeting		
Cleaner Production Module	22-May-07	23-May-07
Human Resources Module	27-Jun-07	28-Jun-07
Health and Safety Module	14-Aug-07	15-Aug-07
Workplace Relations Module	24-Sep-07	25-Sep-07
Final review session	15-Dec-07	15-Dec-07

Light Engineering Faridabad

Workplace Cooperation Module	3-Dec-06	4-Dec-06
Quality Module	1-Feb-07	2-Feb-07
Productivity Module	4-Apr-07	5-Apr-07
Cleaner Production Module	24-May-07	25-May-07
Health and Safety Module	12-Jul-07	13-Jul-07
Human Resources Module	25-Oct-07	25-Oct-07
Workplace Relations Module	5-Sep-07	5-Sep-07

Electroplating Faridabad

Workplace Cooperation Module	5-Dec-06	6-Dec-06
Quality Module	3-Feb-07	4-Feb-07
Productivity Module	6-Apr-07	7-Apr-07
Cleaner Production Module	22-May-07	23-May-07
Health and Safety Module	14-Jul-07	15-Jul-07
National Conference - Labour / Productivity	9-Aug-07	9-Aug-07
Human Resources Module	26-Oct-07	26-Oct-07
Workplace Relations Module	6-Sep-07	6-Sep-07

Appendix 4

Selected Photos – Before and After

One simple way to measure at the factory level the before, during and after situation under FIP is the use of photographs. *Visual Factory Improvement*, an approach used in FIP, is a straightforward manner of showing tangible results of programme efforts, requiring only limited resources and effort. Over the course of each programme, before and after photographs show what changes have taken place and can also act as motivators for change. “Before” pictures can be ‘eye-openers’ for workers and managers who have grown accustomed to situations that require change, while “after” pictures provide motivation to others in the factory to improve – while also demonstrating to those in other factories what can be done. Under FIP, teams have taken literally thousands of pictures ([see more of FIP’s pictures online](#)), both of before/after situations as well as general factory level operations – in other words, workers doing their jobs of manufacturing products for global markets.

Included below is a selection of before / after photos from the various programmes of FIP. The first pair show conditions in a syringe manufacturing factory that took part in the first programme in Hanoi, Vietnam. This photo illustrates quite well the integrated nature of productivity, health and safety and general management on the factory floor. As consistently argued in FIP training, the various topics covered by FIP cannot be seen as separate. Here, the two pictures of the production floor are taken from the same position, the first at the start of FIP and second at the end of the factories participation. At the beginning, the factory produced far more material work-in-progress – ie. partially assembled syringes of various sizes – than was needed at any one time and that could be stored in the factory’s limited warehouse. As such, components were stored in bags and bins on the factory floor. These materials, being of plastic, are highly flammable, and the picture was taken from this third floors only exit. The workers cannot be seen, as they are obscured by the piles of materials, resulting quite probably not only in a poor productivity of materials but also of labour. Reducing work-in-progress and excess inventory was a primary goal of FIP’s intervention at the factory.



In the photos below, we have pictures clearly linking health and safety with productivity and quality. Here, the worker is drilling panels that go in high temperature electrical boxes. The material used for these panels is highly toxic, so the worker wears limited personal protection equipment, in spite of the operation creating a great deal of dust. There is no box or receptacle for collecting finished product, and he is sitting on a stool which he has modified due to an incorrect height of the equipment. Under the programme, the PPE was improved, a box for finished goods was introduced and the machine was adjusted to suit the height of the operator.



One of the initial activities undertaken in FIP, in the first module on workplace cooperation was what is called 5S – a methodology developed in Japan for introducing better housekeeping and general order on a production floor. Given that worker support will be crucial to maintaining any improvements, this approach is a natural tool for building collaboration between managers and workers – and results in clear, visual change early in the programme. Below, we can see the results of 5S in a garment factory outside Colombo, Sri Lanka. With improvements from the order and cleanliness of 5S, it is easier to see other changes that are required to improve productivity and quality on the production floor.



The project has begun to work with service providers to collect the before / after photos (see [1](#), [2](#) and [3](#)) and present them as simple, good practices (often referred to as ‘Kaizens’, again taken from Japanese and based on developments in production improvement approaches in Japan and elsewhere) – like those presented here, but with a short description of the change and its impact. As presented below, such good practices are often unsophisticated, but result in considerable savings (in the case below, the regular saving of 15 minutes of tool changeover time).



Social dialogue and communication are by their nature difficult to capture with photos. While it is possible to show workers and managers conversing or meetings being held, it is not nearly as illustrative as the improvements in quality or health and safety provided above. That said, the adjustments to the factory bulletin board introduced in the example below do represent a major change in communication at this factory, a motorcycle manufacturing operation located outside Hanoi. This was only one of many changes made to communication, including the strengthened role of the trade union representative, regular meetings between workers and management, and the involvement of workers in the Factory Improvement Team.



One indicator of improvements in workplace relations is often – but not always – the facilities provided to workers by the factory, including canteens, drinking water, rest areas and toilets. Together with 5S, mentioned above, one of the first areas addressed in the programme, in the first module, are such facilities. As with 5S, changes to worker facilities are often simple to introduce, seen by all, greatly appreciated by workers and, once introduced, recognized by management as an opening in the improvement of a collaborative culture in the workplace.



Appendix 5

Original Draft Vietnam Labour Law Poster

Vietnamese Labour Law

Summary for Factory Workers and Managers

Worker-Manager/Factory Improvement Programme
ILO/Vietnam Industrial Relations Project
International Labour Organization

Employment Contract: Probation

- Probation shall not exceed 60 days for work requiring professional skills, 30 days for work requiring technical skills and 6 days otherwise.
- After the probation, the worker shall receive an evaluation and if positive, a contract.
- Workers must earn at least 70% of the standard wage during probation.
- During probation, either side can terminate employment without notice.

Employment Contract

- Each worker is entitled to a signed employment contract, detailing the wage, hours to be worked, working conditions, and rights and responsibilities of each party.
- Any changes to a signed contract must be mutually agreed upon.
- After 2 limited term contracts, the employee shall receive a permanent contract.

Employment Contract: Termination

- The employment may be mutually terminated when the contract expires, the task assigned by the contract is fulfilled, or both parties mutually agree to end to the contract.
- Employees may end a limited term contract for a specified cause with 3-30 days notice, or may end an indefinite term contract unilaterally with 45 days notice.
- The employer can terminate the contract for cause with 3-45 days notice, but must pay severance for all employees with the company for more than 12 months.

Social Insurance: Benefits

- Health Benefits
 - Treatment at health centers.
 - Sick benefits, determined by working conditions when a doctor certifies the worker unable to work.
- Accidents and occupational disease:
 - If the worker's ability is reduced after treatment, social insurance will pay benefits depending on the classification of the injury.
 - When an employee dies, the family will receive payment from the social insurance.

Wage: Minimums

- For domestic enterprise, the minimum wage is 290,000 VND per worker per month.
- For foreign invested enterprises the minimum wage depends on location:
 - Within Hanoi and Hochiminh (the cities): 626,000 VND.
 - On the outskirts of the cities and in the inner districts of Hai Phong, Bien Hoa and Vung Tau: 556,000 VND.
 - Other locations: 478,000 VND.
 - For places with difficulties and poor infrastructure, an allowance may be made by the chairman of the province for a limited period of time.

Collective Bargaining

- Workers have the right to establish unions at the request of 5 employees and join established unions.
- Unions have the right to bargain collectively for labor agreements.
- Workers have the right to strike, with the vote of 50% of the union, except in jobs that provide crucial public services.
- Lockouts are prohibited.

Labor Rules

- The internal labor rules must include the following contents:
 - Working hours and rest breaks,
 - Rules and order in the enterprise,
 - Occupational safety and hygiene in the work place,
 - Protection of assets and confidentiality of technology and business and secrets of the enterprise,
 - Penalties imposed for those breaches, and responsibility for damage.
- Provisions must not contradict local labor law and must be consulted on by the trade union.

Wage: Overtime Pay

- On normal days overtime pay must be at least 150% of a normal wage.
- On weekly days off overtime pay must be at least 200% of a normal wage.
- On holidays and paid leave days overtime pay must be at least 300% of a normal wage.
- Any work at night must be paid at least 130% of a normal day wage.

Occupational Safety and Health

- An employer must ensure that the work place satisfies the requirements of space, ventilation, lighting, hygiene standards, and other hygiene factors.
- The employer shall pay expenses for health examinations and treatment for employees who suffer from an occupational diseases or work-related accidents.
- Workers have the right to refuse to work where there is a likelihood a fatal accident will occur.

Labour Rules: Breach

- The options for dealing with breach are:
 - Oral or written warning for a first violation.
 - Transfer to another position with a lower wage for a maximum period of six months, or extension of the period for wage increase to no more than 6 months for a more serious or repeat violations.
 - Dismissal for very serious violations.
- Never should multiple disciplinary acts be given for one violation.

Wage: Payment

- Workers must be paid at least every 15 days. Payment must be made in cash, on time, and at the place of business.
- If wage is overdue, the employer must settle the outstanding amount with the employee within one month plus interest.

Female Workers

- Discrimination against women is strictly prohibited at the workplace. Females must be treated equally in recruitment, utilization, promotion and pay.
- Employers may not dismiss female employees because of marriage, pregnancy, maternity leave or raising a child under 12 months old.
- Female employees are entitled to extra breaks during menstruation and breast feeding and to paid leave for maternity and other child-rearing responsibilities.

Labour Rules: Procedures

- The employer must prove wrongdoing on the part of the worker.
- The worker and representatives of the trade union must be present at the accusation.
- The worker has a right to counsel and the meeting must be recorded.
- Any damage to equipment of facilities is the responsibility and may be deducted from the wages gradually, but otherwise disciplinary measures may not include wage cutting.

Wage: Deductions

- The worker has the right to be aware of the reasons for any deduction in pay.
- Deduction in pay may never exceed 30% of the monthly wage.
- Deductions must be made in consultation with the trade union.

Child Labour

- Minimum working age is 15 years old.
- Workers between the ages of 15 and 18 are subject to special protection, including:
 - Maximum work hours: 7 hours per day and 42 hours per week.
 - Prohibited from heavy and dangerous jobs, jobs working with hazardous substances or jobs that will have an adverse effect on their personality.
 - May only work overtime and at night in a few specified occupations.

Working Hours

- Working hours shall not exceed 8 hours per day or 48 hours per week.
- Employees are entitled to paid rest breaks of:
 - At least 30 minutes for 8 consecutive hours.
 - At least 45 minutes for nightshift.
- Employees are entitled to a break of at least 12 hours between shifts and of at least one day (24 hours) every week.

NOTE: Labor legislation may change over time. If workers feel that the protection of the law is inadequate, or if employers feel that the law hampers sound business development, they may ask the government to propose amendments to the legislation. Workers and employers may also reach an agreement on any matter regarding their relationship, as long as the agreement does not diminish the protection afforded by the law.

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