



**TACKLING CHILDCARE:**  
**The Business Case for**  
**Employer-Supported**  
**Childcare in Vietnam**  
**Case Study: Taekwang Vina**

August 2020



# Taekwang Vina

Footwear manufacturing, Dong Nai Province



## Taekwang Vina's workforce profile 2019

### Women represent:

- 84 percent of the overall workforce
- 23 percent of board members
- 53 percent of senior managers
- 58 percent of supervisors
- 56 percent of office workers.

### Taekwang Vina supports parents through:

- Provision of a shared kindergarten for its four factories
- Monthly childcare allowance
- Investment in municipal kindergarten and upgrades to local schools

### Key business impacts of providing childcare support:

- Better retention outcomes through increased worker loyalty
- Reduced absenteeism
- Enhanced relationship with buyer

## Background

Taekwang Vina is part of the Korean-owned Taekwang Industrial Co. Ltd. The company has supplied footwear to Nike since 1987 and has operated in Vietnam since 1994. Taekwang Vina produces sportswear, running, kids, Supercore, and Jordan shoes for Nike.

This case study focuses on Taekwang Vina's four factories in Dong Nai Province, all located in close proximity to one another, 40 kilometers from Ho Chi Minh City. Around 33,000 of Taekwang Vina's total Vietnamese workforce of 49,461 is based in Dong Nai, with the remainder split between Moc Bai in Tay Ninh Province, near the Cambodian border and Can Tho Province, in the Mekong Delta.

Women account for 84 percent of Taekwang Vina's Dong Nai workforce. The average age of the company's Dong Nai workers is 35 and the average length of service is seven years. More than 50 percent of Taekwang Vina's Dong Nai workers are migrants from elsewhere in Vietnam, in particular the Mekong Delta.

This case study looks at Taekwang Vina's support for its workers' care responsibilities in Dong Nai Province, particularly through the provision of a kindergarten that services its four factories in the area.

## The Business Context for Supporting Childcare at Taekwang Vina

Taekwang Vina is a strategic partner to Nike; its business model depends on a close relationship with the brand. It is also the largest labor-intensive manufacturing company in Long Binh District and has an important profile in the local business community. Consequently, when Taekwang Vina received recommendations to build a kindergarten from both Nike and the local government around 2012, the company gave the idea serious consideration, encouraged by its trade union. Each party saw an opportunity for Taekwang Vina, as a large and respected employer, to create a positive demonstration effect to other factories of the benefits of providing childcare support for workers. For its part, Taekwang Vina's management saw the kindergarten as an opportunity to contribute to the welfare of its workforce, while strengthening

the company's position as a supplier of choice to Nike and its reputation as a socially responsible employer in the local community.

Over time, the kindergarten has taken on greater significance for Taekwang Vina in the context of a tightening labor market in Dong Nai. Due to its proximity to Ho Chi Minh City, Dong Nai has been at the center of Vietnam's industrial growth in recent years, which means there is strong competition for workers and factories to rely heavily on internal migrants to supplement the supply of local workers.

Yet even as industrial operations continue to grow in the region, many workers from rural provinces are choosing to return to, or stay in, their hometowns—particularly in the Mekong Delta, where many foreign investors are starting to set up factories to take advantage of lower costs and ready labor supply. Even though wages are lower in the countryside, living costs are lower too, and workers can rely on extended family networks for support for the care of children and elderly relatives. In light of these factors, competition for workers in Dong Nai Province is increasingly fierce. In this setting, Taekwang Vina's kindergarten helps set it apart from other employers and strengthens its ability to recruit and retain workers.

## How the Company Supports Childcare for its Workforce

### Shared kindergarten for four Taekwang Vina factories

In 2014, Taekwang Vina invested more than VND 50 billion (\$2.1 million) to construct the Thai Quang kindergarten on land already owned by the company. It opened its doors in June 2016. Although it sits opposite the largest of the four Dong Nai factories, children of workers from all four factories are eligible to attend.

Taekwang Vina outsources the operation of the kindergarten to an education company, which manages an annual operating budget of more than VND 9 billion (\$387,000). This includes monthly teachers' salaries of VND 6.5 to 6.7 million (\$279 to 288). Taekwang Vina pays 65 percent of the budget, and parents

*"We have breakfast overlooking the kindergarten entrance and we can see how happy the kids are on their way in."*

Supervisor

contribute the remainder—VND 800,000 (\$34) per child. Parents also pay VND 100,000 (\$4.30) for uniforms but do not pay an annual infrastructure fee, as is common at other kindergartens. The overall cost for parents still amounts to less than half the average cost for kindergartens in the area. A local public kindergarten would cost around VND 1.7 million (\$73) per month, while workers reported that private kindergartens could cost up to VND 3 million (\$129). Even group-care or home-care, which are often unregulated and of poor quality, cost around VND 1.2 million (\$51.60).

Thai Quang kindergarten has space for 500 children and runs almost at capacity by the end of 2019. Parents can register their children at any time, including when they first join the factory. Although around 10 percent of Taekwang Vina's 33,000-strong workforce have children age three to six—the ages served by the kindergarten—there is no waiting list, as some workers who live further from the factory elect to put their children in facilities closer to home. If the kindergarten does become oversubscribed, priority will be given to those in difficult circumstances, such as people with disabilities or single parents.

The kindergarten is particularly valued by Taekwang Vina's migrant workers, who comprise over 50 percent of the company's Dong Nai workforce and whose children account for more than 75 percent of the enrollment. These children do not have permanent residence registration in the neighborhood. A World Bank study suggests that it can be more challenging for them to be admitted into public kindergartens (World Bank, 2016). At the same time, migrant workers are much less likely to be able to rely on nearby family-support networks to provide childcare than local workers, so the Taekwang Vina kindergarten fills an important gap.

Children are divided into 15 classes: there are five for each age group: three to four years (121 children), four to five years (164),

and five to six years (155). Children are looked after by 35 qualified teachers, 60 percent of whom are university or college graduates in kindergarten education. Thai Quang strictly follows the national curriculum for older children. Younger children become familiar with the alphabet, numbers, and storytelling, and play traditional Vietnamese games. All children have a 2.5-hour nap every day and receive breakfast, lunch, and two snacks.

The kindergarten provides flexibility and convenience for working parents, as its working hours align with Taekwang Vina's production schedule and shift times. It opens from 6.20 a.m. to 6 p.m., which allows children to be looked after during overtime shifts at no extra cost to parents. Unlike public kindergartens, it stays open all year round, closing for public holidays and for three days in May.

Parents express high levels of satisfaction with the Thai Quang kindergarten, and many would even like the kindergarten to take younger children. However, the management has no immediate plans to offer this due to the higher level of care needed for infants and related resource implications. Aside from the convenience, workers with children in the kindergarten most appreciate the professionalism of the teachers, the fact that there is CCTV to provide oversight, and the medical care their children receive in the clinic.

### Financial support for the construction of a municipal kindergarten and primary school upgrades

Taekwang Vina has provided financial support to two nearby municipal kindergartens, enhancing childcare options for its workers beyond the onsite kindergarten and improving access to childcare for other families in the community. Before the company built Thai Quang kindergarten in 2014, it donated VND 4.6 billion (\$198,000) to extend and renovate An Binh kindergarten, run by the municipal authority, with a capacity for 400 children, many of whom are the children of Taekwang Vina workers. It also made a VND 233 million (\$10,000) contribution towards the operational costs of another municipal-run kindergarten, Nhon Trach.

In addition, Taekwang Vina provides ongoing financial support from its annual charity fund—VND 1.9 billion (\$81,650) in 2019—for the refurbishment of primary schools attended by the children of its workers in the rural, impoverished parts of the province, where many of the workers live. Since the program started in 2000, ten such schools have been refurbished with funding from the company.

### Predictable hours and flexible leave-taking

In focus group discussions, workers cited the predictable hours and limited overtime as among the things they most value about working at Taekwang Vina and the most important factor helping them balance paid work and unpaid care responsibilities. Around 80 percent of workers' shifts run from 7 a.m. to 4 p.m. (with an hour's lunch break) and even with overtime, workers are generally able to leave by 5 p.m. Shifts that fall outside these hours, including night shifts, are done on a rotational basis, with three weeks' notice. Notice of overtime is always given at least 24 hours in advance, in line with regulations.

Women workers—who make up the majority of Taekwang Vina's workforce—reported that supervisors generally understand about them having to take leave for a family business and that this is something they appreciate about working for the company.

### Monthly childcare subsidy

At Taekwang Vina, all mothers receive a monthly allowance of VND 100,000 (\$4.30) for each child under six, even if their children attend Thai Quang kindergarten.

Supervisors believe the childcare allowance is one of the supports most appreciated by mothers in their lines. It helps subsidize alternative childcare arrangements for parents who are not able or choose not to enroll their children in the kindergarten. While companies are required by Vietnamese regulations to assist and support the construction of day-care or nursery facilities, or to cover a part of the childcare or nursery expenses for the workers, many employers fail to comply or provide nominal monthly subsidies as low as VND 10,000 (\$0.43).

## Support for pregnant and nursing mothers

Taekwang Vina strictly complies with all regulations concerning pregnant and nursing mothers, including provision of a lactation room and restrictions on working hours. This is important protection for this category of workers, given that Better Work Vietnam has found that the leading area of non-compliance on gender-related issues is the failure to protect pregnant women and nursing mothers against health and safety risks (Better Work, 2019). The company also goes beyond compliance to supply milk for pregnant women and subsidized formula milk for mothers of infants.

## The Business Benefits

### Benefits for retention

Given the challenges in recruiting workers in Dong Nai, Taekwang Vina's management believe that the kindergarten is valuable in setting the company apart from others as an employer of choice and encouraging workers to stay on. Taekwang Vina workers with children in the kindergarten are unlikely to look for jobs elsewhere. In 2019, the monthly average turnover for workers with children attending Thai Quang was just 0.01 percent, compared to an average of 1.93 percent across the entire workforce in its Vietnamese factories in 2018. This means that workers almost never leave the company while their children are enrolled in the kindergarten. But Taekwang Vina's management is convinced that the kindergarten also promotes loyalty among the broader workforce, even among those without children of kindergarten age, as it shows that the factory is committed to the welfare of its employees. HR Manager Lee Wang Choul believes this encourages workers to stay on at the factory and also appeals to prospective workers.

Taekwang Vina is keenly aware of the substantial cost savings associated with achieving higher levels of employee retention. Unlike most employers in the industry, it has developed its own detailed system for measuring and tracking the costs of worker turnover. According to Taekwang Vina's calculations, around 85 percent of total costs of turnover stems from the lost productivity associated with new workers' first four months on the job, when they are still learning the ropes and have not yet reached full

productivity. The remaining amount is accounted for by the costs involved in recruiting new workers (including advertising costs and staff time for recruiting and onboarding new workers), training (including salary costs for trainers and trainees, and staff time for administration), covering additional overtime while vacancies remain unfilled, and issuing new employee cards and uniforms.

In an effort to bring down turnover costs, Taekwang Vina has set itself a target to reduce average monthly employee turnover across all of its factories, from 1.9 percent at the end of 2018 to 1.6 percent by the end of 2019. The company estimates that even this small reduction in turnover (0.3 percent per month) will save VND 6.7 billion (\$288,000) per year. So far, Taekwang Vina's strategy for meeting its target has focused primarily on a retention bonus scheme and mentoring program for workers with less than a year's service at the company; workforce data shows that these workers are the most likely to leave. However, progress has been slow due to the challenging labor market conditions in Dong Nai.

Taekwang Vina calculates that reducing average monthly worker turnover by only 0.3 percent will save the company \$288,000 each year.

In this context, it may make sense for the company to explore alternative initiatives to strengthen retention rates. Introducing further support for care responsibilities is a relevant option, with a particular focus on migrant worker needs, which may include provisions for elder care and care for younger children. The company records employees' reasons for leaving and has found that one of the main reasons is that internal migrants want to return to their hometowns so that their extended families can help with childcare.

### Reduced absenteeism

Unplanned absenteeism can be highly disruptive to productivity, with significant cost implications. According to supervisors, one of the most common reasons for workers not turning up for their shift at Taekwang Vina is children's sickness. Although supervisors

empathize, they say it is a challenge when workers have to take leave at short notice to care for young children and can have a negative impact on production schedules. This is particularly difficult to manage on some lines, where up to 80 percent of workers have young children.

*“When I moved my child to the kindergarten, I didn’t have to take any unplanned leave for the whole year.”*

Factory worker

Supervisors report that workers with children in Thai Quang kindergarten are less likely to take leave for reasons related to childcare. This is partly because the kindergarten’s working hours match those of the four factories, so workers do not have to deal with any gaps in childcare provision. Also, the kindergarten can look after children in the clinic if they have a slight fever or mild illness.

Lee Wang Choul, HR Manager, estimates that, on average, 200 people take unplanned leave across Taekwang Vina’s Dong Nai workforce of around 33,000 every day. Even though this represents only 0.6 percent of the workforce, Taekwang Vina calculates that this costs the company around VND 22 billion (\$945,000) per year.<sup>1</sup> Yet, without the kindergarten, these costs could be even higher. Taekwang Vina’s factory in Moc Bai District, Tay Ninh Province, which does not have an on-site kindergarten, has an unplanned absenteeism rate of 0.76 percent. An equal rate at Taekwang Vina’s factories in Dong Nai would cost the company an additional VND 5.5 billion (\$236,000) per year.

Taekwang Vina calculates that an average unplanned absenteeism rate of 0.6 percent costs the company \$945,000 each year across a workforce of 33,000 in its Dong Nai factories.

## Productivity gains from better employee engagement

The company has not attempted to quantify any productivity gains related to the kindergarten and believes that it would be difficult to measure precisely. However, the management and supervisors feel that the kindergarten has a positive effect on workers’ overall engagement and loyalty to the company, which leads to a better team environment and a sense of mutual purpose that makes it easier to meet production targets. Supervisors believe that the kindergarten helps the company gain the trust of workers—even of those without children—which makes workers more willing to work hard for the company. The business depends on its ability to provide a reliable and high-quality supply of footwear to Nike, and this is not possible without an engaged and dependable workforce.

*“Employees’ engagement comes from pride and loyalty to the company, and the kindergarten has a big impact.”*

Lee Wang Choul, HR Manager

Supervisors say they see a clear difference in the level of focus of workers with children in Thai Quang kindergarten, and those with young children placed elsewhere, who are more distracted during working hours by concerns about their children’s wellbeing. Supervisors also report that workers with children in the kindergarten are more available to work overtime, which is necessary to ensure that the factories meet production targets. As the kindergarten matches the factories’ hours, workers with children in the kindergarten never have to leave early or arrive late due to childcare.

<sup>1</sup> This estimate is based on wages for the standby team that is in place expressly to replace absent workers, in addition to ongoing social-insurance payments and other costs for absent workers.

## Enhanced relationship with the buyer

Taekwang Vina only supplies to Nike, which means that the company's success is inextricably linked to its ongoing strategic partnership with the brand. The management believes that the kindergarten has helped Taekwang Vina build its status as a leading supplier. Nike encourages all its suppliers to support workers beyond just complying with the law and the requirements of its Code of Conduct, but it is significant that Nike recognizes Taekwang Vina as an example of good practice in employer-supported childcare.

Nike awards its suppliers with bronze, silver, and gold rankings for social and environmental sustainability. Only a handful of Nike suppliers worldwide have achieved gold or silver status, which requires a strong track record on social and environmental performance and efforts that go beyond compliance. One of the ways that suppliers can improve their score is through investment in infrastructure. Taekwang Vina has held a silver rating since 2017. Although childcare support is not expressly specified as a criterion in the framework, the management believes that the Thai Quang kindergarten has had a clear influence on its rating.

## Enhanced reputation with key stakeholders

When Taekwang Vina decided to build the kindergarten, it acted partly on a recommendation from the local government. Now that it has been in operation for several years, the management believes that it helps the company maintain a good relationship with the local government and sustain its social license to operate as a large local employer. According to Taekwang Vina's management, there is a lot of interest from the government in quality of education in Dong Nai Province, and Thai Quang has been used as a reference for best practice.

Beyond local government relations, the Thai Quang kindergarten is a symbol of Taekwang Vina's commitment to its workforce, helping to foster goodwill with the government as the Taekwang Group

sought to expand its operations in Vietnam beyond footwear. In 2017, Park Yeon-cha, the Taekwang Group's Founder, met with the Prime Minister of Vietnam, Nguyen Xuan Phuc, in Dong Nai, and visited the kindergarten and other facilities for workers.

Representatives of other private and public kindergartens have visited Thai Quang, which is regarded as a benchmark for educational quality, and a U.S. investor recently visited to see a best practice example of a manufacturing company building a kindergarten to support its workers.

## Lessons Learned

Mr. Donald Nam, President of Taekwang Vina, says that setting up a kindergarten for a factory workforce is not without its challenges, but considers that these are vastly outweighed by the benefits. Mr. Nam cites ensuring children's safety and food quality as the main challenges but believes that outsourcing the day-to-day operation of the kindergarten to a private company has been a crucial aid. The chosen company is a specialist in kindergarten education and has very high standards—teachers are of good quality, and there have been no accidents at the kindergarten in the three years it has been open.

*"The benefits certainly outweigh the challenges. I would strongly recommend to other companies that they open a kindergarten for their workers' children."*

Lee Wang Choul, HR Manager

Securing the relevant permits and setting up the kindergarten—frequently cited as one of the most significant challenges by other factories in setting up kindergartens—was relatively straightforward for Taekwang Vina as the company had recommendations from Nike and the local government. Additionally, the kindergarten was built on empty land that already belonged to the company, but which falls in a residential zone. This made securing permits easier as there was no need to request a change in land tenure, which can be a complex and lengthy process.

The Thai Quang kindergarten is an interesting example of how international brands such as Nike can play an important role in promoting employer-supported childcare, by connecting suppliers with one another and encouraging them to exchange experiences and best practices. For Taekwang Vina, the award-winning kindergarten of Pou Chen—another footwear manufacturer and Nike supplier—was a very influential benchmark. Nike helped arrange Taekwang Vina’s visit to Pou Chen’s kindergarten, which provided Taekwang Vina the opportunity to see first-hand the design and operation of a best-practice kindergarten and develop a deeper understanding of the business benefits of investing in childcare for its workers.

## Conclusion

Taekwang Vina decided to build Thai Quang kindergarten due to recommendations from Nike, the local government, and the trade union in 2014. The company saw this as an opportunity to stand out from its competitors and be an employer of choice in the local area, secure its ongoing strategic partnership with Nike, and contribute to the welfare of its workers. After three years of operation, the management is convinced that building a kindergarten has made an important contribution towards these aims, helped reduce turnover and absenteeism, boost recruitment outcomes, and foster a sense of loyalty and engagement among its workforce.



Photo credit: Ergon Associates, 2019



Photo credit: Taekwang Vina, 2019



Photo credit: Ergon Associates, 2019





Photo credit: Ergon Associates, 2019

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