



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

August 2020



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August 2020

ACKNOWLEDGEMENTS

This publication was produced by IFC under the overall guidance of Henriette Kolb, Manager of IFC’s Gender and Economic Inclusion Group. Hang Thu Vu, Gender Operations Officer, coordinated production of this report under the supervision of Amy Luinstra, Regional Lead for Gender and Economic Inclusion Group in East Asia and the Pacific. Peer review was offered by Ellen Maynes, Rudaba Nasir, and Sherrilee Le Mottee.

The report was prepared in collaboration with an external consultant team from Ergon Associates, led by Kirsten Newitt. The team included Kate Jelly, Phuong Le, and Ned Lawton.

IFC would like to thank the companies that hosted researchers for case-study research, and the employees of these businesses who generously gave their time to discuss experiences and ideas. These businesses are Evervan, Feng Tay, Greenland, Now Vina, Pou Chen, and Taekwang Vina.

The report also benefited from valuable inputs made by other Vietnamese and international businesses and organizations, including Adidas, Better Work Vietnam, HSBC, Maxport Ltd., Nike, Schneider Electric, the European Chamber of Commerce in Vietnam, UNICEF, and Vietnam Business Coalition for Women’s Empowerment.

We would like to acknowledge the support of the World Bank Group’s Umbrella Facility for Gender Equality. The Umbrella Facility for Gender Equality (UFGE) is a multi-donor trust fund administered by the World Bank to advance gender equality and women’s empowerment through experimentation and knowledge creation to help governments and the private sector focus policy and programs on scalable solutions with sustainable outcomes. The UFGE is supported with generous contributions from Australia, Canada, Denmark, Finland, Germany, Iceland, Latvia, the Netherlands, Norway, Spain, Sweden, Switzerland, United Kingdom, United States, and the Bill and Melinda Gates Foundation.

Why this study, now and whom is it for?

Globally and in Vietnam, organizations are beginning to realize the benefits of employer-supported childcare; some are starting to implement innovative and progressive solutions. Following the launch of the global study, "[Tackling Childcare: The Business Case for Employer-Supported Childcare](#)" in 2017 the International Finance Cooperation (IFC) has done country-level research on the business case for employer-supported childcare in Bangladesh, Cambodia, Fiji, India, Myanmar, and Sri Lanka. This study on Vietnam adds to the growing body of evidence demonstrating why employer-supported childcare is good for business, good for employees, and good for society (Figure 1).

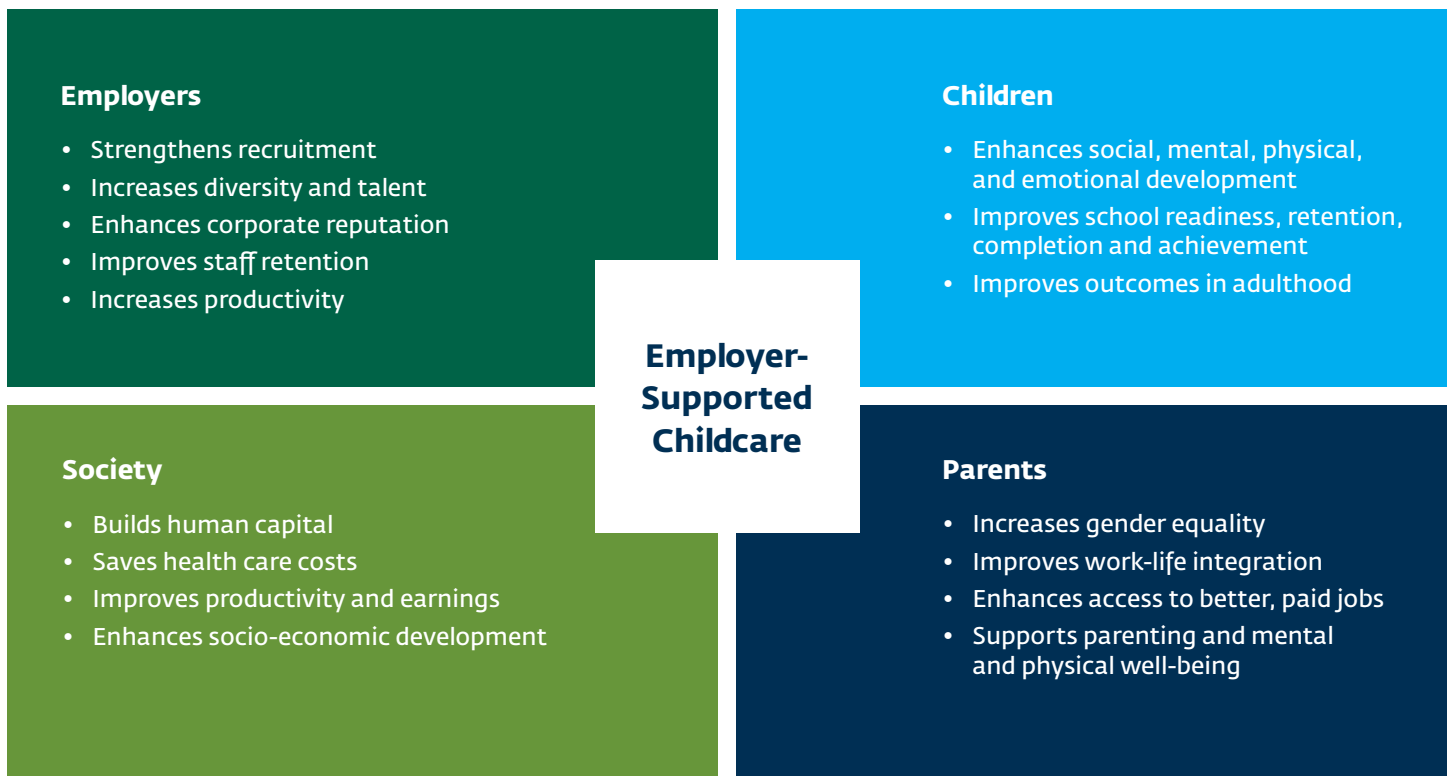
There is no one-size-fits-all approach for employer-supported childcare, but a common set of key success factors are emerging: responsiveness to employees' needs, going beyond

legal requirements, and being contextualized to fit the specific workplace environments.

This Vietnam-specific research demonstrates business benefits by those who have done it and aims to inspire others to do the same. It aims to complement efforts by others, including UNICEF and Better Work Vietnam to promote family-friendly policies and practices in the workplace, as well as the government of Vietnam as it moves forward with plans to expand access to quality early childhood care and education.

For further information on IFC's work to explore childcare in the private sector, please see: www.ifc.org/tacklingchildcare

Figure 2: Benefits of employer-supported care for employers, parents, children, and society



Why care matters in Vietnam context

Rapid economic growth is expected to continue. The export-oriented manufacturing sector is a key driver of economic growth in Vietnam, with average annual growth rates of more than 10 percent since 2009. As the shift of low-skill light manufacturing out of China continues and new free trade agreements make more markets easy to access, Vietnam's manufacturing sector is expected to grow even more in the future. To take advantage of this growth, businesses in Vietnam need to recruit aggressively in a tightening labor market. Garment manufacturing alone is expected to add millions to their workforce in the coming years, not to mention high demand from other high growth sectors like electronics and banking.

The labor market is tightening. Vietnam labor supply is stagnant: half a million workers join the labor force annually since 2012. As Vietnam rapidly transitions from a young to an aging population, the labor force is projected to shrink by 5 percent as a share of the population by 2040 (World Bank, 2016).

Care responsibilities have an impact on participation in good jobs. While educational attainment between women and men is broadly equal, women remain over-presented in informal sector and low paying jobs. Research shows that care responsibilities are among the top reasons for women not to be active in the labor market: 40 percent of women who are not engaged in any form of paid employment cite care responsibilities as the main reasons for this, compared to only two percent of men. Women are expected to be the primary caregivers, and in fact, on average, Vietnamese women spend 105 minutes more on unpaid care work each day compared to men (274 minutes for women, compared with 169 minutes for men) – which amounts to almost 207 working days per year.

Vietnamese women spend 105 minutes more on **unpaid care work** each day compared to men, which amounts to almost **207 working days per year**.

Women's participation in the labor force is a driver for growth. While Vietnam has high levels of women's labor-force participation at 72 percent compared to the global average of 47 percent, it remains persistently 10 percentage points lower than the rate for men at 82 percent. Closing the gender gap in labor force participation, according to McKinsey, alongside increasing the number of women in high-productivity sectors and increasing the number of hours women work, could add an estimated 10 percent in annual GDP by 2025 compared to business-as-usual.

Sectoral productivity needed to boost business performance and spur further growth. Economic gains over recent years have come from structural transformation: movement of labor out of agriculture to higher productivity manufacturing and services sectors, but much of this transition has already happened. If Vietnam is to sustain its levels of growth, improving productivity within sectors is a must. Future economic gains rely on making better use of women's talent to stimulate productivity, growth, and develop human capital.

Accessible childcare is critical for good jobs for women. In Vietnam, mothers with access to kindergartens are **41 percent more likely** to have a wage job.

Access to quality childcare is critical for women to work and promotes long-term growth by enhancing early childhood development. Women whose children attend childcare are more likely to have formal jobs, take on more working hours, and enjoy higher wages than women with children who do not attend childcare. The use of childcare increases the probability of women having a wage-earning job by 41 percent and the probability of their having a formal job by 26 percent. Access to childcare also increases men's labor-force participation, though the effect on men is smaller.

Despite growing demand, availability of formal childcare, particularly for pre-school children, remains a challenge. On average, only 22.7 percent of children under three are enrolled in formal childcare or education facilities. Some may argue that families prefer to keep their younger children at home as children three and under require more intensive care or that childcare enrolment for children under three is not mandatory. Statistical data suggests, however, that a lack of facilities, rather than an unwillingness of parents, contributes to this low attendance. Availability and access to childcare at industrial parks are even more difficult. For example, pre-school facilities in industrial parks in Ho Chi Minh City only meet 2 percent of demand.

Preschool facilities in industrial parks in Ho Chi Minh City only meet **2 percent** of demand.

Demographic changes and economic growth in Vietnam will pose new challenges for workers, businesses, and policymakers, and will require a dramatic shift in current care patterns. There is a major opportunity for forward-thinking businesses in Vietnam to gain a competitive edge in the labor market and differentiate themselves from other employers by introducing care supports for employees.

While this report draws heavily on lessons learned from businesses in manufacturing sector, the business case for employer-supported childcare remains relevant and inspirational to a range of employers in Vietnam. For more examples beyond manufacturing, IFC's global [Tackling Childcare: The Business Case for Employer-Supported Childcare](#) is a comprehensive resource to start with, covering a wide range of sectors from agribusiness, financial services, information technology, telecommunication, to healthcare.



Photo credit: Ergon Associates, 2019



Photo credit: Ergon Associates, 2019



Photo credit: Ergon Associates, 2019

What are the business benefits of employer-supported childcare?

In Vietnam, many companies report that supporting employees with care needs gives them a significant advantage in attracting prospective employees, while enhancing engagement with existing ones, which translates into stronger recruitment and retention outcomes. Companies also report enhanced employee performance and productivity, as parents are less likely to be distracted or concerned about their young children during working hours.

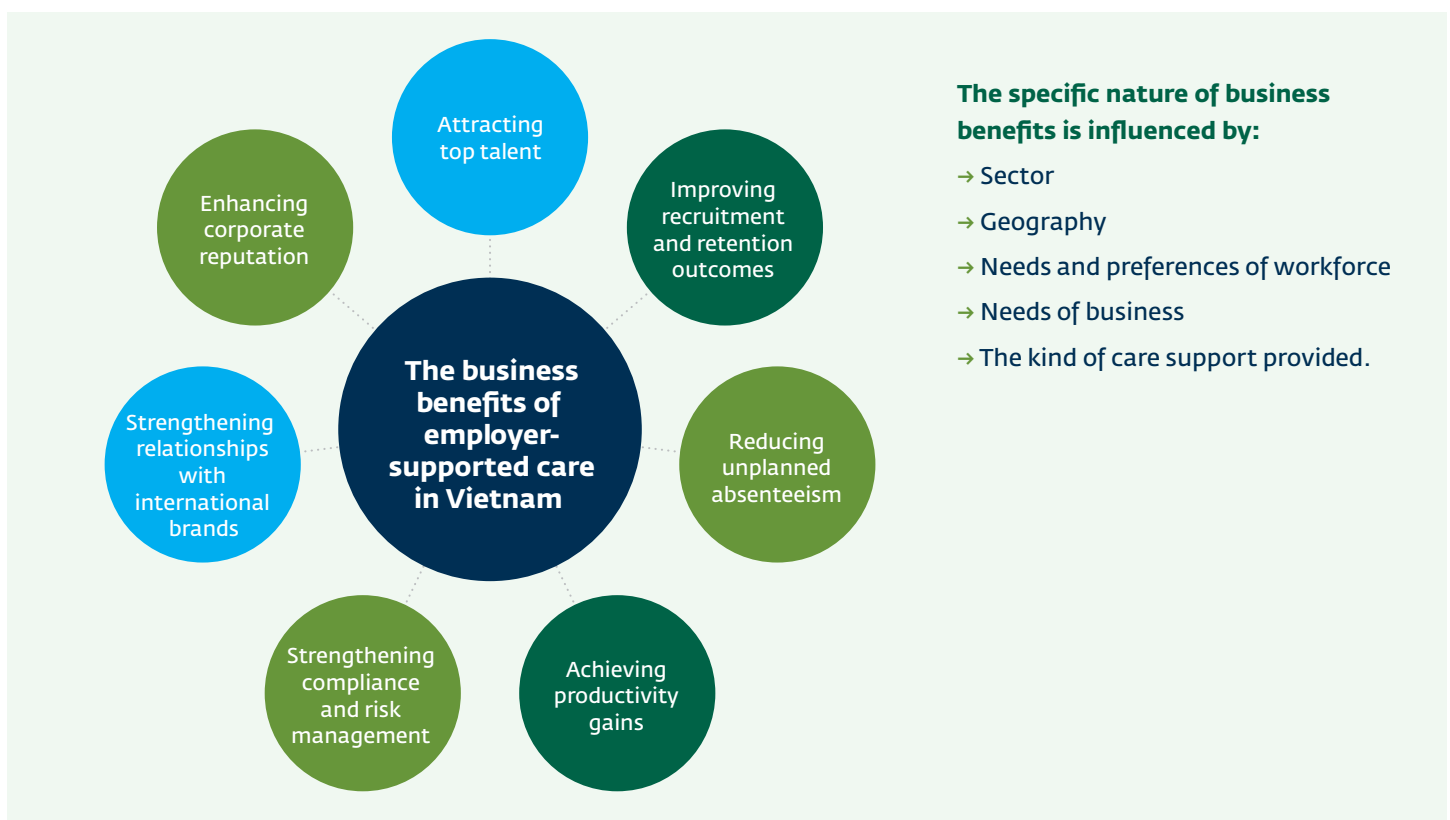
This report, “Tackling Childcare: The business case for employer-supported childcare in Vietnam report includes the six long case studies featuring the following companies (alphabetical order):

- Evervan, footwear manufacturing, one facility, about 7,500 employees, in Binh Duong Province
- Feng Tay, footwear manufacturing, four facilities, about 31,500 employees, in Dong Nai Province

- Greenland, footwear manufacturing, one facility, about 3,700 employees, in Hai Phong City
- Now Vina, garment manufacturing, one factory, about 2,000 employees, in Phu Tho Province
- Pou Chen Vietnam, footwear manufacturing, one facility, about 16,500 employees, in Dong Nai Province.
- Taekwang Vina, footwear manufacturing, four facilities, about 33,000 employees, in Dong Nai Province

Note: some companies have more facilities for Vietnam operations; however, a company case study features facility/ a group of nearby facilities that provide and enjoy material impact of employer-supported childcare.

Figure 3: The business benefits of employer-supported care in Vietnam



Attracting top talent

- Women are untapped resource for talent. Vietnamese women make up 50 percent of university graduates and 48 percent of the workforce. Many of them want to progress at work: more women than men (81 percent and 76 percent respectively) surveyed at Vietnam's biggest companies say they wanted to advance within their current company. Notably, Vietnamese women tend to take on most of the unpaid care in families, and there is a risk that caring responsibilities—for children and elderly parents—may intervene at a time when women reach mid-level roles and start to become eligible for promotion to senior positions.
- Employer-supported care, consequently, contributes positively to a company's recruitment strategy. Working parents consider employer-supported childcare, especially on-site childcare facilities as the decisive factor to choose to work for a factory. For example, at Evervan (footwear, Dong Nai Province), when it needed to recruit additional 2,500 workers in 2019, the kindergarten became an important selling point and an easily communicated symbol of Evervan's commitment to its workers and their families. Kindergartens, among other employer-supported childcare benefits, appeal to not only working parents, their relatives and friends, but also other young candidates who have access to an array of job opportunities in manufacturing, including electronics with higher salaries and air-conditioned work environments. The benefits of employer-supported childcare to recruitment are evident in all participating factories.

“The kindergarten is an important reason for workers to choose this factory. Most factories require overtime, and public kindergartens do not account for this, but here it is supported. Also, other schools are off on the weekends, but this kindergarten is open on Saturday.”

Female employee, Pou Chen

Evervan, a footwear manufacturer with close to 7,500 workers, succeeded in halving average monthly turnover from 4.1 percent in 2011 to 2 percent in 2018, creating **annual savings of up to VND 12.5 billion (\$537,000)**.

Improving recruitment and retention outcomes

- In Vietnam, many employers identify hiring new workers as one of their top concerns. This is the case both for higher-skilled positions, such as technical, professional, and managerial jobs in service sectors and for lower-wage, lower-skilled positions in export-oriented labor-intensive sectors like manufacturing.
- Workers now have more flexibility about which jobs to take. Women are more likely than men to choose jobs with flexible working hours and non-monetary benefits; therefore, family-friendly policies, particularly employer-supported care, could be part of a company's strategy to become "employer of choice." For manufacturing companies such as Pou Chen, Feng Tay, and Taekwang Vina, on-site kindergarten is an established part of their recruitment and retention strategy.
- In service industries, including banking and finance, the cost of losing highly skilled workers can be even higher. Turnover costs can be up to 100 percent of the annual salary for managerial and professional staff, and up to 150 percent for senior management.
- Investment in care supports can help companies recruit more women in traditionally male-dominated sectors, increasing workforce gender diversity, and capturing associated benefits.

Reducing unplanned absenteeism

- Without access to reliable care, working parents are more likely to miss work, come in late, or leave work early to attend to unplanned childcare needs. Maxport's employee survey found that four out of ten working parents experienced disruptions to their working schedule because of care responsibilities at home.
- The costs of unplanned absenteeism can be substantial, although companies do not always track or monetize them.
- Manufacturing firms that have invested in on-site kindergartens or nearby municipal kindergartens report that working parents with children in these facilities are less likely to take unplanned leave.
- Supporting better health outcomes for employees and their families can also bring down unplanned absenteeism. Nalt Enterprise, a garment factory with about 600 employees, saw a 50 percent reduction in absenteeism when it introduced an on-site kindergarten and health clinic that provided regular check-ups for workers and their children.

Taekwang Vina calculates that an average unplanned absenteeism rate of **0.6 percent** across a workforce of 33,000 in its Dong Nai factories costs the company around **VND 22 billion (\$945,000) each year**

Achieving productivity gains

- Investments in care supports can help workers be more productive on a day-to-day basis by reducing levels of "presenteeism" (where someone is at work but not operating to their full capacity).
- Manufacturing firms that have invested in childcare support for workers notice the difference in worker engagement and productivity.

*"We absolutely see the benefits for our suppliers in supporting employee welfare so that they can **improve retention and productivity**. When workers are confident that their children are in good hands, they are likely to be more productive and stay on with the factory."*

Vu Tu, Senior Manager, Social and Environmental Affairs, Adidas

Strengthening compliance and risk management

- Companies with investments in childcare are better positioned to demonstrate compliance with national legislation. Nevertheless, minimum compliance may not allow for companies to realize the full spectrum of benefits of childcare.
- Employer-supported childcare helps a company to avoid reputational risks, for example, when workers do not have access to quality care for their young children and have to accept unregulated care services that available to them.
- Employer investment in care can also contribute to enhanced industrial relations, reducing the likelihood of disruptive strike action. For example, Evervan, Feng Tay, and Taekwang Vina all consider their support for workers' care responsibilities playing a critical role in making workers feel proud of their company, be loyal, and even organized themselves to protect the company during a period of industrial unrest.

Strengthening relationships with international brands

In the manufacturing sector, leading international brands like Nike and Adidas have high expectations of their suppliers and incentivize them to demonstrate proactive commitments to environmental and social sustainability, including employee welfare and—increasingly—women's empowerment. High-profile brands develop longer-term or strategic partnerships with suppliers

that demonstrate innovation and leadership on social (and environmental) sustainability.

- Investments in childcare can help manufacturing firms strengthen their performance on key sustainability metrics used by brands, with direct links to commercial outcomes.
- Substantial investment in childcare would be recognized as best practice among suppliers, better aligned with a brand's vision, therefore facilitate relationships with brands and other suppliers.

“Many of our suppliers have a vision to improve the lives of workers, and providing childcare is part of that.”

Cuong Luong, Sustainability Manager Vietnam, Nike

Enhancing a company's corporate reputation

Local government in Vietnam often encourages the private sector to demonstrate their corporate social responsibility, for example, by contributing to improve quantity and quality of education services in the community or enhance workers' welfare. Often, local governments are keen to support construction of new kindergartens, increasing capacity of existing kindergartens, or any other forms of employer-supported childcare.

- Taekwang Vina decided to build its own kindergarten partly because of a recommendation from the local government in 2012. Since then, the company maintains a good relationship with local government and established itself as a responsible employer in the community.
- Pou Chen Vietnam and Feng Tay received formal recognition from local government for the high standards of their kindergartens;
- Now Vina's management acknowledges the company's relationship with local municipal kindergartens has enhanced its reputation as a trusted and respected company in the area.

Investing in the future workforce

For companies that take a long-term strategic view, investments in care equate to an investment in their future workforce. Feng Tay's management takes this long-term strategic view on human-capital development and sees its on-site kindergarten as a means of connecting with and investing in the company's future workforce. According to management, the first children that entered the company's kindergarten in 2008 are now in grade 11 and already know and appreciate the culture of the company.

“We are very invested in the next generation of the company and hope that second and third generations will come to work here.”

Khue Tu, Kindergarten and Dormitory Manager, Feng Tay

What are options for employers to support their employees as working parents

Options for supporting childcare range from less resource intensive strategies, such as information and referral services and back-up care benefits, to more resource-intensive strategies such as workplace crèches. In many cases, an employer will want to

offer a range of childcare support options to meet the needs of its workforce and business operations. The first step should be to understand employee needs and preferences.

On- or near-site childcare center	<p>Opening and operating an on-site childcare center shows a significant commitment to supporting working parents.</p> <p>An on-site childcare center can be a robust recruitment and retention tool, as well as a way for a business to show its commitment to diversity inclusion and social responsibility.</p>
Childcare spaces purchased externally/cooperate with other businesses to provide care jointly	<p>Businesses that do not need many childcare spaces can partner with other businesses to operate a shared childcare center.</p>
Partnerships with local authorities	<p>Public-private partnerships can provide opportunities for businesses to work with government departments to expand the availability of childcare services.</p>
A breastfeeding room	<p>In recognition of the health benefits of breastfeeding for both children and mothers, many countries mandate employers to allow working mothers to breastfeed or extract milk. Policies on breastfeeding can include reduced working hours and/or making available safe, private and hygienic areas where mothers can breastfeed or extract milk, as well as a safe hygienic space to store extracted milk.</p>
Childcare subsidies for employees	<p>The cost of childcare is a major barrier to employment for many workers. Several businesses respond to this issue by providing subsidies to support the childcare costs of employees. Employees can use these subsidies to cover childcare fees at a childcare center of their choice.</p>
Extended hours care: early, late, nights and weekends	<p>Adjusting the opening hours of a childcare center and allowing employees to access the services earlier, later or on weekends can allow greater flexibility for the service to meet family childcare needs.</p> <p>This is particularly relevant for shift workers or those who work off-standard hours.</p>
Back-up/emergency care	<p>Back-up care services are designed to provide parents with an alternative care option at short notice, so they do not have to miss work if their usual childcare arrangements fall through.</p>
Parenting information sessions	<p>Information sessions on issues relating to childcare are a low-cost option for businesses to help improve how working parents undertake childcare.</p> <p>Referral services to local childcare centers can help working parents by reducing the time they need to research options and by increasing their confidence in their choice.</p>
Flexible working time to allow employees to provide childcare	<p>Greater control over starting and finishing times, shifts, number of hours and location of work – these are all examples of how increased flexibility around working hours can help parents manage their childcare responsibilities alongside their work obligations.</p>
Maternity, paternity, and parental leave	<p>Paid maternity leave is a statutory entitlement for employed women in almost all countries. Although not as common, a growing number of countries also provide paid paternity leave around the time of birth and, for adoptive parents, around the time of adoption. Many countries also provide additional job-protected parental or childcare leave.</p>



Photo credit: Ergon Associates, 2019



Inspiration from Vietnam businesses

“Because of our commitment to supporting our workers’ family lives, they have confidence to tell their relatives and friends that this factory is a good place to work.”

Emil Lin, CSR and Compliance Manager, Evervan

“The key to running the kindergarten successfully is commitment from the top. Management has to really believe in it.”

Le Quoc Thanh, Operations General Manager, Feng Tay



“The kindergarten is good for the company and means that the workers feel assured if they know their children are close by; it is a source of mutual support for mutual interest.”

Ben Chen, Vice Chief Executive Officer, Greenland

“We could have just built a normal kindergarten, but we wanted to create a sustainable, green kindergarten... It is important for us to put sustainability at the heart of everything we do.”

Peter Tsai, General Manager, Pou Chen



“The benefits certainly outweigh the challenges. I would strongly recommend to other companies that they open a kindergarten for their workers’ children.”

Donald Nam, President, Taekwang Vina

Going beyond: additional resources for employers

Vietnam case studies

- Evervan (Manufacturing)
- Feng Tay (Manufacturing)
- Greenland (Manufacturing)
- HSBC (Banking)
- Maxport (Manufacturing)
- Now Vina (Manufacturing)
- Schneider Electrics (Energy)
- Pou Chen (Manufacturing)
- Taekwang Vina (Manufacturing)

Global case studies

- Afrifresh (Agribusiness, South Africa)
- Akamai (Information technology, USA)
- Borusan (Industry/Heavy manufacturing, Turkey)
- The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Financial services, Japan - IFC client)
- Martur (Automotive component manufacturing, Turkey - IFC client)
- MAS Kreedat Al Safi–Madaba (Garment manufacturing, Jordan)
- Mindtree (Information technology, India)
- Pandurata Alimentos Ltda. (Bauducco) (Food manufacturing, Brazil - IFC client)
- Schön Klinik (Healthcare, Germany)
- Safaricom (Telecommunications, Kenya)
- Sumitomo Chemical Company Ltd. (Japan)

IFC latest resources:

- *Childcare in the COVID-19 Era: A Guide for Employers* (April 2020)
- *Guide for Employer-Supported Childcare* (November 2019)

Tackling Childcare around the world:

- **Bangladesh:** Policy Brief—The Business Benefits and Challenges of Employer-supported Childcare in Bangladesh (2019)
- **Fiji:** The Business Case for Employer-Supported Childcare (2019)
- **India:** The Benefits and Challenges of a Workplace Crèche (2019)
- **Myanmar:** The Business Case for Employer-Supported Childcare in Myanmar (2019)
- **Sri Lanka:** The Business Case for Employer-Supported Childcare (2019)

Our voices in the media:

- **How Better Childcare Can Boost Growth Across Asia:** Op-ed at Thomson Reuters Foundation by Nena Stoiljkovic, Vice President for Asia and Pacific, IFC
- **Expand Employer-Backed Childcare to Close the Gender Gap in Sri Lanka:** Blog post at DailyFT by Aarthy Arunasalam, Gender and Economic Inclusion Group, IFC
- **Tackling Employer-Supported Childcare: A Journey from Why to How:** Blog post at OECD by Rudaba Nasir, Gender and Economic Inclusion Group, IFC
- **Fiji Takes First Steps to Build an Accessible Childcare System:** Blog post at Devex featuring Sarah Twigg, Gender and Economic Inclusion Group, IFC
- **Investment in Childcare Key to Private Sector's COVID-19 Response:** Blog post at Council on Foreign Relations, by Hans Peter Lankes, Vice President of Economics and Private Sector Development, IFC





Photo credit: Ergon Associates, 2019

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