

Improving Working Conditions in Developing Countries: Evidence from Better Work

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Executive Summary

Improving working conditions in developing countries generally, and in value chains in particular, is a goal shared by many stakeholders. Not surprisingly, stakeholders have implemented many approaches. This study assesses some of the dimensions of one of these approaches: The ILO's *Better Work* program. The Better Work program combines stakeholder involvement, detailed assessments, and supportive services and has been associated with improvements in aggregate working conditions.

This study makes three contributions. First, it presents an overview of the environment in which Better Work operates. While laws to protect workers are often in place, and many parallel attempts to improve conditions persist, concerns about working conditions have, if anything, intensified. This study therefore describes the “space” in which Better Work operates. In particular, it presents a framework for relating the multiple stakeholders and offers examples of different approaches to improving working conditions. Developing the context and describing the stakeholders helps illustrate that one unique aspect of the Better Work program is that it collaboratively incorporates multiple stakeholders. The study then describes how the Better Factories Cambodia program and the Better Work program evolved. The program started with a novel concept: using market incentives to improve working conditions. The program underwent many tests, including the loss of the market incentives that motivated the initial experiment. The improvements in working conditions survived these early tests and inspired the expansion into the eight countries in which Better Work operates today.

Having described the policy space and the evolution of Better Work, the second part of the study then describes the relationship between participation in Better Work and measures of factory-level compliance for narrowly-defined measures of working conditions as measured by Better Work assessments. Previous work mainly relies on aggregate compliance data. To add to this literature, this study compares compliance in a number of areas using a different measure than previously used, which

is the average compliance score across individual compliance points (previous measures used any instance of noncompliance within a category to consider the category noncompliant). This score is then compared across country and time. The results illustrate some of the differences and similarities in compliance. Differences across countries may reflect differences in worker preferences, compliance costs, or institutional environment.

One of the key similarities is the pattern of compliance over time. Compliance improves relatively quickly following the first visit by Better Work, and then continues to improve at a slower rate. This is consistent with a simple cost model in which the lowest-cost compliance issues are addressed first and then the higher-cost issues are gradually addressed over time, but this model is not tested formally. Instead, the remainder of the study focuses on the link between measures of worker perceptions of working conditions and changes within the factories.

To estimate the relationship between changes in the factory and worker perceptions of working conditions, the final part of the study presents a regression analysis. Different measures of Better Work interventions are associated with different dimensions of worker-perceived working conditions. The main results suggest that very specific interventions – especially the PICCs – are associated with improvements in communication, supervisor relationships, and worker welfare. The general measures of compliance do not demonstrate relationships that are as strong, which indicates that there may be many areas of compliance that are not directly associated with worker welfare. Examples of this might be occupational safety and health issues that reduce risk in the factories from a disaster. Workers may not perceive the value of such measures until a disaster strikes. The results from this section suggest that not all measures of compliance are equally perceived or valued by workers, which implies that it is important to understand worker opinions of specific (rather than aggregate) measures.

There are three main conclusions from this study. The first is that the collaborative nature of the Better Work program both makes it somewhat unique and may contribute to the observed relationship between participation in Better Work and improved measures of working conditions. The second conclusion is that most of the changes that occur with compliance are observed relatively early in the relationship, and this pattern is similar across countries. The third conclusion is that the relationship between compliance and worker welfare cannot be taken for granted. Different measures of compliance and factory interventions have different relationships with worker welfare. If improving worker welfare is the goal, then understanding the link between compliance issues and worker perceptions should be an important part of such strategies.