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

Case Study: Feng Tay

August 2020



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Feng Tay

Footwear manufacturing, Dong Nai Province



Feng Tay's Dong Nai workforce profile 2019

Women represent:

- 65.5% of the overall workforce
- 57.2% of managers
- 53.8% of supervisor
- 67.1% of female workers

Feng Tay supports parents through:

- Provision of a shared kindergarten for its four factories in Trang Bom district
- Monthly childcare allowance
- Subsidized onsite accommodation.

Key business impacts of providing childcare support:

- Better retention outcomes through increased employee engagement and loyalty
- Enhanced relationship with the buyer.

Background

Multinational footwear manufacturing company Feng Tay Group was founded in Taiwan, China in 1971. Its factories in Vietnam, China, Indonesia, India, and Taiwan, China produce casual and sports shoes, rollerblades, and sports equipment, including golf and soccer balls and protective gear for hockey. Nike is its largest customer.

Feng Tay opened its first Vietnamese factory in 1996, in Trang Bom district near Bien Hoa City, Dong Nai province, around 40 kilometers from Ho Chi Minh City. The company, operating in Vietnam as Feng Tay Vietnam Holdings, now has five factories in Dong Nai province (four in Trang Bom district and one in Xuan Loc district) and three in Ba Ria-Vung Tau province.

The Feng Tay group employs more than 126,000 people across its global operations; 66,621 are based in Vietnam. This case study focuses on the four factories located close to each other in Trang Bom district, which employ 30,660 employees. Just over 65 percent of Feng Tay's Trang Bom workforce is female, and the average age is 32. The management estimates that around 30 percent of the Trang Bom workforce originates from other parts of Vietnam, mainly the north and center.

This case study examines the impact of Feng Tay's support for its workers' care responsibilities in Trang Bom, in particular a kindergarten for the children of its workers, and family accommodation in subsidized worker dormitories.

The Business Context for Supporting Childcare at Feng Tay

Feng Tay Group has been investing in support for workers' care responsibilities for 40 years. "Work-life balance" is part of the Group's overarching corporate vision, with the stated goal of organizing production time so that it leads to "maximum work efficiency, minimal overtime, and healthy and balanced life for all employees" (Feng Tay, 2019). The Feng Tay Group sees investment in onsite kindergartens as an important way to help workers achieve a better work-life balance, an approach that started back

in 1979, when Feng Tay was one of the first companies in Taiwan to build a nursery for its employees (Feng Tay Group, 2018). Over time, Feng Tay has progressively invested in two onsite kindergartens in Vietnam (2008 and 2016), two kindergartens in China (1993), and five crèches for factories in India (2009-2017) (Feng Tay Group, 2018). In each location, Feng Tay aims to provide subsidized, high-quality care for workers' children (Feng Tay Group, 2018).

In Dong Nai, Feng Tay believes that its support for employees' childcare responsibilities aligns with its corporate values and is a crucial factor in worker recruitment and retention, setting it apart from other factories in the area. Competition for workers has increased substantially since Feng Tay built its Dong Nai kindergarten in 2008. Now, four large industrial zones in Trang Bom district house an ever-growing number of factories, which compete for workers.

As with many other manufacturers, Feng Tay's Vietnam operations have experienced a steady increase in demand for production. In Vietnam, the Group's production levels increased 7 percent from 2015 to 2017, and by a further 13 percent from 2017 to 2018 (Feng Tay Group, 2017 & 2018). While the increasing demand for production presents major opportunities for companies like Feng Tay, it also puts pressures on employee recruitment and retention, especially since Feng Tay aims to expand its Trang Bom workforce by 10 percent (or roughly 3,200 workers) over the coming years.

How the Company Supports Childcare for its Workforce

Shared kindergarten for four factories in Trang Bom district

In 2008, Feng Tay opened a kindergarten for the children of workers of its four factories in Trang Bom District. Dong Phuong kindergarten is built around a large quadrangle, adjacent to worker dormitories and the company's administrative offices. The land (chosen by Feng Tay) for the complex was donated by the local government. Feng Tay funded the cost of construction—VND

71.3 billion (\$3.1 million)—and covers the majority of ongoing operational costs of the kindergarten. Parents pay just VND 430,000 (\$18.48) per month for food.

Feng Tay employs a designated kindergarten and dormitory manager, Khue Tu, who works in close cooperation with the kindergarten principal. Ms. Tu is responsible for the operating budget of the kindergarten and monitors the quality of care on a regular basis.

The kindergarten is very popular with workers and is currently full, with 850 children enrolled. Given the company's large workforce in Trang Bom, the kindergarten can only accommodate the children of around 15 to 20 percent of workers with children of eligible age (three to six years). At the end of 2019, there were 150 children on the waiting list. Places are prioritized according to parents' length of service in the company and whether children are residents of the dormitories. The company operates a quota system across the four factories for admission to the kindergarten, proportional to the size of the workforce at each factory.

Children are divided into 29 classes: eleven classes of 25 children each for three to four-year-olds; ten classes of 30 for four to five-year-olds, and eight classes of 35 for five to six-year-olds. Each class is looked after by two licensed teachers, 80 percent of whom are college or university educated. All teachers undergo regular training, including in first aid and the "soft" skills needed to care for children effectively. The company offers a monthly salary of around VND 12 million (\$516) to attract the highest-quality teachers. This is nearly double the salary paid to teachers at public schools in the area and equal to what factory supervisors at Feng Tay are paid.

The kindergarten is open all year round from 6 a.m. to 6.30 p.m. to align with factory schedules, including overtime shifts. As parents only pay for food, they do not have to pay an extra fee for their children to be looked after during overtime hours. Children follow the national curriculum appropriate for each age group and have a daily nap. The kindergarten's clinic can accommodate children with a mild illness or slight fever, where they are looked after by trained medical staff.

“My son is much happier now than when he was in a private kindergarten. He looks forward to going to school every day.”

Male supervisor

Parents are very happy with the level of care their children receive at Dong Phuong, saying they no longer have to worry about child abuse, which is considered a risk at household childcare centers, where children might otherwise be placed. “I feel that the teachers really care about my child. Communication with parents is good, and the management is transparent”, says Can, a security worker. Parents would appreciate it if the kindergarten was able to take younger children, but there is no room to expand on the current site and the company does not have a license to enroll younger children.

Family accommodation in dormitories near to the factories

Feng Tay provides subsidized accommodation in dormitories adjacent to the kindergarten, and near to the factories, where workers can live with their families. Of the 608 rooms, one-third is reserved for families, where a total of 3,648 people can be accommodated (there is an upper limit of six per room). Around 100 children up to 12-years-old live in the dormitories, 15 of whom also attend the kindergarten. The dormitories are available to both migrant workers and those originally from Dong Nai province. Rooms are spacious, and each has its own bathroom and a balcony. All residents have access to a plot to grow vegetables. There is a large kitchen for every six rooms.

Workers who choose to live in the dormitories say they are safe, comfortable, and convenient. Children who live in the dormitories gain priority access to the kindergarten, and—as the buildings are adjacent—parents do not have to worry about taking their children on dangerous roads, which is often an important factor for parents when choosing a kindergarten. Moreover, close relatives are permitted to live in the dormitories with the families—meaning

workers can receive help with childcare from family members. Tuyet, a production line worker, regards this as a very attractive benefit as her mother lives with her family in the dormitories to help care for her children.

The low living costs associated with dormitory accommodation also help families save money, eliminating the burden of expenditure associated with private rental accommodation in the area. The subsidized rooms cost less than a quarter of the price of renting a house nearby as the company covers all costs apart from electricity and water, for which residents are charged a monthly fee (per room) of VND 480,000 (\$20.63). Workers estimate that by living in the dormitories, they can save around 40 percent of their salary each month, which they would be unable to do otherwise.

Tien, who works on the production line, lives in the dormitories with his wife, who also works at Feng Tay, and their two children. By living in the dormitories for several years, he and his wife have managed to save enough to buy a house. For workers whose children live in their hometowns, the low costs mean that they can send money home to support their parents and/or children. Bien, an administrative worker, lives in the dormitory and sends VND 3 million (\$129) home per month to support his young children.

Despite the low cost and comfortable and convenient accommodation, the average occupancy rate of the dormitories is around 80 percent. Dormitory and kindergarten manager, Khue Tu, says that this is because many younger workers prefer the freedom of renting their own place. Moreover, the dormitories can only accommodate children up to the age of 12, so workers with older children are ineligible. Ms. Tu views it as positive that the dormitories are not full, as it means the company is able to provide this support to all workers that want it.

“When my child reaches 12, my family will move out of the dormitories. We’ve managed to save enough to buy a house.”

Production-line worker

Childcare allowance

Feng Tay provides a childcare allowance of VND 100,000 (\$4.30) per month to workers with children under age six. The allowance is available to both male and female workers, to both workers with children in the factory kindergarten and those with children placed elsewhere. The allowance is appreciated by parents as a contribution towards the costs of care. Employers are required by legislation to assist and support the construction of day-care or nursery facilities or to cover a part of workers' childcare expenses, but many companies do not comply or choose to provide only a nominal amount as a monthly subsidy.

Education and housing support for workers' families

The company provides scholarships for the children of its workers and for some children from the local community to contribute to the cost of education from elementary school to university. In 2018, Feng Tay awarded scholarships worth VND 3 million (\$129) each to 49 children from the kindergarten to help continue their education.

Moreover, acknowledging the increased demand that industrial growth in Trang Bom has placed on local schools, Feng Tay donated around VND 9.2 billion (\$395,000) between 2012 and 2016 to cover around one-third of the construction costs for a local public primary school, which is also attended by children that have graduated from the factory kindergarten. The company also intends to donate around VND 18 billion (\$773,000) in 2020 to build a secondary school, to provide quality higher education for graduates from the company-sponsored primary school and kindergarten.

Every year, the company also builds four houses for its workers—identifying the families most in need with the help of the trade union. In 2018, the company spent VND 160 million (\$6,876) per house, a valuable contribution towards the safety and security of workers' families.

The Business Benefits

Benefits for recruitment

Recruitment is a pressing concern for Feng Tay in its Trang Bom factories. With an annual staff turnover of around 14 percent and plans to grow the workforce by 10 percent over the coming years, the company needs to recruit thousands of workers per year. Given the increasing competition for workers in Trang Bom, it is challenging for Feng Tay to fulfill its ongoing recruitment needs. In this context, the management views the kindergarten as an invaluable selling point. The company features the kindergarten in its job advertisements in the local area, which account for half of all new placements. The management believes that it is commonly referred to in word-of-mouth recruitment by existing workers, which accounts for the other half.

The kindergarten enhances worker recruitment in two main ways, according to Le Quoc Thanh, Operations General Manager of Feng Tay Vietnam Holdings. Firstly, it is a tangible demonstration of Feng Tay's commitment to its workforce; it is thought to be a powerful symbol of the company's commitment to worker welfare, even for workers without children of kindergarten age. Secondly, workers join the factory with a longer-term view of their future childcare needs.

Given the popularity of the kindergarten and its long waiting list, it makes sense for workers to think about this in advance as they will need to accrue some service at the factory before they can enroll their children. This is confirmed by workers. In a focus group discussion with five female workers with children in the kindergarten, four said the kindergarten is what had initially appealed to them about the company. The fifth said that although she was initially attracted to the factory by the predictable hours and strict compliance with overtime regulations, she stayed because of the kindergarten.

Benefits for employee retention

The management sees the company's support for employees' care responsibilities as a critical factor in helping to retain workers in a competitive market. Since establishing the kindergarten and dormitories in 2008, average monthly turnover at the factory has reduced from 5 percent to 1.74 percent, despite intensifying competition for workers from other companies in the area. The reduced turnover rate is estimated to save the factory (which in 2018 had a workforce of 10,679) up to around VND 34 billion (\$1.46 million)¹ per year, based on the 2018 workforce and wages data. According to Khue Tu, who manages the kindergarten and dormitories, "One of the benefits of the kindergarten is that it encourages workers to stay here."

From conversations with the management and workers, it is clear that the kindergarten has a strong effect on workers' decision to stay at the company. The annual turnover rate of workers with children in the kindergarten is 0.13 percent, compared to an annual rate of around 24 percent across Feng Tay's entire Trang Bom workforce. This demonstrates that the kindergarten is a highly effective way of retaining workers for at least three years that their child is enrolled in the kindergarten, in addition to the time that workers stay while anticipating future childcare needs. Discussions with workers in focus groups support this. A female worker who does not have children says, "I definitely think the kindergarten is an incentive to stay at the factory as children whose parents have the longest service at the company are prioritized."

As parents of children placed in the kindergarten comprise only around 2.5 percent of the workforce, low turnover among this group alone is not enough to make a substantial difference to the company's overall turnover rates. It is thought that the kindergarten promotes better retention among other workers as well, as they see the company's investment in the kindergarten as evidence that it cares about workers' well-being.

"I am sure that the kindergarten makes workers feel proud and trusting of the company even if they don't have a child there."

Hien Pham, Former Operations General Manager

The company's provision of subsidized dormitories for workers and their families also has an impact on turnover rates. The average length of residence in the dormitories is nine years for families, compared with five years for single women and just three years for single men. Focus group discussions with workers indicate that many workers stay at the factory to take advantage of the low-cost, comfortable accommodation to save money and support their families.

Benefits for productivity

One of the reasons that the Feng Tay Group invests in kindergartens for its workers is that it believes that by reducing their childcare concerns, workers are better able to focus on their jobs (Feng Tay Group, 2018). This is borne out at Feng Tay in Trang Bom, where Operations General Manager Le Quoc Thanh observes that workers with children in the kindergarten are more engaged with their work and focused on the tasks at hand. According to Tai, a factory supervisor with a son in the kindergarten, "Knowing our children are taken care of in the kindergarten relieves a mental burden on us parents."

Enhanced relationship with brand

As Nike is its primary buyer, Feng Tay aims to maintain a strong relationship with the company and align with its values. Supporting childcare is one way that Feng Tay has positioned itself as a leading supplier, going beyond statutory compliance to invest in its employees' welfare. This support is recognized and valued by Nike, which has featured Feng Tay as an example of good practice on

its “Purpose” webpage, with a video clip that includes footage of the company’s onsite kindergarten at one of its factories in China. Cuong Luong, Nike’s Vietnam Sustainability Manager, highlights Feng Tay as one of a handful of best-practice examples of suppliers that support childcare, drawing attention to the commitment of the company management and the high-quality teachers as factors that make Feng Tay’s kindergarten stand out.

Enhanced relations with stakeholders

Le Quoc Thanh, Capital Operations General Manager, says that the kindergarten helps raise Feng Tay’s profile as a leader in the local business community, which allows it to maintain positive relations with local government. The local government was so supportive of the project that it donated the land on which the kindergarten is built, ensuring that this was near the factory, but within a residential zone. In 2018, Feng Tay received formal recognition from the Dong Nai Province Department of Education and Training for the high standards of its kindergarten (Feng Tay Group, 2018). According to Le, the local government is particularly impressed by the company’s significant subsidization of the costs for each child.

The kindergarten has also received national recognition. Staff from other kindergartens comes to learn from Dong Phuong. In November 2019, the company was invited by the Ministry of Education to present at a seminar in Ho Chi Minh City on models for education in industrial zones. The kindergarten has also been visited by Vietnam’s vice president and deputy minister of education and training.

Investing in the future workforce

Feng Tay’s management takes a long-term view on people’s development and sees the kindergarten as a means to connect with and invest in its future workforce. This is a savvy strategy, given that the labor force in Vietnam is projected to shrink by 5 percent as a share of the total population by 2040 (World Bank, 2016). In the medium to long-term, Vietnamese companies will have to work even harder to recruit and retain good workers.

The management feels the kindergarten helps it foster a positive long-term association with the children of its current workforce. The first children to attend the kindergarten when it opened in 2008 are already in grade 11 and, according to Khue Tu, kindergarten and Dormitory Manager, they 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 worker generations will come back to work here,” says Tu.

Apart from this, international research suggests that quality early education and care has a positive impact on longer-term individual potential, making it more likely that they will develop into healthy and productive adults (see, for example, Berlinski and Schady, 2016).

Lessons Learned

According to Le Quoc Thanh, Operations General Manager, the most important ingredient for the success of onsite kindergartens is “commitment from the top.” Part of this commitment comes from a belief that the kindergarten and dormitories bring significant benefits for the company, especially in terms of worker retention and recruitment.

Based on the success of Dong Phuong kindergarten, Feng Tay built another kindergarten of a similar size in 2016, which has proven similarly popular. The new kindergarten provides care for around 900 children of workers at its factories in Xuan Loc District (also in Dong Nai Province), covering a total workforce of 23,400. It reached capacity within one year of construction and currently has around 150 children on the waiting list.

The management believes that parents initially thought that public kindergartens were of higher quality, but that the example of Dong Phuong convinced them that their children would receive excellent care and education in the factory kindergarten. Having already built one kindergarten, the company was able to apply lessons learned to the construction and operation of the new one. These were mostly concerned about the use of space, often based on feedback from teachers and parents, such as making the corridors wider and installing more bathrooms. The management says that the company

“I am sure that the kindergarten makes workers feel proud and trusting of the company even if they don’t have a child there.”

Hien Pham, Former Operations General Manager

has medium-term plans to build another kindergarten to serve its factories in Ba Ria-Vung Tau Province.

The management believes that the process for setting up a kindergarten in an industrial context might vary by province. As the land for the Dong Phuong kindergarten was donated by local government and falls just inside a residential zone (as opposed to an industrial zone), securing the relevant permits was straightforward. It took less than a month from the submission of the application to approval by the local government. According to the management, it is now much easier for manufacturing companies to set up kindergartens in industrial zones due to a change in legislation in 2016, which requires that land is set aside in industrial zones for services including kindergartens. The management advises that in contexts where four factories share one kindergarten, such as at Feng Tay, the kindergarten needs to be registered to just one legal entity.

Conclusion

Feng Tay’s management is very positive about the experience of building and operating a kindergarten for its workers. This is reflected in the fact that the company built a second kindergarten following the success of the first. It is now thinking about building a third. Workers agree that Feng Tay’s provision of a kindergarten, and subsidized dormitories, contribute to their overall satisfaction at work and their decision to stay on at the company, especially given the high quality of both facilities. Although the main reason Feng Tay decided to build the kindergarten and dormitories was to take care of its workers and live up to its stated values and mission as a company, the management readily acknowledges that they have brought significant business benefits—especially with recruitment and retention of workers.



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