

# Competitiveness and Corporate Social Responsibility in the Jordanian Apparel Industry

- A component of IFC-Advisory Services Licensing and Inspection Program

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**FIAS** | THE MULTI-DONOR INVESTMENT  
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Authors of the report:



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# I. Executive Summary

## 1. *Project Objectives, Components, and Activities*

In June 2006, the Government of Jordan, through the Ministry of Trade and Industry, asked IFC PEP-MENA to support the Government of Jordan's initiative in implementing a comprehensive licensing and inspection reform program in Jordan. This report is the result of the program's corporate social responsibility (CSR) component, developed by the World Bank Group's Foreign Investment Advisory Services (FIAS).

The CSR component exclusively focused on the textile and apparel industry in the Qualified Industrial Zones (QIZs). Its main objective was to assist the Government of Jordan to develop policies and incentives to reduce inspection and private auditing burden on manufacturers, while promoting systemic improvements in labor practices and continued competitiveness. This was done by a three step approach:

1. **Buyer surveys:** Surveying major buyers regarding their perception of Jordan to establish the market driver for strengthened inspections and improved practices (see survey results in section III);
2. **Monitoring and remediation system:** Assisting the IFC and the ILO in designing a monitoring and remediation system to be implemented by Better Work Jordan, particularly engaging with buyers and manufacturers (see attached final project document in Annex 1);<sup>1</sup>
3. **Data-collection research:** Providing recommendations to government, manufacturers, buyers, and Better Work Jordan on how to reduce duplication and streamline data collection (auditing and inspections) and create incentives for self-assessment (see analysis and recommendations in section IV).

In-depth interviews took place with manufacturers, buyers, Government, civil society, and unions over the period from August 2006 to June 2007. A stakeholder meeting was also held in Amman in December 2006 to present the findings from the buyer surveys and discuss the initial project design of the IFC/ILO Better Work Program.

### 1.1 *Background: Jordanian Labor, Industry, and Government*

The textile and apparel industry in Jordan is a transient and fast-growing industry, which has become heavily reliant on migrant workers. In May 2006, a report was released by the US-Based NGO, the National Labor Committee (NLC), claiming abusive treatment of these workers.<sup>2</sup> Subsequently, factories were exposed to double inspection burden: sharp increase in public inspections along with an equally significant increase in auditing visits from buyers and their agents. Most buyers remain committed to Jordan today, but some have started removing orders as a direct result of increased compliance costs and lack of trust in the public inspectorate. See results of buyer perception survey in section III.

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<sup>1</sup> IFC ILO Better Work Program has received commitment for funding and implementation from all stakeholders, including Government, Manufacturers, Unions, and Buyers. Implementation is expected to start in late 2007.

<sup>2</sup> U.S.-Jordan Free Trade Agreement, *the National Labor Committee, 2006.*

The Government of Jordan has taken numerous serious measures to improve overall labor administration and social dialogue.<sup>3</sup> In this respect, the Ministry of Labor, with support from donors, is implementing reforms to improve working conditions through enforcement and compliance, enhanced institutional capacity, and increasing employment opportunities for Jordanians. On the labor law reform, Jordan has ratified seven of the eight conventions that comprise the core labor standards, and the Government has been working with the ILO on the review of its labor law. A range of amendments have been proposed by the Government, which as of October 2007 are still awaiting consideration by Parliament which is likely to occur early 2008. Further work will be needed to achieve complete conformity with ILO Article 87.

**This report aims partly at expressing the view of the private sector (local manufacturers and buyers) of on-going reforms. It also aims at assisting the Jordanian Government and donors in developing the right “bottom-line” incentives to improve compliance with labor law and buyer standards and promote continued industry competitiveness.**

## *1.2 Background: Global Context and the Role of International Buyers*

Lack of migrant worker protection in Jordanian law and weak labor administration are some of the causes of the current situation in Jordan. However, it is also important to consider the following global and industry issues:

- **Changes in the global apparel industry.** The post Multi-Fiber Agreement (MFA) market place is increasingly consolidated and smaller countries are struggling to compete. Buyers today demand ever faster deliveries at lower prices, as well as compliance with the companies’ Codes of Conduct. As a consequence, manufacturers often complain of increased pressures, and of receiving mixed messages from buyers’ sourcing departments and their CSR departments.
- **Weaknesses in integration, communications, and ownership:** There is a realization among many international buyers that the current system of supply chain management is not optimal. It is often marked by inconsistency, duplication and inefficiency, and too often reflects ad hoc decision making rather than a system based approach developed and communicated in partnership with suppliers.<sup>4</sup> There is also little conviction among manufacturers of the business case for improved practices.

Consequently, many buyers are searching for new approaches to address root causes of non-compliance. One of these approaches focuses on promoting greater manufacturer

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<sup>3</sup> See information on on-going initiatives in *Labor Compliance in Jordan’s Apparel Sector, Actions to Date and Next Steps, Update 2, June-October 2007*, 30 December 2007, Ministry of Labor ([www.mol.gov.jo](http://www.mol.gov.jo))

<sup>4</sup> For an illustration of this current supply chain management model, see graph of “reactive model” on page 22, along with a graph on page 23, illustrating an idealized, optimal “proactive model.”

ownership over working conditions. However, hampering these efforts are difficulties in measuring costs and benefits of improved CSR practices. This is particularly urgent in developing countries' nascent industries where management systems are weak, data-collection lacking, and there are few incentives for manufacturers to collect data related to worker productivity and associated investments.

### 1.3 *Data-collection Research*

The data-collection research aims to assist the Jordanian Government, manufacturers, and international buyers move towards a more sustainable, proactive supply chain management model. The work does this through uncovering current data collection practices by buyers and manufacturers. It also aims at identifying how underlying drivers might be altered to promote greater data collection, leading to more integrated analysis of the costs and benefits of CSR investments.

By focusing on incentives for greater data collection by manufacturers and more coordinated monitoring by buyers and government, **this report lays the ground for stakeholders to start discussing the challenges and benefits of a more transparent and efficient public-private monitoring system.**<sup>5</sup>

This report also addresses the need to assess the impact of government and international donor programs, such as the IFC Inspection and Licensing Program and Better Work Jordan. By focusing on data-collection, **this report provides new insights into how to develop such impact measurement systems.**

In sum, the issues facing buyers and manufacturers in Jordan are not unique. At this time, the country has the opportunity to turn around the negative attention from the NLC reports and take proactive attitudes to address the issues and restore the industry's reputation. As such, Jordan is distinguishing itself by being one of the first countries to adopt the Better Work Program. **This report contains recommendations to the Government on how it can leverage buyer and manufacturer initiatives to strengthen compliance, while continuing to build inspectorate capacity.**

## 2. *Main findings*

- With lower trade barriers, the global textile and apparel (T&A) industry during the last 10 years has grown more competitive, **prices have fallen and margins are thinner.** The average T&A import price in Jordan's largest market, the US, fell by almost 18%. This has meant increased pressure on buyers and manufactures to produce at lower cost and at faster speed.
- **Jordanian free trade agreements have fueled the growth of the textile and garment sector.** In 2005, total garment export was almost 30% of total national exports, and the industry employed over 55,000 workers. Compared to other

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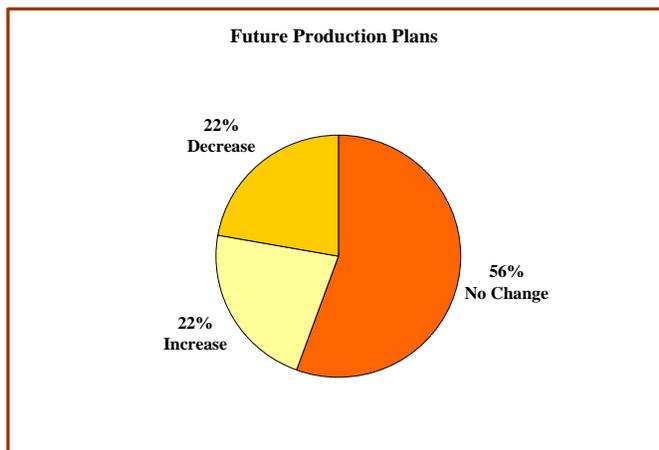
<sup>5</sup> See page 23 for an idealized model of a "pro-active" supply-chain management model

regional economies, the Jordanian apparel industry has done extremely well, growing over 90% from 2000 to 2005. Growth continued in 2006 and expected to reach a new high in 2007.

- **Compliance with labor standards is a key factor when apparel buyers make sourcing decisions.** When asked to rank factors influencing their sourcing decisions, buyers ranked labor standards on top, close to easy access to material and supplies, and just above trade preferences, workforce skill and productivity. On the factory-specific conditions, labor standards ranked right along price and production cost, above product quality and on-time delivery.
- **Jordan has key advantages as well as challenges.** Buyers noted that Jordan had a clear and significant regional advantage in terms of preferential trade arrangements. This factor was cited as the decisive issue for companies that plan to continue to source in Jordan. Another frequently cited advantage from buyers is the willingness of the Jordanian government to come to the table and help address the labor violations and concerns. Key areas of concern include need for labor law reform, overtime, illegal labor, migrant worker conditions, lack of worker-management communication, and freedom of association.
- **Jordan has become a more expensive sourcing location due to increased compliance costs:** 25% of buyers have increased their auditing from yearly to monthly visits at an average cost of \$1500/visit plus the cost of management time for the manufacturer.
- **Data collection is largely ad hoc and manual:** Manufacturers are responding to the variety of buyer and agent requests without a developed data tracking or analysis system. In general, manufacturers collect information manually for the sole use of passing it on to buyers and/or agents in order to win orders.
- **Size, product sophistication and investor type impact data systems:** Larger factories (>1,000 workers) that produce more complex product appears to see the business case for more robust systems than facilities that are small and/or produce basic product. As most Jordanian manufacturers produce basic products using labor intensive processes, there is a widespread belief that they do not need highly developed systems. Their advantage is in price, not in innovation. Moreover, manufacturers with a global presence often use the same management systems worldwide and are therefore are more likely to have better data collection and analysis systems than independent facilities.
- **Extensive reliance on third parties creates fewer incentives:** The proliferation of agents, remote buying offices, and third party auditors heightens mixed messages from buyers and is a barrier to creating more direct partnership between manufacturers and buyers. Since many manufacturers do not directly communicate or negotiate with their buyers, there are limited incentives for them to collect data beyond the minimum requirement.

- **Buyer requests are not coordinated internally:** There tends to be little coordination between buyers' CSR, Quality Assurance (QA) and Sourcing department requests. While there has been some movement on the part of individual buyers to bridge this disconnect, by and large various departments tend to operate in silos and use their separate data collection efforts for different objectives.
- **Buyers seldom correlate CSR and productivity data:** Most buyers do not cross reference the data they receive from manufacturers on productivity and CSR. As such, buyers rarely assess the linkages between the two nor are they able to make a strong, evidence-based, business case to their manufacturers to invest in long-term CSR improvements.
- **Business constraints hindering proactive CSR efforts:** Labor, electricity and water shortages in the country, a continual downward pressure of price, and shrinking lead times has resulted in manufacturers focusing on meeting the most basic requirements of buyers and doing little to proactively improve their operations and address systemic CSR issues.

**Figure 1: Buyer future production plans for Jordan**



- **Some buyers and investors leaving Jordan:** Some buyers – 22% according to the survey – are starting to phase out of Jordan due to the heightened media attention to CSR issues and because of concerns that Jordan is becoming less economically competitive than neighboring countries. Some investors and manufacturers are also beginning to pull out, citing heightened concerns around the labor shortage, increase in minimum wage and proliferation of CSR audits as disincentives to remain in Jordan.

### 3. Summary Recommendations

The following recommendations are developed more in detail in the text below. They are directed to the Jordanian Government, Jordanian textile and manufacturing industry, the Better Work Program, other donors, and international buyers.

#### Recommendations: Government

Recommendation	Timing	Ministry
1. <b>Adopt and ensure participation in Jordan Better Work</b> Engage in dialogue with the Jordanian private sector, buyers, worker representatives, and Better Work Program on information-sharing and transparency, with the objective of increasing public inspection risk management and reducing inspection and private auditing burden on factories	Short term – December 2007 and on	Ministry of Labor
1. <b>Complete labor law revisions</b> , in particular attempting to bring Jordanian law in compliance with ILO Article 87 on Freedom of Association	2007-2008	Ministry of Labor, Parliament
2. Address migrant worker visa renewals to minimize delays <sup>6</sup>	Urgent – short term	Ministry of Labor
3. Reassess impacts of changes in minimum wage and migrant permit fee on industry competitiveness	Urgent – short-term	Ministry of Labor, Ministry of Trade and Industry
4. Promote inter-ministerial high-level coordination on issues related to migrant workers in addition to technical committee created in February 2007 and in cooperation with the ILO	Medium term	Ministry of Labor, Ministry of Trade and Industry
5. Build labor inspectorate capacity; including inspectors accompanying Better Work inspections <sup>7</sup>	Medium term	Ministry of Labor
6. Continue creating incentives for increased use of Jordanian workers	Medium term	Ministry of Labor, Ministry of the Interior

<sup>6</sup> See information on on-going initiatives in *Labor Compliance in Jordan's Apparel Sector, Actions to Date and Next Steps, Update 2, June-October 2007*, 30 December 2007, Ministry of Labor ([www.mol.gov.jo](http://www.mol.gov.jo))

<sup>7</sup> See information on on-going initiatives in *Labor Compliance in Jordan's Apparel Sector, Actions to Date and Next Steps, Update 2, June-October 2007*, 30 December 2007, Ministry of Labor ([www.mol.gov.jo](http://www.mol.gov.jo))

### Recommendations: Manufacturers

Recommendation	Timing
Collaborate within the industry to develop data systems	Short
Discuss with buyers the potential of providing a single set of data to all buyer representatives	Medium
Conduct cost-benefit analysis of CSR investments	Medium
Use data to inform conversations with buyers	Medium
Participate in all levels of Better Work, with a focus on proactive remediation plans and a commitment to transparency and continuous improvement	Short

### Recommendations: Better Work

Recommendation	Timing
Ensure buyer commitment to reduce duplicative auditing	Short
Link CSR with business process improvements	Short
Differentiate good performers; look for synergies with Golden List	Short
Avoid perception of conflict of interest between auditing and remediation	Short
Focus on education and awareness building	Medium
Train internal compliance officers within the manufacturing facilities	Medium
Develop easily accessible information on sharing of best-practice	Medium
Work with government initiatives in a synergistic and complimentary manner	Short
Ensure coordination with other donor initiatives	Short

### Recommendations: Buyers

Recommendation	Timing
Align and simplify data-requests to manufactures	Short
Conduct internal analysis of CSR and productivity data	Short
Share data analysis with manufacturers and work jointly on remediation efforts	Medium
Enhance monitoring protocols to address migrant workers	Short
Participate and show commitment to the development of Better Work Jordan	Short

## II. Global Trends in the Textile and Apparel Industry

**Changing trade environment:** Increasing demand and lower trade barriers have contributed to a continuous surge in international clothing, textile, and apparel trade. Major changes in the global arena include the accession of China to the WTO in 2001, the final expiration of the Multi-Fiber Arrangement (MFA) at the end of 2004, and a proliferation of bilateral trade agreements.

Figure 2: Trend in US Textile and Clothing Import Price (1995-2005)

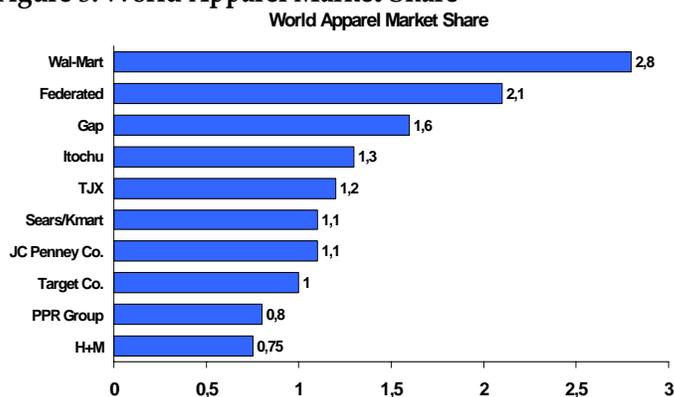


Source: US Dept of Commerce, Office Of Textiles And Apparel, OTEXA <http://otexa.ita.doc.gov/>

**Lower prices and thinner margins:** This has resulted in a more competitive trade environment, lower prices and thinner margins. The average textile and apparel import price in the US, for example, fell by 18% during the last 10 years, with almost half that drop in 2001, when China joined the WTO. Meanwhile, apparel retail prices in the US have grown considerably less than average consumer prices since 1980.

**Consolidation and growing bargaining power of retailers,** mainly in the US, is also contributing to increasing competitive environment. The industry is considered a “buyer driven” industry where value is captured downstream, either by large retailers or brand names. The top ten retailers – see below – worldwide concentrate almost 14% of total apparel sales.

Figure 3: World Apparel Market Share

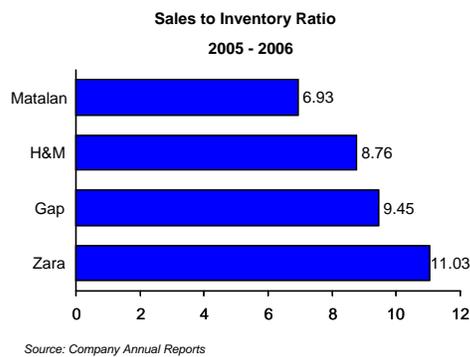


Source: Clothsource, Sourcing Intelligence

**Additionally, there has been significant growth in specialty stores and niche segments in the US market.** Specialty stores are growing in market share, already accounting for 12% of the top buyers in the US.<sup>8</sup> These high quality niche segments have gained relevance both in distribution (catalogue sales) and in consumer demand: The woman’s apparel segment is growing at a faster pace than the total apparel market, and so are children and toddler garments.

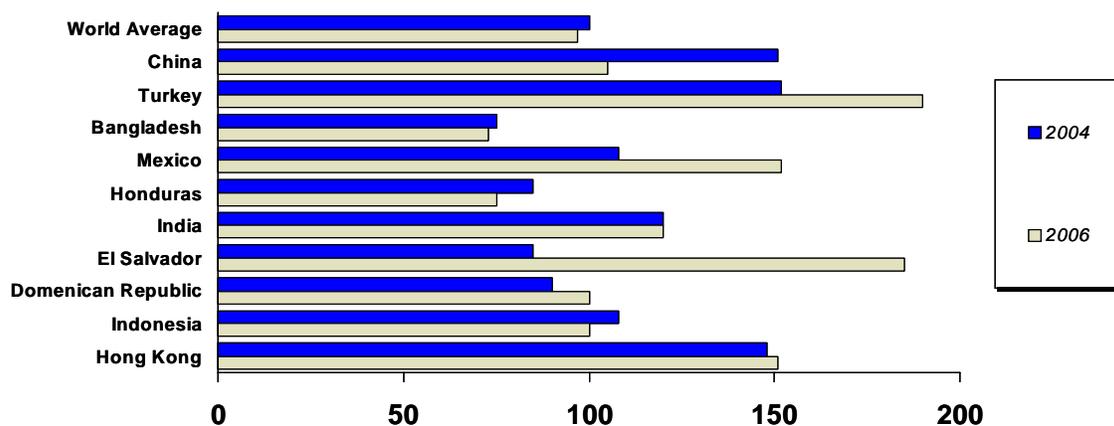
**Leading to increasing pressures on manufacturers:** Consequently, buyers are demanding more risk sharing, lower prices and fast fashion; fast turnaround orders today account for almost half of all orders and inventories have been reduced to a minimum (see figure 4).

**Figure 4: Fast Fashion and Low Inventory Strategy**



**Who will benefit?** These trends in apparel and retail business dynamics are expected to favor small countries that base their competitive advantage on a high quality, proximity and flexibility niche; because China still remains an ocean freight market, manufacturers providing full package services at a fast pace are expected to be big winners in the industry.<sup>9</sup>

**Figure 5: Average product export price by country change 2004 and 2006**



<sup>8</sup> “International Trends in Marketing and Sourcing” presentation, Betty Webb, American Apparel & Footwear Association, ADEX Seminar, Peru, October 2006

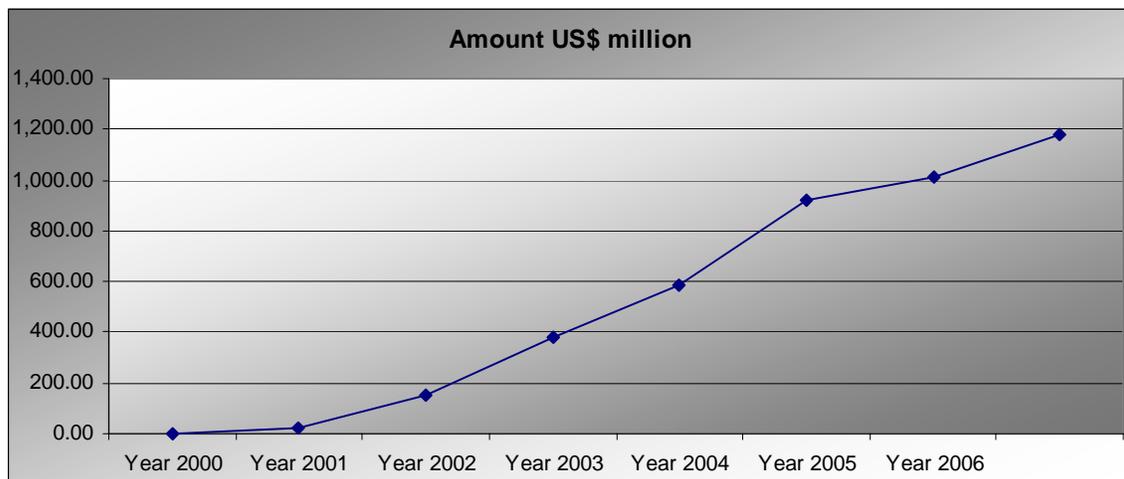
<sup>9</sup> Journal of Commerce, JP Morgan

**Different country strategies:** Countries adapting rapidly to the new global environment, such as China, India, Turkey, Bangladesh, Cambodia or Vietnam have gained market share with China emerging as the clear leader, exporting 27% of the world's apparel in 2005. Different country strategies are reflected in price positioning before and after the end of MFA (see figure 5). Turkey, for example, increased its average export price based on its technological, product range, quality, design, flexibility and adaptability advantages, which reduce its reaction time, while China lowered it, moving closer to the world average.

### 1. Jordanian textile and apparel industry

Jordanian free trade agreements with the EU and the US – granting tariff and quota free access to these markets – have fueled the growth of the textile and garment sector. In 2005, total garment export was almost 30% of total national exports, and the industry employed over 55,000 workers. Despite some large monthly variations, Jordanian T&A continued to grow in 2006, and it is expected to reach a new high in 2007.

**Figure 6: Jordan Export Growth Chart (1998-2006)**



Source: QIZ Unit, Ministry of Trade, Jordan

The T&A industry is today one of the principal drivers of economic growth in Jordan.<sup>10</sup> A large part of this growth has taken place in the Qualified Industrial Zones (QIZs), set up as part of the Jordanian-Israel peace treaty in 1997. According to November 2007 figures, there are 9 industrial zones and 98 investment companies.<sup>11</sup>

This arrangement has attracted large apparel buyers, as well as a number of smaller brands. In 2005, 90% of exports went to the United States, reaching a level of over US\$1 Billion. Until 2005, Jordan had by far outgrown its regional competitors in terms of growth in export to the United States.

<sup>10</sup> World Bank, CAS Jordan (FY2006-2009). Between 2001 and 2004, the manufacturing sector contributed almost 35% of exceptional Jordanian GDP growth.

<sup>11</sup> Jordanian Ministry of Trade and Industry.

### III. Buyer Survey

The project team conducted two surveys of top international apparel buyers during October and November, 2006. The objective was to establish the relative importance of labor standards, compared to other sourcing criteria, when a buyer chooses a supplier, country, or facility. In addition, the survey looked at how Jordan compares with its regional competitors on these criteria from a buyer perspective. Respondents represented 10 companies corresponding to 52% of buyer purchasing power from Jordan.

#### 1. Objectives and Methodology

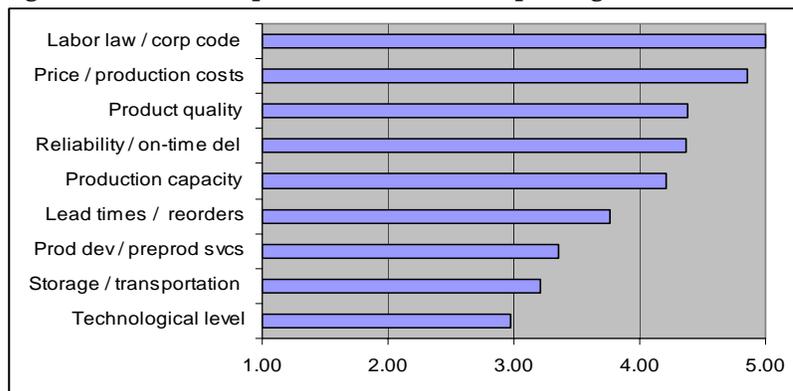
The first *sourcing survey* had the objective of gauging the relative importance of different factors when choosing a sourcing destination. It particularly looks at how Jordan compares to its regional competitors in categories such as access to material and supplies, trade preferences, workforce skill and productivity, cost-of-production, quality, and labor standards. The respondents of this survey were managers involved in sourcing decisions at the top US buyers. Initially, these respondents were not aware that the survey concerned labor standards, or that it was specifically about Jordan.

The second *compliance survey* has the objective of gaining a clear understanding of key concerns and areas of opportunity regarding social compliance from the perspective of the international buyers. The respondents of this survey were managers involved in compliance, i.e. monitoring and training of apparel factories.

#### 2. Analysis and Conclusions

The surveys tell a consistent story. Compliance with labor standards is one of the most important issues when buyers consider sourcing from a specific country or factory. On the country specific factors, it ranks close to easy access to material and supplies, trade preferences, and workforce skill and productivity. On the factory-specific conditions, it ranks beside price and production cost, product quality, and reliability and on-time delivery. In summary, *compliance with labor standards is of more or equal importance compared to more traditional sourcing criteria.*

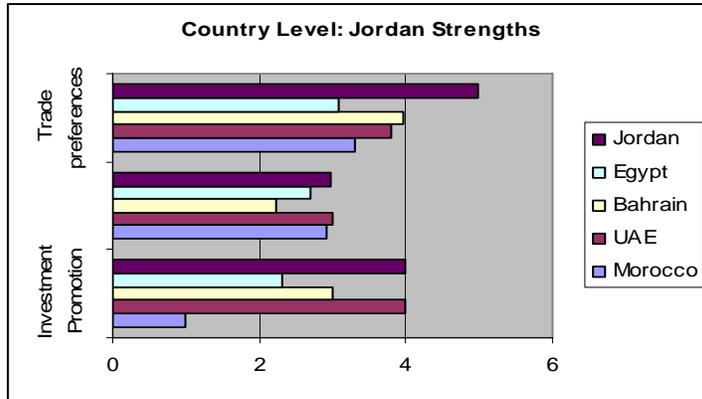
**Figure 7: Relative importance of factors impacting investment decisions**



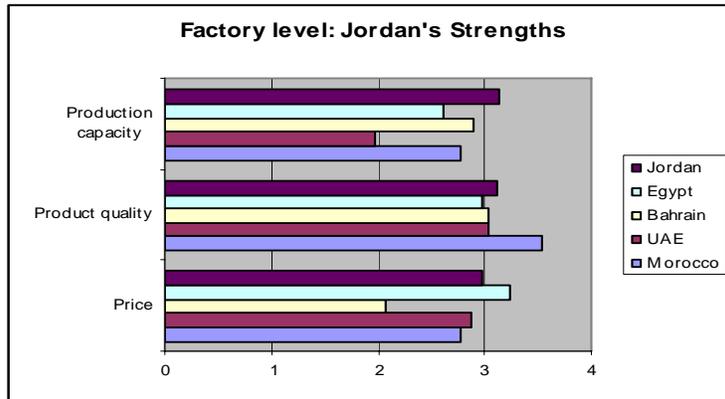
In addition, the following are the main conclusions:

**Jordan has key competitive advantages.** Buyers noted that Jordan had a clear and significant regional advantage in terms of preferential trade arrangements. This factor was cited as the decisive issue for companies that plan to continue to source in Jordan. The country’s investment promotion and incentives were also assessed very positively, as were the level of Jordan’s workforce skills and productivity.

**Figure 8 Country Level: Jordan Strength**



**Figure 9: Factory level: Jordan strengths**



**Jordan is also perceived to have some critical weaknesses.** Compared to other regional players, Jordan was assessed as weak on labor standards and practices at both the national level and the factory level. This is particularly crucial since buyers rated labor law issues as the most important factor in selecting both a sourcing country and factories within that country. Jordan also received a relatively negative score on the perception of domestic corruption and the effectiveness of its law enforcement and inspectorates.

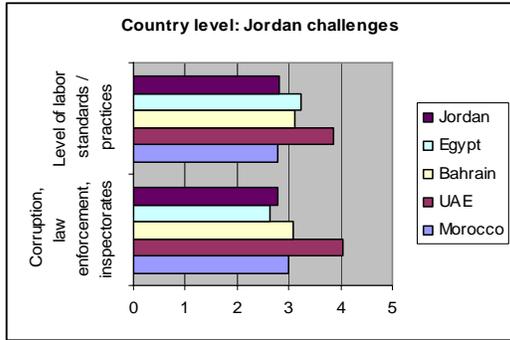


Figure 10: Country level Jordan Weaknesses  
 Figure 11: Factory level Jordan Challenges

Labor concerns have led most companies to increase auditing, and this increase in oversight has made Jordan a more costly sourcing destination. 25% of buyers have increased their auditing to monthly visits.

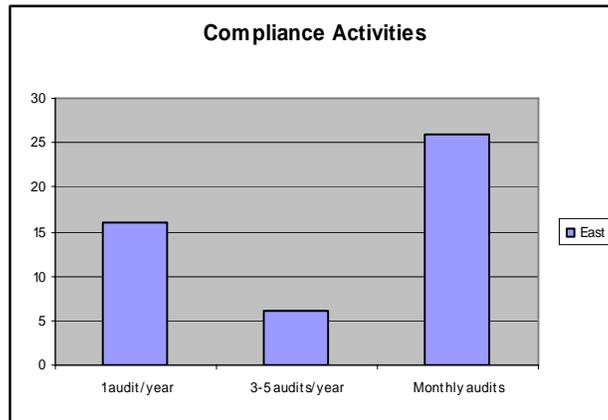


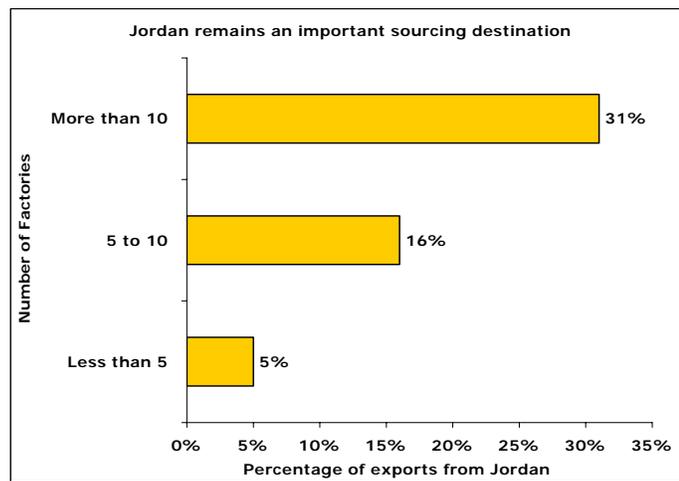
Figure 12: Change in Compliance Activities

Key areas of concern include need for labor law reform, overtime, illegal labor/migrant workers, lack of worker-management communication, and freedom of association. Most buyers noted that they had approached their suppliers several times and in several ways concerning labor issues, that the response has been mixed, and that the manufacturers do not see the business case of improving practices. There is a concern that some producers have rushed to “quick fixes,” while they also acknowledge that a few facilities are working toward more systemic change. Companies have also started to pull out of non-responsive facilities.

**Some buyers recognize GOJ actions to address labor issues, though perceptions of effectiveness are mixed.** Two of the buyers familiar with the NLC report were able to cite examples of remedial actions the government has taken, including third-party monitoring, closing factories, educational initiatives and establishing a feedback system. The buyers had a generally negative view of the effectiveness of these actions; one thought it was too early to tell.

**In addition to labor issues, buyers see multiple problems with Jordanian factories.** Buyers cited a long list of challenges facing Jordan's factories, including cost of inputs, shortage of local labor, lack of mid-level management skills, and limited ability in finishing.

**Jordan remains an important sourcing destination, but buyers are ambivalent about their future in Jordan.** Although a large majority of surveyed buyers report plans to keep buying plans stable through 2008, most are ambivalent about staying in Jordan. One key factor cited is uncertainty surrounding the longevity of Jordan's preferential trade pacts. Should trade benefits with the US disappear, apparel buyers are generally negative about Jordan's competitiveness as a sourcing country, and will clearly consider sourcing elsewhere unless other competitiveness factors are pursued by the country.



**Figure 13: Percentage of exports from Jordan**

Jordan could lead its regional competitors on labor through a solid, credible, well-developed response with support from buyers. The other key factor in deciding about staying in Jordan is progress on dealing with the labor issue. A proactive response from the Jordanian industry with support from the Government, worker representatives, and the international buyers could contribute to increasing the overall competitiveness of Jordan as a sourcing destination.

## IV. Data-Collection Research

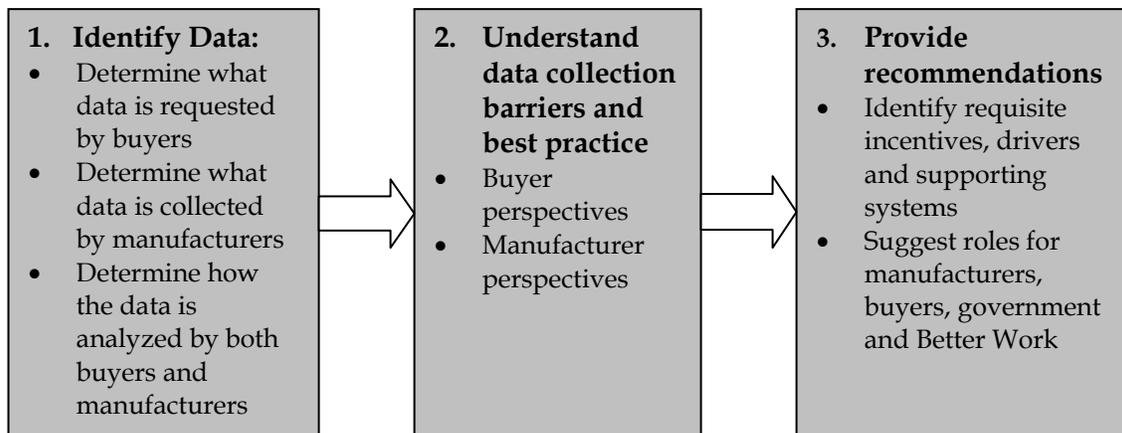
This section identifies current data collection practices in Jordan and suggests ways to create greater incentives for improved data tracking and analysis both at the manufacturer and buyer levels. The section starts with two detailed maps explaining examples of buyers' internal processes for sourcing.

The underlying premise is that unless better data is collected, it will be difficult to make the business case for CSR in the Jordanian apparel industry and increase supplier ownership and as such, compliance will remain sub-optimal. In addition, proactive data collection and analysis may be one way to help reduce duplication of audits, increase efficiencies, and increase informed decision-making processes at the enterprise and industry levels in Jordan.

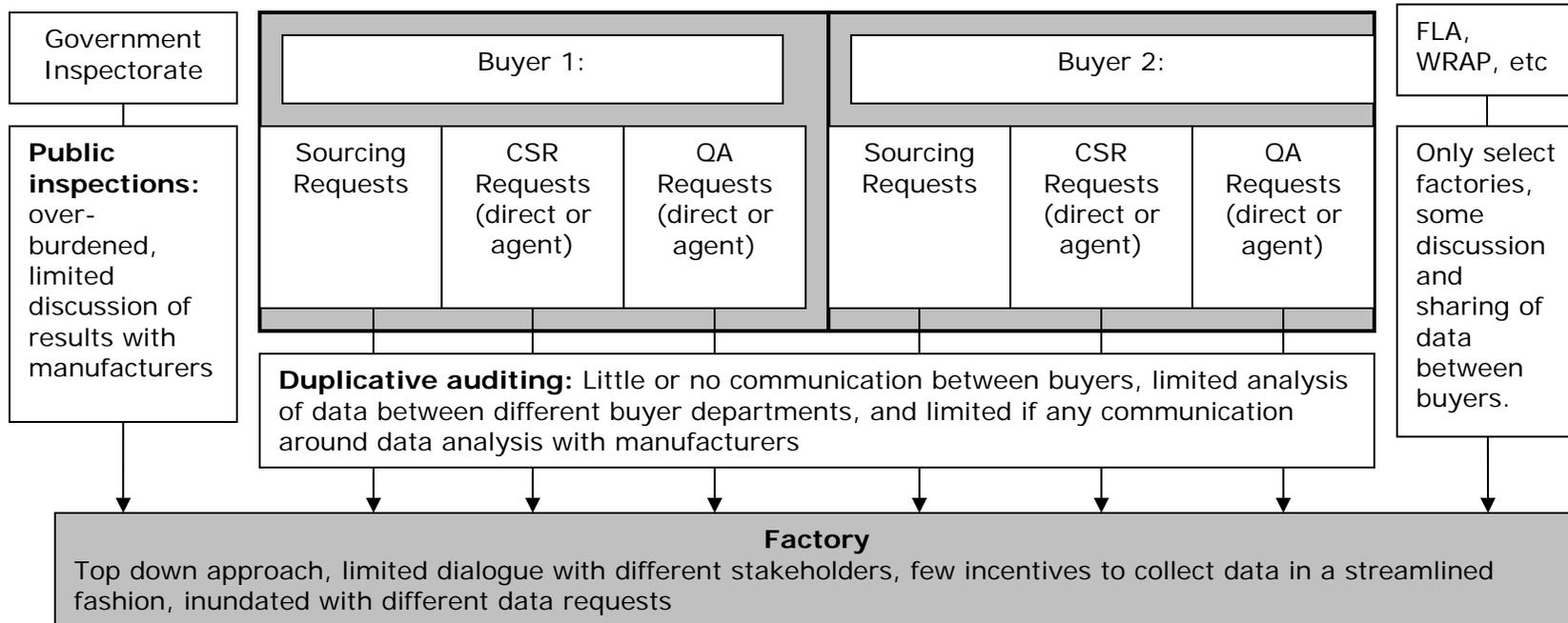
### 1. Methodology

The team conducted telephone interviews with a total of ten international buyers currently active in Jordan, corresponding to 52% of buying power. Interviews were conducted with a mix of corporate social responsibility (CSR) staff, quality assurance (QA) departments and sourcing personnel in order to capture diverse perspectives on data collection. Key goals in interviewing buyers included understanding the type of data their various departments require from suppliers, the degree to which they analyze production data in connection with CSR data, and any efforts they may have underway to specifically address the needs of migrant workers.

The team also conducted in-person meetings with 13 manufacturers at their factories during a mission in June 2007. These manufacturers represented diversity in terms of size, level of CSR compliance, and internal management systems development. This diversity was important in order to draw links between data collection processes and other factory characteristics. Key goals in interviewing manufacturers included understanding the type of data they collect and why they collect it, the degree to which they use this data for internal decision making, and what incentives they would need to collect more data.

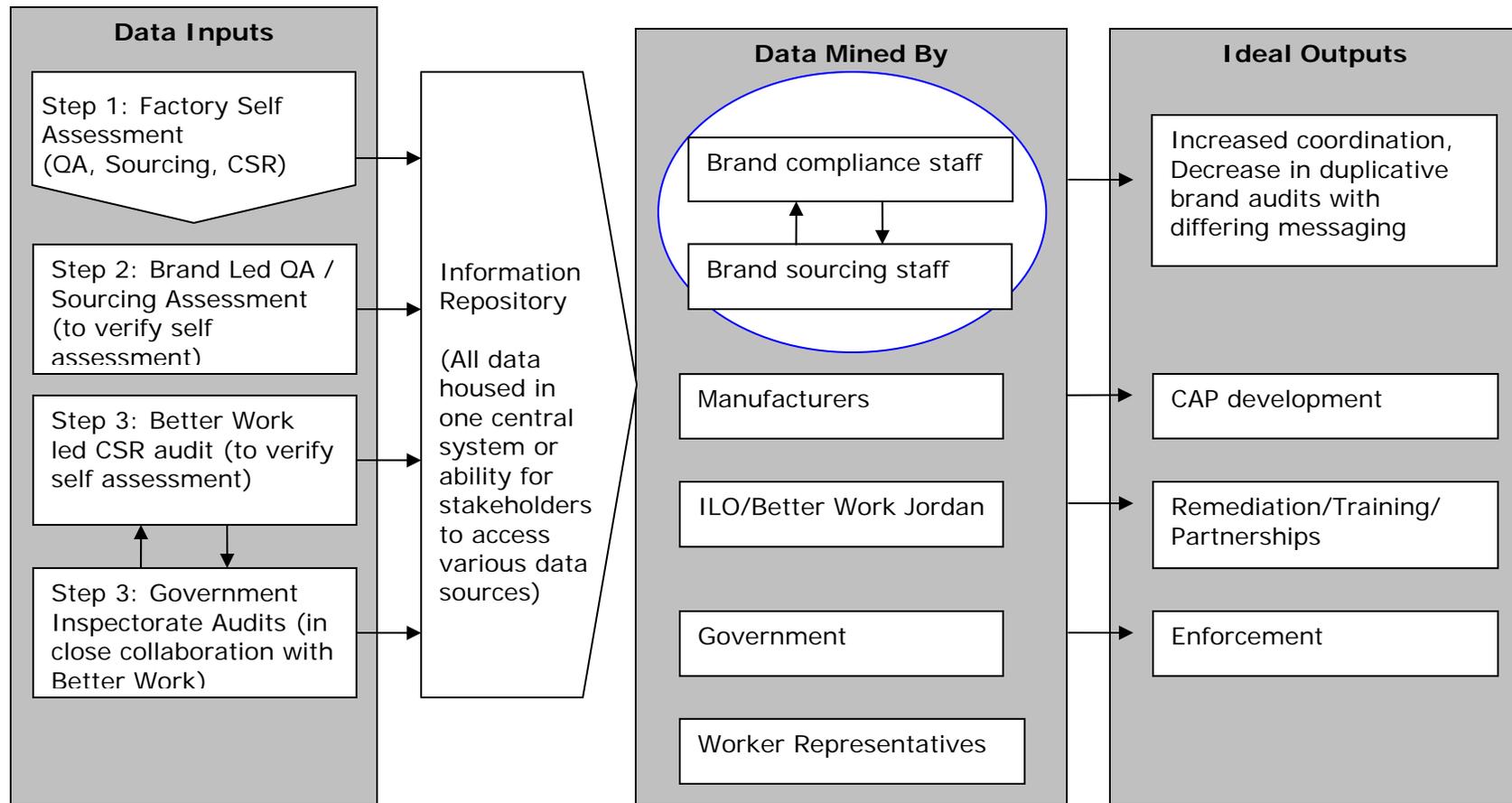


**Picture 1: Reactive country-level supply chain model**



- Key Elements of a Reactive Model:**
- **Duplicative monitoring and inspection burden** on manufacturers, government, and buyers with resources focused on audits
  - **Emphasis on policing** with limited incentives for different stakeholders to take ownership
  - **Limited information sharing** between buyer departments, buyers and manufacturers, manufacturers and workers, or government and workers
  - **Ad-hoc data-collection and limited (if any) analysis.** Data is only collected as demanded, with limited incentives for manufacturers to collect and provide good data and little analysis between various buyer departments.
- Ultimately undermines worker welfare*

**Picture 2: Proactive country-level supply-chain model**



**Key Elements of a Proactive Model:**

- **Less monitoring and inspection burden** on manufacturers, government, and buyers; with resources focused on remediation and continuous improvement
- **Emphasis on partnerships** with shared responsibilities among stakeholders
- **Focus on information-sharing** between different buyer departments, buyers and manufacturers, manufacturers and workers, and government and workers
- **Systematic data-collection and analysis** with coordinated data requests, a centralized data repository and cross analysis of various data inputs

*Ultimate goal is to improve worker welfare*

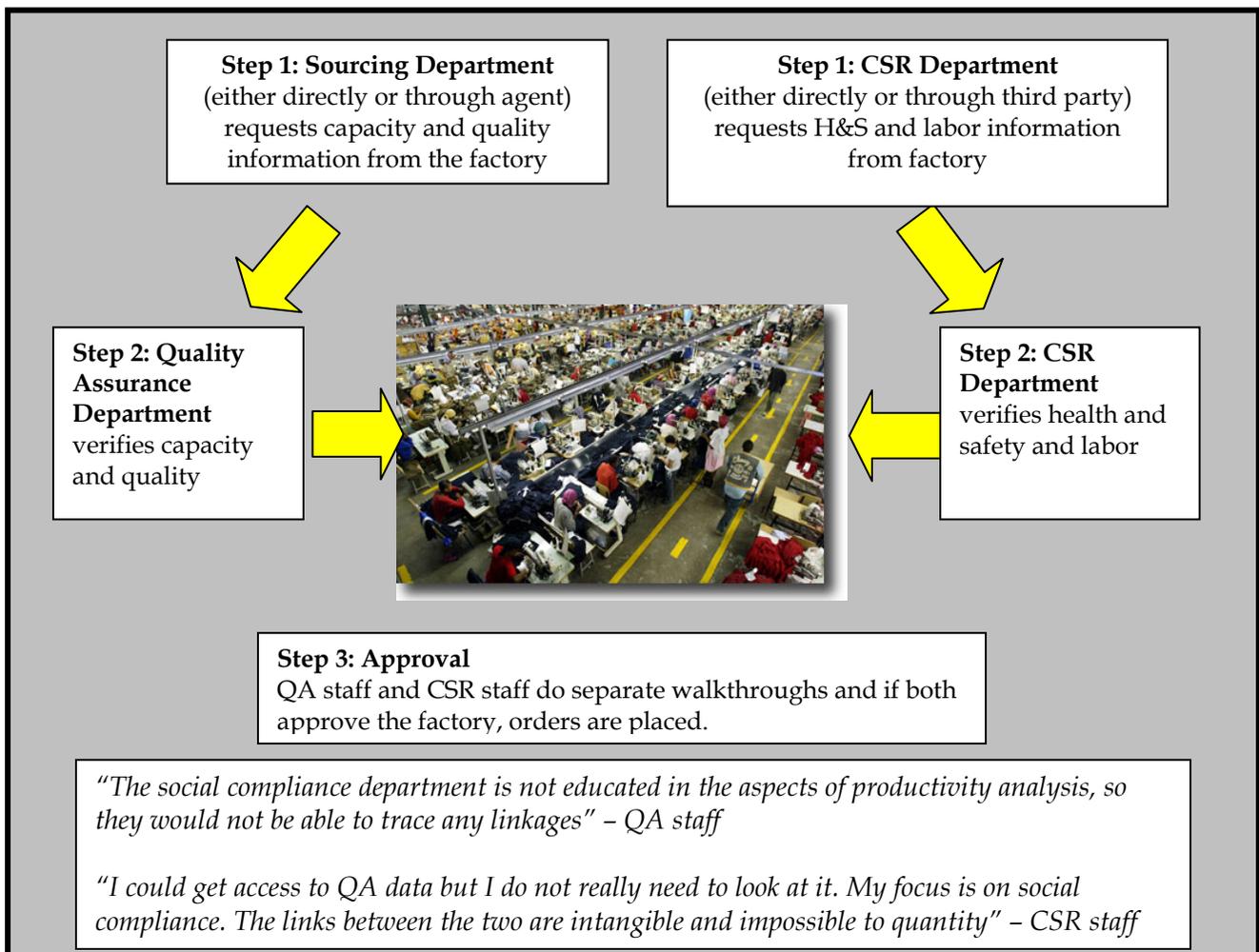
## 2. Buyer Practices

This section looks at the types of data requests buyers make to manufactures, how buyers use the collected data, and offers recommendations for buyers on data collection and analysis. The following diagrams portray different models of how many buyers currently conduct their CSR assessments vis-à-vis their sourcing processes.

### 2.1 Buyers' Data Requirement Models

Most buyers interviewed for this project collect information for their Corporate Social Responsibility (CSR), Quality Assessment (QA) and sourcing department through separate processes. The diagrams below illustrate two distinctive ways by which companies collect data from manufactures. There are many variations on these two models, but these are illustrative of common internal sourcing practices at many buyer organizations.

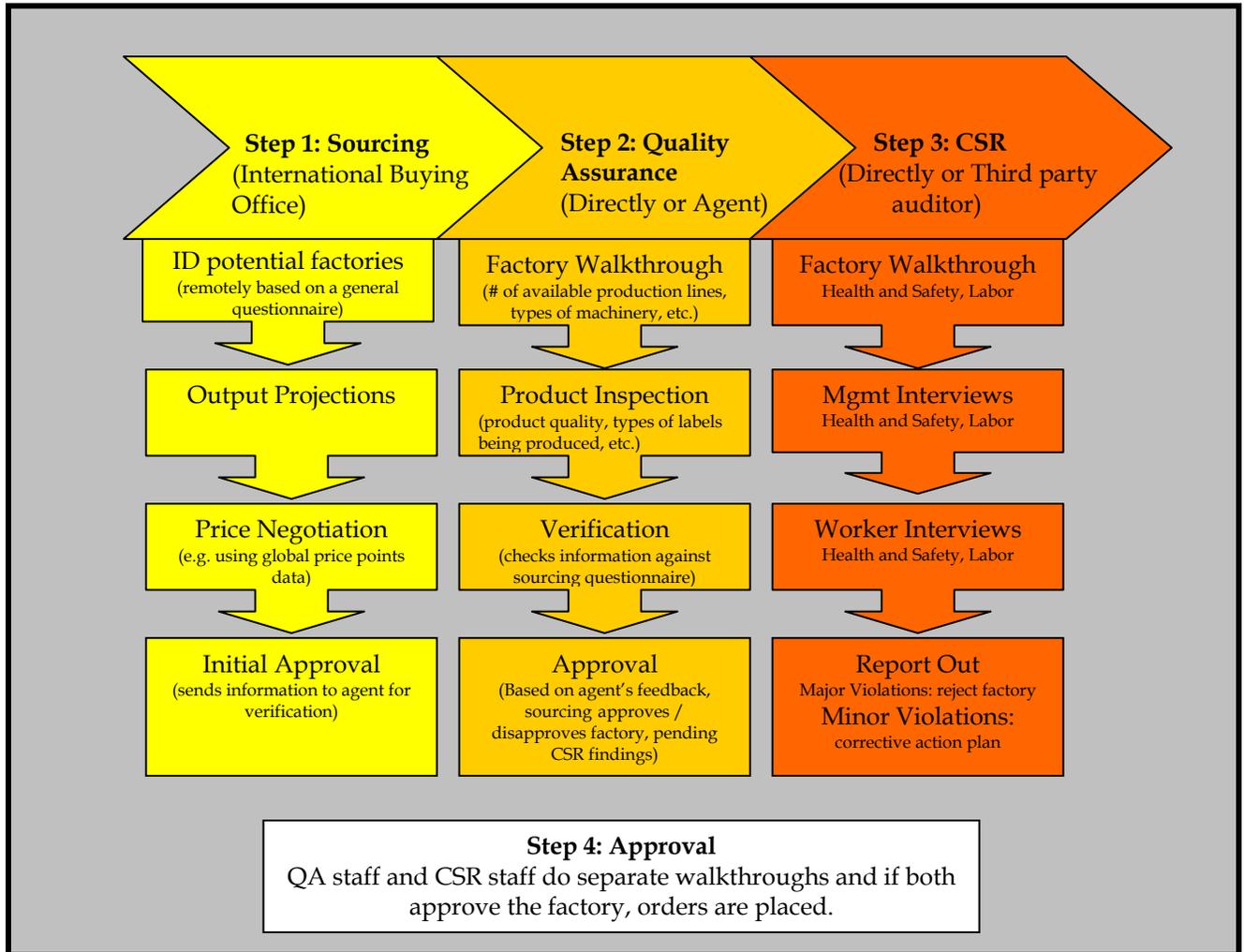
Figure 14 Buyer Data Requirement Model: Parallel Processes



In the above scenario (Example 1: Parallel Processes) the QA and CSR departments both serve as gatekeepers to approve the facility. However, the processes are separate

functions conducted in distinct departments and there is rarely any comparison or correlations made between the two sets of data. This siloed approach results in the factory receiving two different sets of data requests, separate walkthroughs by each department and often mixed messages.

**Figure 15: Buyer Data Requirement Model: Sequential Process**



In this scenario (Example 2: Sequential Process), the sourcing department has the final decision-making power to approve factories, resulting in negotiations with the factory being focused on lower prices and faster delivery schedules. If a third-party agent ultimately verifies the facility in terms of having sufficient capacity and good quality, there may be little incentive for the agent to disapprove the factory as their commission may be tied to getting the factory approved. Finally, the CSR audit is conducted as a separate function (often by a third party) that does not have access to the information collected by sourcing or QA.

This approach results in the manufacturers having limited contact and negotiation ability with the international buyer and facing different data requests from the

international buying office, the third party agent and external auditor. There is also usually significant pressure on the buyer’s CSR team not to pull facilities that the Sourcing and Quality teams have already tentatively approved.

*“We used to have the agent do the QA and CSR audits but realized that there was a conflict of interest in having the agent conduct both activities so we now rely on a third party auditor. We still need to improve audit protocols to better address migrant workers”,  
Company CSR staff*

*“We have no company staff on the ground. Ultimately the sourcing department is very focused on reducing price down to the last penny”, Brand Executive*

## 2.2 Data typology

As seen above, buyers’ QA and CSR departments usually interact separately with the company’s suppliers. As part of their sourcing decisions (and ongoing relationship), the different departments also request distinct data sets from suppliers. Below are some examples of the different types of data that companies request through their various departments (Note that manufacturers do not always provide all of the requested data):

**Figure 16: Data collected by buyer QA and CSR respectively**

Data	QA/Sourcing	CSR
<b>Capacity</b>	<ul style="list-style-type: none"> <li>• Number of lines available</li> <li>• Number and list of machines</li> <li>• Total number of active orders in the factory</li> <li>• Projected lead times</li> <li>• Time and motion studies to gauge productivity levels</li> <li>• Turnover and absenteeism</li> <li>• Minutes/garment</li> </ul>	<ul style="list-style-type: none"> <li>• Total head count</li> <li>• Total number of active orders in the factory</li> </ul>
<b>Quality</b>	<ul style="list-style-type: none"> <li>• Qualification of management team</li> <li>• Efficiency of workers</li> <li>• Error/Reject/Redo rates</li> </ul>	<ul style="list-style-type: none"> <li>• Error/reject/redo</li> </ul>
<b>Health and Safety</b>	<ul style="list-style-type: none"> <li>• Injury rates</li> </ul>	<ul style="list-style-type: none"> <li>• Injury rates</li> <li>• Health and safety components of corporate code or local law (e.g. fire exits, noise levels, personal protective equipment, etc.)</li> <li>• Existence of health and safety committee</li> </ul>
<b>Labor</b>		<ul style="list-style-type: none"> <li>• Labor components of corporate code or local law (e.g. working hours, wages, freedom of association, child labor, forced labor, other)</li> <li>• Turnover and absenteeism</li> </ul>

<b>Costing</b>	<ul style="list-style-type: none"> <li>• Cost per garment (based on complexity of product)</li> </ul>	<ul style="list-style-type: none"> <li>• Costs of audits, CSR trainings</li> </ul>
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**Capacity:** The data requests from the two departments are generally not cross referenced. For sourcing departments, the priority is to ensure that there are sufficient production lines available for their orders to be shipped in time. There is rarely an emphasis placed on how their order, given the factory’s current capacity, may result in working hours and/or overtime violations.

Moreover, despite their requests, CSR departments are rarely able to get a sense of other active orders and a

*As noted by one buyer, “Meeting the different brands’ orders and demands is up to the individual factories; our main goal is to ensure that there are sufficient lines free to meet our shipment dates.”*

factory’s true capacity.

According to buyers, this lack of capacity data is particularly heightened in a country like Jordan, where factories are labor intensive and rely on simple, manual processes to complete data requests. These factories often lack the management systems to provide capacity data.

*“Factories are usually unclear around what percentage of their capacity is already taken up by other buyers and will book up to 120% of capacity using 10-12 hour weeks and 6 day work week”, CSR personnel*

Further, many of the buyers believe that there is little incentive for the factories to provide them with accurate capacity information as their tendency is most often to take on as many orders as possible.

Sourcing departments may look at time and motion studies to gauge productivity levels. However, overtime and working hours information is generally collected by CSR departments in a separate questionnaire. Companies therefore do not usually make correlations between productivity and working hours internally nor do they usually share information with factories that quantitatively show linkages between productivity and CSR.

Some CSR departments and a number of QA departments request turnover and absenteeism records. However, hard numbers and accurate records are usually hard to obtain. Additionally, none of the buyers interviewed knew of any manufacturers that were costing out turnover and in this way focusing on the business case for good labor practices. In Jordan particularly, buyers believe that turnover and absenteeism is a non-issue since the workforce tends to be predominately comprised of guest workers. Migrant workers tend to be tied to contracts and reside in dorms close to the facilities. Turnover in fact is more of an issue with local Jordanians which has resulted in this being one disincentive for factories to recruit and invest in the local workforce.

**Quality:** Only a few of the CSR personnel collect information on error/reject/redo rates. Those that do say they are rarely able to get accurate information. While a few sourcing departments seek this information, there is general consensus that getting hard numbers is near impossible. Buyers therefore are rarely able to link, for example, excessive working hours and an increase in error rates. Information collected is more static in nature, such as management or worker training.

**Health and Safety:** Buyers do not currently collect, on a regular basis, information as to injury rates, noting that it is near impossible to get accurate information when they do make formal requests. Most health and safety information is collected during regular factory CSR audits.

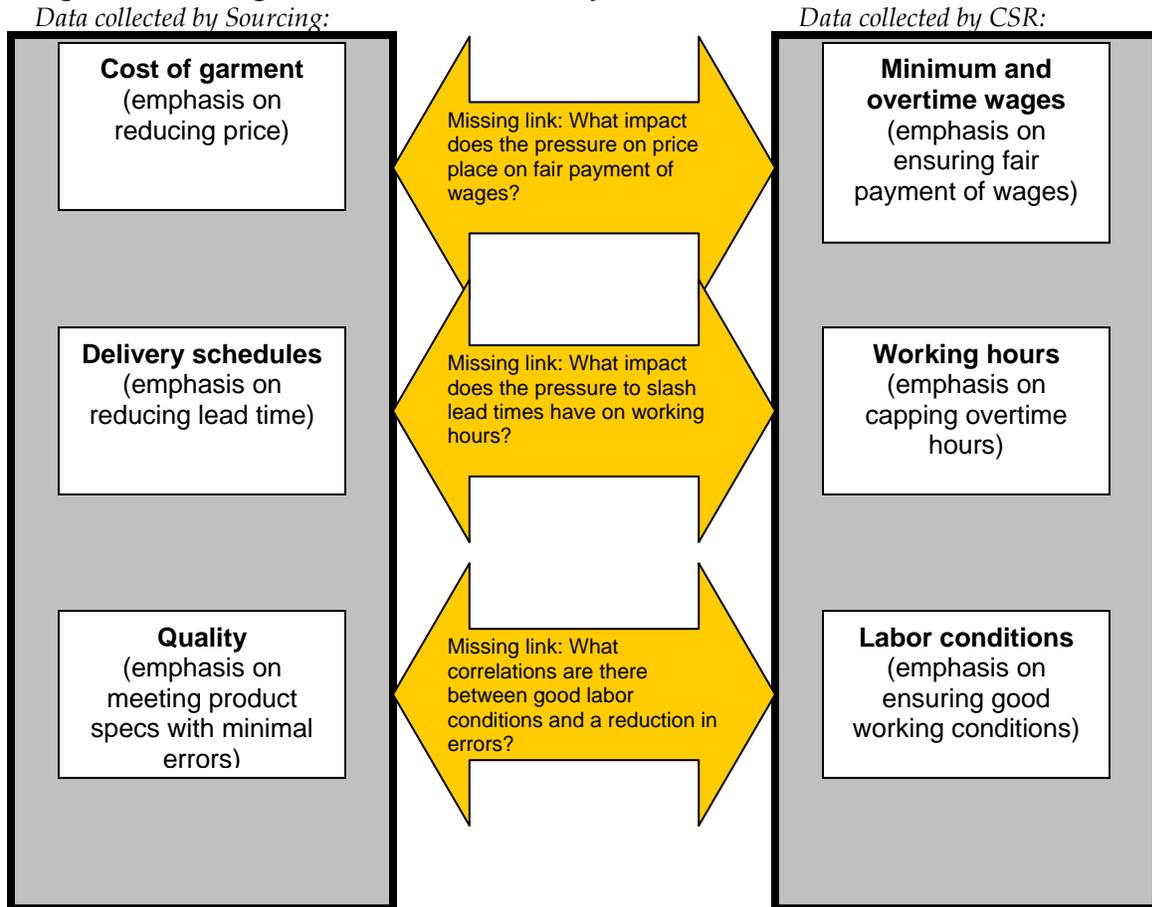
**Costing:** Buyers tend to use global costing data sheets of *cost per minute* they estimate to be necessary to make a product. They then use this data to negotiate prices with manufactures. Buyers tend to have an upper hand in negotiating prices with manufacturers, who agree to lower prices to win orders and to develop relationships with buyers.

*“What we have is essentially a race to the bottom. Manufactures will purposely give a low price to get orders and once they have the volume and relationship they may increase a price somewhat. But to get the business they agree on low prices”, Brand Executive*

### 2.3 Buyer Constraints: The Limits to Data Analysis

As mentioned above, buyers rarely conduct an analysis correlating the data collected by their various departments. The diagram below illustrates examples of the types of linkages and correlations that would provide a more thorough picture of the impacts and relationships between CSR and productivity:

**Figure 17: Missing links – limits to data analysis**



In asking buyers why the links between productivity and CSR are not more clearly analyzed, they pointed to a number of key challenges. These include:

**Limited capabilities:** Some buyers note that their internal staff may not have the manufacturing knowledge to be able to independently assess a factory’s capacity.

*“When we had our own owned and operated facilities we understood the manufacturing process better. Now that we have moved away from that model we simply don’t have the skill set,” Buyer representative*

**Internal Misalignment:** CSR and sourcing departments continue to have different priorities and incentives. Sourcing departments remain focused on lead time, quality, and prices. There can also be a disconnect between CSR department objectives and

designers, who might make last minute changes or take longer than expected in the production cycle, leading to increased time pressure on vendors. Brand messages can be further misaligned when buying offices run in a decentralized manner and are geographically dispersed. Finally, as shown in Example 2 (Sequential Process) above, CSR departments are often treated as a gatekeeper to using a factory and are often not informed of any on ongoing production decisions.

**Limitations in Measurement:** While a number of companies are working to tie their CSR and sourcing ratings together in their performance management systems, most continue to struggle with quantifying their CSR assessments. There are also challenges in measuring productivity since this varies by product and depends on complexity. Additionally, while some companies use business performance tools such as ScoreCards to rate a facility on CSR performance when entering a facility, few use the assessment on an on-going basis to make purchasing decisions and determine volumes. In sum, while there is a general belief amongst buyers that there are links between CSR and productivity, there is currently limited if any performance systems to formalize these assumptions.

**Complexities in using Agents:** Jordan has the added complexity of the industry’s high reliance on buying agents. By some estimates, over 80 percent of orders out of Jordanian apparel factories go through a third party. Many CSR representatives of companies expressed concern in using agents to place orders, noting that agents seldom had incentives to uphold neither CSR objectives nor the technical capability of making the correlations between production and CSR. This presents an issue in both of the sourcing models (Parallel Process or Sequential Process) discussed above.

*“Agents work on commission and do not have the technical background to really be able to determine price points and lead times [and their impact on CSR]. We struggle with making them true strategic partners”, Buyer representative*

**Lack of Accountability:** Some of the CSR departments that were interviewed expressed frustration that their companies continued to operate in factories with poor compliance records.

*“CSR departments have no teeth, there is no accountability built in on the parts of buyers. For example, when a factory engages in illegal subcontracting it should be terminated – but this does not happen very often”, Buyer CSR staff*

**Historic Reliance on Monitoring:** Buyers noted that to date, their efforts to enforce working conditions improvements at the factory level have been dominated by monitoring against their Code of Conduct. This model leaves little room for analysis of root causes of non-compliance, focus on the business case, or building

of true partnerships with manufacturers. As many companies start to shift resources away from complete reliance on top-down monitoring, there may be an opening to

increase more in-depth analysis and internal company alignment and cross analysis of data.

#### **2.4 Recommendations: Buyers**

The following recommendations are suggested for how buyers could help incentivize manufacturers to more thoroughly collect data:

**Align Data Requests:** Designers, QA, CSR and Manufacturing / Sourcing should more closely link their requests to manufacturers. Concrete progress on this front would take the form of a single set of data requests by any given buyer (or even among a number of different buyers) for manufacturers to reduce duplication and create an aligned message.

**Conduct Internal Analysis of CSR and Productivity Data:** The data that manufacturers provide to buyers should be used internally by buyers to better understand the impacts of CSR on productivity (and vice versa) at the factory level. This would help make the business case not only to manufacturers, but also to buyers' other internal and external stakeholders and would pinpoint areas that need attention for not being sustainable in the long term. One of the companies interviewed has cross functional meetings to discuss links between quality and overtime. Another company noted that the best way to improve alignment is to have an on the ground CSR presence that works closely with sourcing on a day to day basis in order to align supplier requests and interactions.

**Share Data Analysis with Manufacturers:** Currently most buyers do not share any data analysis they conduct back with their manufactures. This creates a sense on manufacturers' part that their information is not used in decision making and they do not reap the benefits of their collection efforts (unless they have conducted any analysis on their own). The few buyers who have discussed their findings with manufacturers, especially in terms of QA and CSR, report that it has yielded very positive results. This type of information could be a very important incentive to manufacturers for tracking more data.

**Apply a Beyond Monitoring Approach:** For manufacturers to truly invest in tracking data and seeing the business case for CSR, the manufacturer-buyer relationship must move from being an indirect, top down policing approach to more of a partnership with both parties jointly addressing concerns and working through issues.

There are a number of examples of best practices in this area. Some companies take ownership of changes or delays on their end and either give extensions or co-share the cost of air shipment with their manufactures. One company interviewed is working jointly with factories to improve production planning. Another company has its manufactures score them on how they are performing, especially in terms of changes and delays. Finally, another buyer is developing joint business and CSR key performance indicators and is factoring in its top tier manufactures' input in developing these metrics.

### 3. The Manufacturer Perspective

This section traces the disconnect between data that manufacturers deem as important to collect from a business stand-point versus the data requests that buyers place onto manufacturers. Additionally, this section explores best practices in data collection at the facility level in Jordan and the key barriers to manufacturers collecting and sharing good data with international buyers. Finally, this section offers recommendations for manufacturers on data collection and analysis.

#### 3.1 Data typology

Manufactures noted that there was certain type of data that was most helpful for them to track for their internal business purposes. However, many noted that this type of data is often different from the data that buyers ask for and what manufacturers are often willing to share with buyers, as illustrated below:

**Manufacturers Interviewed: Quick Statistics**

Factory Size	
Average number of workers:	1,735
Minimum Number	400
Maximum Number	2,700
Number of Orders	
Average Number	8
Minimum Number	1
Maximum Number	25
Key Statistics	
Total Manufacturers Interviewed: 13	
QIZ zones represented: Ad Dulyl, Irbid and Sahab	
Relationships predominately housed with agents	
Products mostly basic (mix of knit and woven)	
Most orders originate from the United States	

**Figure 18: Data Collected by Manufacturers**

Data	Data identified by manufacturers as helpful for business	Data manufacturers are usually willing to share with buyers
Capacity	<ul style="list-style-type: none"> <li>• Target output (compared with actual output)</li> <li>• Real efficiency (efficiency in per unit production costs)</li> <li>• Total number of working machines</li> <li>• Absenteeism (although minimal for guest workers)</li> <li>• Turnover (although minimal for guest workers)</li> </ul>	<ul style="list-style-type: none"> <li>• Total number of working machines</li> </ul>
Quality	<ul style="list-style-type: none"> <li>• Markdown rate</li> <li>• Rejection rate</li> </ul>	
Health and Safety		<ul style="list-style-type: none"> <li>• Injury rates</li> <li>• Health and safety components of corporate code or local law (e.g. fire exits, noise levels, personal protective equipment, etc.)</li> <li>• Existence of health and safety</li> </ul>

		committee
<b>Labor</b>	<ul style="list-style-type: none"> <li>• Number of hours worked per day</li> </ul>	
<b>Costing</b>	<ul style="list-style-type: none"> <li>• Confirmed CMP (cut,make,pack) price on a daily basis</li> <li>• Price output per worker (efficiency per worker)</li> <li>• Transport costs (including air freight costs for late orders)</li> <li>• Cost of migrant workers (fees, dorms, food, fines)</li> </ul>	<ul style="list-style-type: none"> <li>• Cost per garment (based on complexity of product)</li> </ul>

### 3.2 *Manufacturer Constraints: The Limits to Data Collection*

The most common reasons that manufacturers cited for not gathering more data include the following:

**Resource Constraints:** Given the cost pressures on factories in Jordan, few see data collection as a financial priority particularly if this requires additional manpower and an upfront financial commitment. Manufacturers note a continual pressure on price from buyers which leaves limited incentives to invest resources on data collection.

**Limited Technical Knowledge:** Some manufacturers cited limited in-house expertise on collecting reliable data. Moreover few of the facilities had the technical skills to create systems for data collection.

**Lack of Systems Compatibility:** A few manufacturers fear that the systems they might create would not be compatible with buyers' systems and they would need to recapture the data in another format for buyers, resulting in additional work

**Poor Incentives:** Given that many products are low-end basic garments and do not require a high level of planning or innovation, many manufacturers noted that they did not face problems in relying on manual processes and do not have any incentives nor resources to collect additional data on their operations.

**Lack of Conversations with Buyers on Data:** Manufacturers generally send data to buyers but do not have any additional conversations regarding analysis of the information. A number of manufacturers were unsure as to how the data was used by buyers, with some saying they suspected that the data was simply collected but not analyzed.

**Limited Negotiation Power:** Some manufacturers noted that since agents tend not to negotiate on price, there are limited incentives for manufacturers to collect and transparently report on the true cost for making garments. Instead these manufacturers admit to cutting corners to meet whatever prices that agents and buyers propose, citing

their fear that if they used internal data to push back on price or lead times, they would risk losing orders

**Mixed Messages:** Manufacturers pointed to the lack of internal alignment between the different buyer departments. A few manufacturers also noted that social compliance requirements were not strictly enforced but were in fact *“more a slap on the wrist”*. This leads to the belief that meeting sourcing department demands was more important than adhering to social compliance objectives and decreases any incentive to track data that shows the impact of one on the other.

**Wavering Commitment to Jordan:** Some investors are steering away from upgrades to their facilities as they are unsure of how long they will remain in the country. This short-term view prevents investors and manufacturers from investing in systems or processes that would yield long-term benefits.

*“Buyers are currently making such a fuss over CSR as a way out of Jordan because the industry is becoming increasingly expensive and therefore less viable”, noted one manufacturer*

### 3.3 *Best-practice data collection in Jordan*

In general, manufacturers in Jordan collect relatively limited data beyond what is required of them from their buyers. The data that is collected is most often done so manually, on an ad hoc basis, and does not feed into any larger management or planning systems. As such, there are only rare cases in which management has been able to track their investments in social compliance and compare those with any business benefits they may have realized.

Clearly, there are exceptions to this generalization. Manufacturers who are part of a larger company with factories around the world will often use the same systems globally. In addition, manufacturers who have been operating for a longer time in Jordan, who are comparatively large in size (over 1,000 workers), or who have developed strong direct ties with one or more buyers over a period of time are also more likely to have developed internal systems for tracking data. Manufacturers who are vertically integrated also tend to have better management systems.

This section looks at what types of best practices in data collection in Jordan and the key barriers to more manufacturers collecting data.

In a select number of cases, manufacturers in Jordan have developed formal information gathering and analysis systems that allow them to improve both their business and social compliance performance. A number of these same factories have internal industrial engineering departments to support the systems and make changes to the way the company operates based directly on these analyses. One manufacturer has gone as far as to develop software that he hopes to help manufacturers to better track their investments and performance.

*“Compliance is just part of life now, so there is no point in measuring the costs”, Jordanian Manufacturer*

When facilities have industrial engineering departments, they are also able to conduct time motion studies which help them to do more realistic projection planning based on expected output levels.

However, in most cases, even manufacturers who collect production data rarely correlate it with their social compliance expenditures. These managers state that social compliance is non-negotiable for retaining buyers since the NLC report and as such, do not see a need to spend the resources analyzing the financial impacts. Moreover, many of the manufacturers with high levels of compliance stated that maintaining compliance does not have significant financial impacts for them. They noted that the biggest costs are bringing a facility up to compliance because of the up-front investments.

In situations in which manufacturers do have a longer term, more stable relationship with a particular buyer, they note that the buyer is more often open to working with them on pricing and production planning and allowing them to improve efficiencies and social compliance simultaneously. In one instance, a manufacturer worked almost exclusively for one buyer, a leading to a very clear sense of partnership between the two parties. Another manufacturer mentioned at least one instance where they had a strong relationship with an agent who has become a thought partner in improving cost, efficiencies and social compliance.

*“Importers who are agents are only looking for price, regardless of the policies of the buyer,”  
Jordanian Manufacturer*

### **3.4 Recommendations: Manufacturers**

The following recommendations are offered to Jordanian manufacturers regarding data tracking and analysis:

**Collaborate within the industry to develop data systems:** A number of manufacturers have developed data collection and analysis systems that could be useful throughout the industry. In order to save time and resources, companies should consider pooling their efforts and using a single approach or system. JGATE or FIA may be able to help facilitate this process and show proactive efforts on the part of the industry by doing so.

**Provide a Single Set of Data to Buyers:** Manufacturers should consider creating a single data set that they can provide to all of their buyers’ departments. While this may be difficult at the onset, given that buyers will ask only for certain information and most often want it in a predetermined format, the more that manufacturers show proactive efforts to streamline their work and show to buyers that this will help them redirect internal factory resources toward production, the more flexible buyers are likely to become in terms of the method and format of data that they will accept. This information could also be provided in connection with factory CSR self-assessments, which are required by many buyers and a good way for manufacturers to provide information to their buyers.

**Use Data to Inform Conversations with Buyers:** While it may be difficult for manufacturers to “push back” on buyer requests regarding price, turn around time, or CSR, clear evidence in the form of hard data that shows the financial impacts at the factory level of the varying demands will lead to more informed conversations and, over time, greater leverage for manufacturers in conversations with their buyers.

**Conduct a cost-benefit analysis:** Some manufacturers realize that they can reap tangible benefits from good social and environmental practices, but many are not yet convinced of the business case for CSR. The difference in perception is often related to the companies’ management systems, as well as their ability to measure both the costs and benefits of CSR investments. Furthermore, many manufacturers continue to be reacting to buyer audits rather than taking ownership of facility improvements. The degree to which manufacturers can use some of the data they do collect to conduct this internal analysis will help create a strong decision making process for them.

## **4. Migrant Workers**

According to the statistics issued by the Ministry of Labor for April, 2006, the total workforce in the QIZs is over 54,000. Of these, 33% are Jordanians. The remaining workers are migrants from various countries, including Bangladesh (25%); China (18%); Sri Lanka (17%), India; (7%) and others (1%). There has been a rapid increase in the use of migrant labor in the QIZs. In 2001, the majority of workers in the zones, 64%, were Jordanian.

Given the on-going difficulties in recruiting and retaining local Jordanians, there is a strong and continued need for guest workers within Jordan's apparel industry. Moreover, many manufacturers and buyers noted that migrant workers are often better skilled and more efficient due to training they may have received in their home countries. Some manufacturers also preferred migrant workers due to lower rates of absenteeism and turnover.

### **4.1 Buyer concerns**

Most buyers believe that the issues around guest workers in Jordan are quite similar to those that present themselves in other countries where the workforce tends to be predominately comprised of guest workers. The main difference, according to companies, is a lack of clear protection for migrant workers within the local Jordanian labor law and the heightened media and NGO scrutiny in Jordan following the NLC reports.

Some buyers have expanded their code of conduct to address migrant worker rights and have enhanced their audit protocols to address the needs of migrant workers. This includes auditing for passport possession, reviewing migrant worker contracts, and inspecting dormitory conditions. To date, this work is in its infancy and there has yet to be significant collaboration or coordination on the part of brands to jointly address this issue.

### **4.2 Local manufacturer concerns**

In terms of manufacturers, there is broad consensus on being unable to recruit and retain local Jordanians. Many manufacturers were also grappling with a current labor shortage which they attribute to delays on the part of the Jordanian government in renewing visas. Manufacturers stated that the labor shortage has resulted in vacant machine lines and mounting air shipment costs. Additionally, the increase in minimum wage has resulted in higher costs for manufacturers who note that if they pass the costs on to their buyers, Jordan will become an increasingly uncompetitive market. Most of the manufacturers interviewed for this project have instead passed the costs on to their guest workers in the form of deductions for food and housing.

Additionally there was some evidence of discrimination. For example, a number of manufacturers stated that Chinese workers are paid more than Bengalis because they are considered to be more productive as compared to Bengalis, who manufacturers accused of being the workers who instigate strikes.

The presence of guest workers also has an impact on the business case for CSR and creates perverse incentives for suppliers to not embrace the true spirit of buyers' code of conduct requirements. For example, one of the greatest benefits of having good working conditions is a reduction in turnover and absenteeism rates. Since migrant workers tend to be tied to contracts, turnover and absenteeism are not an issue in Jordan. Additionally there tends to be limited resistance to excessive working hours as the workers do not have family in the country and few outside commitments.

Hence while traditional productivity measures are geared toward tracking the internal, operational benefits of CSR from a manufacturer's perspective, the business case for better CSR practices in Jordan is largely dependent on developing a deeper understanding of the costs and benefits associated with having a predominately *migrant* work-force and then creating the right incentives to improve working conditions for this population.

*"The migrant workers want to work as much as possible, make enough money to go back home. They want the overtime. If I cut their hours, there would be a strike,"*  
Jordanian manufacturer

In terms of best practices, manufacturers who were from the same country as their migrant workforce tended to be more attuned to their worker needs (although this is not always the case). Additionally, larger facilities that make more complex garments tend on average to invest not only in more sophisticated machinery, but also in their workforce. Another best practice example was a manufacturer that set up a labor committee with equal representation of all worker nationalities so as to raise issues to management in a constructive manner and foster a better working relationship.

Both buyers and manufacturers also stressed the importance of the guest workers' home countries (namely Sri Lanka, India, and Bangladesh) playing a more proactive role in addressing some of the guest worker issues. One best practice idea was to have the host country run an education and training campaign on migrant workers rights that would incorporate training on worker contracts and provisions, agent fees and the complexities of working in foreign countries.

The need for increased accountability of the part of recruitment agencies was also brought up by both brands and manufacturers. Both also stressed the importance of bilateral conversations between the Jordanian government and sending country governments to identify key issues and action plans to ensure proper treatment of guest workers. One idea to better engage sending countries was to have brands jointly reach out to these governments to emphasize the need for sending country governments to train their citizens on their rights prior to departure for other countries.

## V. Recommendations

### 1. *Jordanian Government*

The Government of Jordan has taken numerous serious measures to improve overall labor administration and social dialogue systems in Jordan. In this respect, the Ministry of Labor has developed an Action Plan<sup>12</sup> to improve working conditions, institutional reform and increasing employment opportunities for Jordanians. Activities being implemented include the reform of the Ministry of Labor and the Labor Inspectorate, the establishment of a Tripartite Advisory Committee and different skills development programs.<sup>13</sup>

Jordan has ratified seven of the eight conventions that comprise the core labor standards, and the Government has been working with the ILO on the review of its labor law. A range of amendments have been proposed by the Government, which as of August 2007 are still awaiting consideration by parliament which is likely to occur early 2008. Under the proposed amendments to the labor law, migrant workers would be able to join Jordanian unions. These changes will bring Jordanian law closer to the requirements of convention 87 on freedom of association. Further work will be needed to achieve complete conformity.

*Short Term: The following recommendations should be addressed by the Jordanian government in the immediate term to ensure continued economic competitiveness of the industry alongside enhanced migrant worker protection.*

**Address visa renewals to minimize delays:** The current delay with visa renewals is viewed by manufacturers as significantly impacting the potential for the industry to remain competitive. Many machine lines as of July 2007 are currently vacant and orders continue to be air shipped because of labor shortages.

Manufacturers noted that recruiting and retaining local Jordanians are long-term objectives whereas the short time need is to renew guest workers visas since the current labor shortage is increasing buyer flight risk and the mounting costs is making Jordan uncompetitive. While it is essential that migrant worker rights are protected, the Jordanian government should focus immediate attention on fast tracking visa renewals so as to not lead to a situation in which the industry becomes economically unfeasible for buyers.

**Reassess impacts of changes in minimum wage and migrant worker permit fee:** Both buyers and manufacturers point to increases in minimum wage as well as permit fee hikes as making the industry less regionally competitive.

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<sup>12</sup> The Ministry has published the Action Plan on its website ([www.mol.gov.jo](http://www.mol.gov.jo)), where it also publishes regular updates on progress made in the implementation of the different activities in the Action Plan.

<sup>13</sup> See information on on-going initiatives in *Labor Compliance in Jordan's Apparel Sector, Actions to Date and Next Steps, Update 2, June-October 2007*, 30 December 2007, Ministry of Labor ([www.mol.gov.jo](http://www.mol.gov.jo))

Most manufacturers have found a loop hole in process and have introduced wage deductions for lodging and food as a way to off-set the increase in minimum wage. While this means that buyers do not feel the increase through higher prices, the intended beneficiaries of this increase have in many cases not reaped the benefits. Buyers and manufacturers strongly recommended that the government assess the viability and economic impact of raising the minimum wage prior to raising the wage again.

A few manufacturers also pointed to the current permit fees as being too high. One went so far as to recommend reducing the permit fees by 50 JOD. Another manufacturer noted a problem with social security withholdings for migrant workers, citing that while the government deducts 16.5% in social security, they return 10% when guest workers leave the country. The 6.5% loss is substantial for guest workers.

The government should pay immediate attention to these issues to assure buyers and manufacturers that the industry will remain economically viable.

*Medium Term: The following recommendations should be addressed by the Jordanian government in the medium term as they require greater strategic thinking around long-term goals for the industry:*

**Ensure Inter-Ministerial alignment:** Although clear progress has been made on coordination between different ministries on issues related to migrant workers,<sup>14</sup> a number of manufacturers expressed frustration over what they see to be a lack of such coordination. Many expressed gratitude around the Ministry of Labor being open to and proactively addressing their concerns but believe that promised changes are often slowed down due to the lack of coordination and communication between the various ministries. Continued clear and published communication about the mechanism for inter-ministerial coordination around migrant worker issues is seen as very important.

**Build Labor Inspectorate Capacity:** Despite strong efforts from the government and support from donors and the ILO,<sup>15</sup> there remain concerns around the capacity of labor representatives within the QIZs. Some manufacturers believe that current capacity building and training efforts have been unsuccessful largely because the local labor inspectorate has little incentive to truly build skills. As it is often the labor representatives in the QIZs who have the most direct relationship with factories, it is essential that the government develop a system for training of these inspectors and ensure they have the right incentives to fairly implement the law in the QIZs.

**Focused outreach and education:** Several buyers recommended the need for workers to have access to recreational activities and counseling services. Others suggested conducting periodic surveys to better understand migrant worker needs, providing mandatory training to migrant workers on their rights and responsibilities, and

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<sup>14</sup> See information on on-going initiatives in *Labor Compliance in Jordan's Apparel Sector, Actions to Date and Next Steps, Update 2, June-October 2007*, 30 December 2007, Ministry of Labor ([www.mol.gov.jo](http://www.mol.gov.jo))

<sup>15</sup> See information on on-going initiatives in *Labor Compliance in Jordan's Apparel Sector, Actions to Date and Next Steps, Update 2, June-October 2007*, 30 December 2007, Ministry of Labor ([www.mol.gov.jo](http://www.mol.gov.jo))

providing mandatory training to all factory managers on protection of migrant workers. This may be an area where the government can work in coordination with JGATE or FIA as well, although it is essential that the training remain independent and trusted by all stakeholder groups.

**Create incentives for local Jordanians:** An ongoing struggle for the apparel industry in Jordan is the limited ability to attract and retain local Jordanians to factories. One way to build local capacity is to set up vocational training centers that include the requisite incentives to attract local workers. Clear progress on this has been made with support from the World Bank, the European Training Foundation, and other potential donors. A good practice example is the Center of Vocational Training and Information that was set up by the Egyptian Ministry of Education for the electricity, electronics, mechanics, and garment sectors. This initiative, launched in 1993, is supported by GTZ and includes classroom based vocational training and practical experience with producers and manufacturers. Students are provided with a monthly stipend during the course so as to build the requisite incentives to complete the vocational education.

## **2. *Recommendations: Better Work***

The following recommendations were offered by buyers, manufacturers, and government officials to the Better Work Jordan project as it develops a framework for Better Work Jordan:

**Ensure Buyer Commitment to Reduce Duplicative Audits:** Manufacturers overwhelmingly expressed audit fatigue. They pointed to different certifications such as the government run Golden List, WRAP and FLA – each of which had held a promise of a reduction in audits that has not materialized. Hence, while most manufacturers are open to Better Work, the main driver in getting behind this program would be a reduction in duplicative audits performed by individual companies. There may also be an incentive-based program whereby a series of verified self-audits could lead to commitment on the part of Better Work to reduce the frequency or depth of ongoing enterprise assessments of a given factory.

**Link CSR with Business Process Improvements:** Manufacturers noted that remediation efforts should ideally link CSR with business operations. They note a strong need for partners in helping them to link internal process improvements that they suspect would also lead to improvements in their CSR performance. For instance, several manufacturers mentioned ways in which they might redesign their production on the floor to increase efficiency and therefore decrease excessive working hours. As part of this, Better Work could advise companies on ways to integrate data tracking and analysis systems into their operations.

**Differentiate Good Performers:** Some manufacturers expressed concerns around how violations will be reported. High performing factories would prefer for Better Work to publish findings and actions taken by specific factories as opposed to reporting findings

in an aggregated manner. This would build in accountability and give “good factories” the credit and recognition they feel they deserve.

**Avoid Perception of Conflict of Interest:** Some manufacturers expressed concerns around remediation and auditing staff being the same people, citing past problems in which they felt auditors found problems to create future business for themselves. It is therefore recommended that Better Work think through the potential audit and remediation roles and ensure that perverse incentives to find issues does not exist.

**Focus on education and awareness building:** Some manufacturers recommended that Better Work first focus on a diagnostic of each factory and help with remediation before additional auditing and publicity around problems. Similarly, a number of manufacturers expressed frustration with both the government and NGOs that have reached out to them to gather data but there has been no reciprocity in terms of these stakeholders sharing best practices and providing manufacturers with recommendations of how best to address the issues identified. Manufacturers have therefore expressed a desire for Better Work to do things differently, which includes engaging with manufacturers from the onset and building trust by sharing assessment results, jointly addressing issues of non-compliance and working as true partners on correction action plans.

**Train Internal Compliance Officers:** Manufactures expressed a need to train internal compliance offices at their facilities. Many have hired full- or part-time people to fill this role internally, but many are improperly trained to successfully promote CSR within their facilities.

**Share Best Practices:** Manufacturers requested that Better Work provide an arena whereby they can share best practices. While manufacturers realize the need to report on issues found, they would also like to be able to promote the efforts they have made to improve working conditions at their facilities. This would create incentives for factories to create innovative approaches and would provide them with acknowledgement for their efforts in addition to constant identification of areas needing improvement.

**Ensure synergies with the government:** A key message from manufactures is to prevent Better Work from becoming a program that is disconnected from other government efforts. Manufacturers would hope that the Better Work program works with Ministry of Labor in a synergistic and complementary manner. One manufacturer for example suggested linking Better Work assessments to the Golden List so as to ensure synergies. Additionally coordination with JOIN US, a competitiveness project financed by the government in coordination with JGATE, was recommended. Finally, a few manufacturers noted that the Better Work effort should capitalize on the Ministry of Labor’s inspectorate capacity building program that is currently underway and leverage these inspectors.

**Ensure Coordination with Other External Efforts:** Manufacturers and government officials stressed the importance of coordination with other ongoing efforts in the country, particularly the IFC Inspection Reform project. IFC launched the Inspection

Reform Project in Jordan in July 2006 in cooperation with the Ministry of Industry and Trade and Ministry of Labor, to support the Government of Jordan in implementing a comprehensive inspection and licensing related inspection reform scheme. The main goals of the inspection reform projects are to minimize risk and uncertainty to the private sector, increase its efficiency and effectiveness, and maximize compliance by the private sector with the fundamental requirements of health, safety and environment. The project is currently concluding its first phase and there are many opportunities for collaboration between Better Work and the Inspection Reform project in its subsequent phases.

## **VI ANNEXES**

### *Annex 1 - Better Work Jordan Project Document*

## **BETTER WORK JORDAN**

*Ministry of Labour*  
**USAID**

## **PROJECT DOCUMENT**

*Prepared by the International Labor Office (ILO) and International Finance Corporation (IFC) Better Work program*

*August 2007*

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## Executive Summary

Developed at the request of the Ministry of Labour of Jordan, the aim of the proposed *Better Work Jordan* project is to improve labour standards and enterprise performance in Jordan's export and labour intensive industries in global supply chains. It is a partnership between the International Labour Organization (ILO) and the International Finance Corporation (IFC). It will collaborate closely with existing related initiatives in Jordan, including the ILO Decent Work Country Program (DWCP) and IFC priorities.

*Better Work Jordan* is a 5-year project with the following three components: (1) enterprise assessments against (a) the principles of the ILO Declaration on Fundamental Principles and Rights at Work, 1998 ("the ILO Declaration")<sup>16</sup> and Jordanian labour law, (b) quality and productivity; (2) enterprise advisory and training services designed to support practical improvements; and (3) stakeholder engagement and sustainability. This project document explains the background to the project; the project strategy; and describes each component in more detail. It highlights how *Better Work Jordan* will incorporate gender equity into the project and discusses reporting and evaluation processes. Finally, the document proposes a draft project budget and how this would be shared between Ministry of Labour, USAID and private sector.

It is proposed that *Better Work Jordan* have two donor partners who will fund different components. These are:

Component	Title	Donor
Component 1	Enterprise assessments	USAID
Component 2	Training and Remediation	Ministry of Labour
Component 3	Stakeholder Engagement and Sustainability	USAID

Details are provided in the budget section on the funding requirements for each donor.

## Background

### 2.1 General

The International Labour Organization (ILO) and the International Finance Corporation (IFC) agreed in August 2006, to collaborate in developing a global programme for better labour standards in global supply chains. The objective of the Better Work programme is to improve labour standards and enterprise performance in global supply chains in developing countries. It will do this by (a) promoting compliance with core international labour standards as expressed in ILO Declaration and national labour law in global supply chains as a basis for building socially responsible export strategies and (b) enhancing enterprise-level economic and social performance. The focus will be on long-term sustainable solutions which build cooperation between government, employer and

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<sup>16</sup> The ILO Declaration refers to core international labour standards covering freedom of association and collective bargaining, child labour, forced labour and discrimination.

workers organizations, and international buyers. As part of the program there will be a number of pilot projects. One of the potential pilot countries is Jordan.

During the past few years Jordan has been undergoing a period of reform, economic openness and global integration, as evidenced by trade agreements with the European Union and the United States, and successful accession to the World Trade Organisation. Growth has averaged over 6% per year since 2001. One of the fastest growing sectors has been the garment and textiles sector, which amounted to almost 30% of total exports during 2005.

Despite reforms and strong growth, the Jordanian labour market faces numerous challenges. Unemployment decreased from 14.5 % in 2003 to 12.5 % in 2004, but is especially high for young people between 18 to 35 years and more specifically for educated young women. Disparities exist between urban and rural areas. Migration is significant, both in terms of (a) out-migration of educated people and (b) in-migration of people to take low-skilled jobs in which Jordanians are not interested.

The contradiction between high unemployment rates and increasing numbers of migrants working in the export zones is evident. Recent Jordanian research indicates perceived poor working conditions are a significant reason that Jordanians are not interested in working in the QIZs. The government has taken serious measures to improve the working conditions in the QIZs and to increase the number of Jordanian workers in the industry but additional effort is required.

According to the statistics issued by the Ministry of Labour for April, 2006, the total workforce in the QIZs is over 54,000. Of these, 33% are Jordanians. The remaining workers are migrants from various countries, including Bangladesh (25%); China (18%); Sri Lanka (17%), India; (7%) and others (1%). There has been a rapid increase in the use of migrant labour in the QIZs. In 2001, the majority of workers in the zones, 64%, were Jordanian.

There are reports of alleged violations and abuse of migrant workers rights in the QIZs. A report by the National Labour Committee (NLC), a US-based NGO, in May 2006 alleged that migrant workers face abusive working conditions in the Jordanian QIZs and that employers are not complying with labour standards. Some of the abuses mentioned include: non-payment (or delay) in wages; confiscation of passports; long working hours; non-payment for overtime and violence and abuse in the workplace.

In light of the NLC report and in order to assess the importance of labour compliance issues to the international buyers, the IFC conducted two surveys in late 2006. Both surveys targeted multinational apparel companies that purchase products made in Jordan. One focused on the *sourcing managers* within the companies to assess how purchasing decisions are made and how Jordan is perceived relative to other regional sourcing locations. The other targeted the *compliance staff* within the companies in order to delve more deeply into issues surrounding alleged labour violations and migrant workers. Both surveys received responses from buyers accounting for a total of 52% of the value of apparel exports from Jordan.

The sourcing managers surveyed rated labour standards as a critical factor in choosing both (1) a country in which to do business and (2) a factory from which to purchase goods within a given country. They reported feeling increased pressure on these issues from their consumers and other stakeholders over the last 2 years. Labour standards rated ahead of “access to international materials and supplies” and the “country’s trade preferences” among the top reasons to source in a given country. Compliance with labour law and/or the buyer code of conduct narrowly surpassed even “price” in the decision to select one factory over another. “Product quality” and “reliability” ranked third and fourth in the selection of factories with which to work.

The compliance survey echoed the results of the sourcing survey in terms of the importance that buyers place on labour compliance. Five of the buyers interviewed are increasing social auditing in Jordan, with two companies now visiting factories monthly. The particular compliance issues that buyers were more concerned about in Jordan than in other sourcing locations were the following: illegal use of migrant labour; forced labour/trafficking; and wage deductions.

Both surveys revealed that the primary reason that buyers source from Jordan is the FTA with the United States which allows Jordan to remain price competitive with its apparel-producing neighbours. Recent compliance concerns are raising the cost of doing business, however, and may put Jordan’s competitiveness at risk.

The Government of Jordan has taken numerous serious measures to improve overall labour administration and social dialogue systems in Jordan, as well as compliance in the garment sector. In this respect, the Ministry of Labour has developed an Action Plan reflecting a three-pronged approach of direct action to improve working conditions, institutional reform and increasing employment opportunities for Jordanians. Activities being implemented include the reform of the Ministry of Labour and the Labour Inspectorate, the establishment of a Tripartite Advisory Committee and different skills development programmes. It works together with organizations such as the World Bank, the European, and USAID on a number of these activities but also undertakes activities independently. The Ministry has published the Action Plan on its website ([www.mol.gov.jo](http://www.mol.gov.jo)), where it also publishes regular updates on progress made in the implementation of the different activities in the Action Plan.

Jordan has ratified seven of the eight conventions that comprise the core labour standards. The Government of Jordan has been working with the ILO, through a technical cooperation project, on the review of its labour law. A range of amendments have been proposed by the Government. They are still awaiting consideration by parliament which is likely to occur towards the end of 2007 or early 2008. Under the proposed amendments to the labour law, migrant workers would be able to join Jordanian unions. These changes will bring Jordanian law closer to the requirements of convention 87 on freedom of association. Further work will be needed to achieve complete conformity.

## 2.2 Fit with ILO and IFC Strategic priorities

*Better Work Jordan* falls within the framework of the ILO Decent Work Country Programme (DWCP) which was signed by the Jordanian Prime Minister, Mr. Marouf Bakhit and ILO Director General Mr. Somavia in August of 2006. The DWCP integrates a combination of measures in the areas of employment promotion, rights at work, social protection and social dialogue based on the national policy framework and the social partners' commitment. The goals of this programme are to reduce the decent work deficits and strengthen national capacity to integrate decent work objectives within social and economic policies.

*Better Work Jordan* is also coordinated with the ongoing work of the IFC to support the Government of Jordan in implementing a comprehensive licensing and inspection reform programme in Jordan. The project includes efforts to improve labour administration including labour inspection. These aspects of the project will continue to be coordinated with the ILO's activities to build capacity of the Ministry of Labour and the *Better Work Jordan* project.

The goal of *Better Work Jordan* is to reduce poverty in Jordan by expanding decent work opportunities in global supply chains. It will do this by improving competitiveness of enterprises in Jordan which are part of global supply chains by promoting economic and social performance, the principles of the ILO Declaration and compliance with Jordanian labour law.

*Better Work Jordan* takes a programmatic approach, incorporating the following five strategic elements:

Harmonising Enterprise Assessment to help enterprises identify their compliance needs and take corrective action;

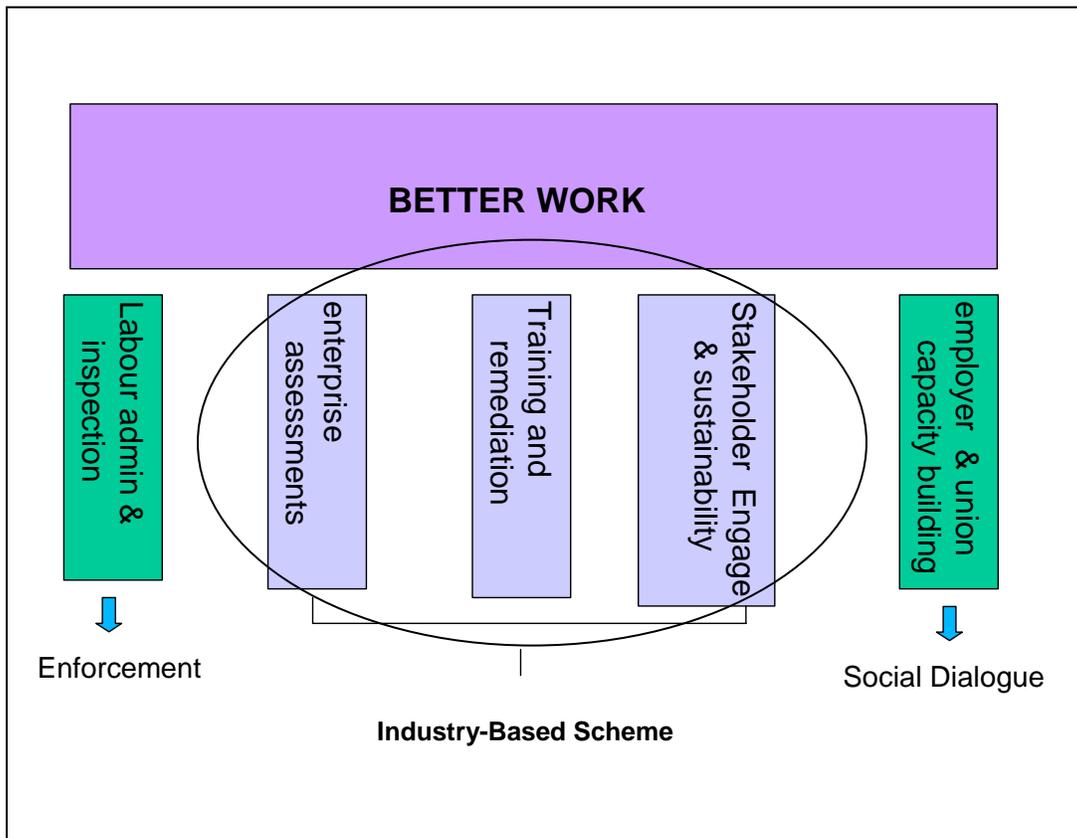
Promoting remediation and upgrading of enterprise economic and labour standards performance;

Training workers and supervisors

Enhancing labour administration including labour law enforcement;

Strengthening employers and workers organization capacity and interactions for social dialogue at both the enterprise and industry level.

The interaction between the different elements is set out in the diagram below.



*Better Work Jordan* is an industry-based intervention. As such, it focuses activity in the central three elements highlighted in the circle (enterprise assessments; training and remediation; and stakeholder engagement and sustainability). At the same time, it is designed to support the ILO's broader longer-term strategy of building capacity in labour administration and national employers' and workers' organisations as articulated in the Decent Work Country Program.

The design of *Better Work Jordan* involves looking for opportunities to add value and achieve synergies of effort. As a joint IFC and ILO project, it is critical to complement and support the existing ILO and IFC efforts. Relevant initiatives are summarized in the table below. This broad programmatic approach with a coordinated effort at the country level is key to the success of the project.

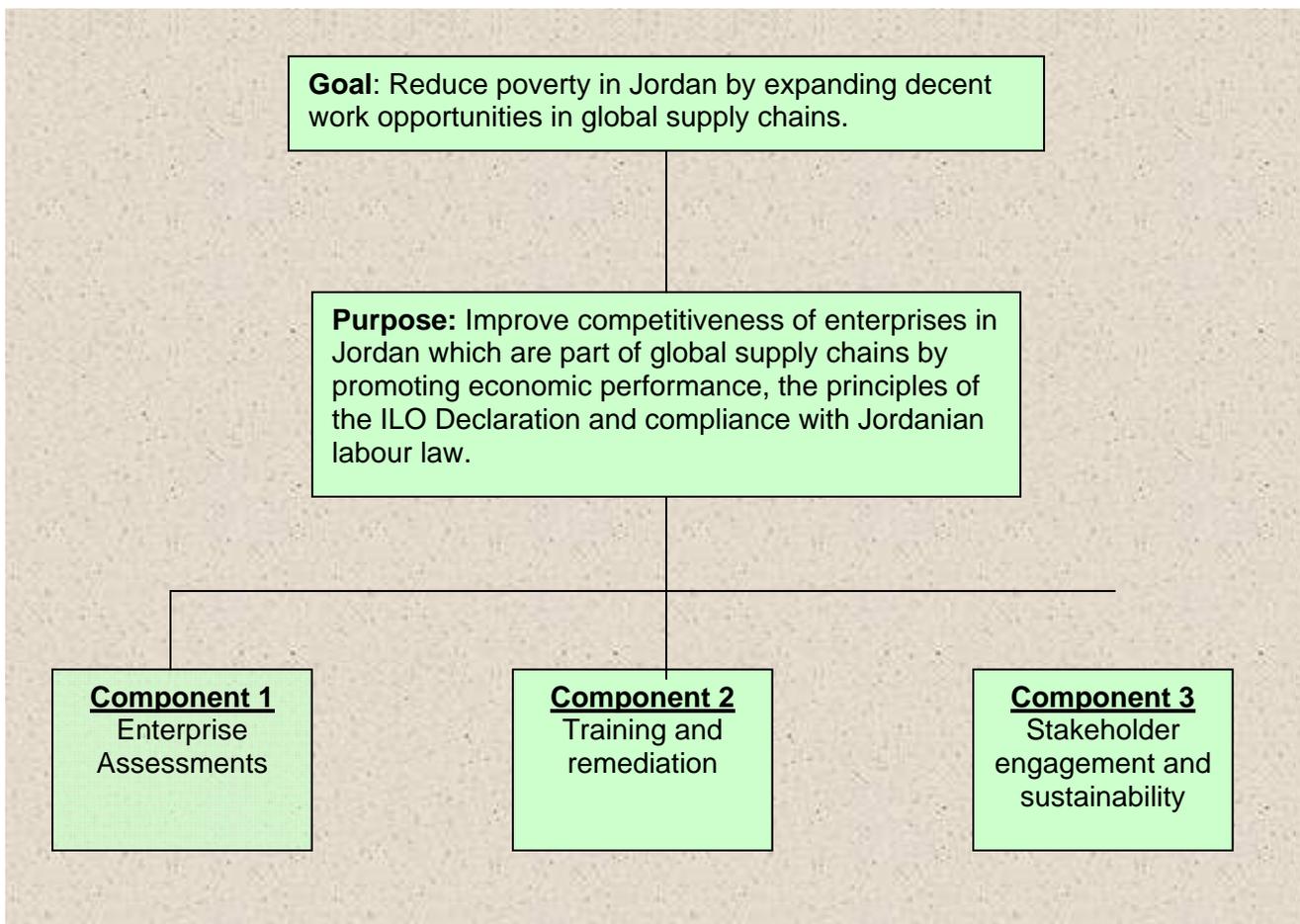
Project	Objectives
Promoting Fundamental Principles and Rights at Work in Jordan (ILO)	A more effective labour administration enforcement mechanism in place; Sustainable and effective social dialogue and dispute settlement mechanisms established including dispute prevention and resolution; Sound employers' and workers' organizations more capable of representing the interests of their constituency.
Forced Labour and Trafficking in Jordan (ILO)	Increase awareness on forced labour and trafficking among employers' and workers' organisations; Increased skills levels for officials of Ministry of Interior, Ministry of Labour and judiciary on forced labour and trafficking including coordination for law enforcement and prosecution; Promotion on codes of practice against forced labour, monitoring recruitment of migrant workers and safeguards against forced labour abuse.
Licensing and Inspection Simplification in Jordan (IFC PEP MENA)	Mapping and Review of Licensing and Inspection System for Pilot Ministries and Benchmark Survey including Ministry of Labour; Process Evaluation and Re-Engineering of the Labour Inspectorate Implementation of New Administrative Processes within the Labour Inspectorate

All three initiatives support the MoL. *Better Work Jordan* will coordinate with these activities but will be an industry-based scheme focused at the enterprise level. Furthermore, it will initially specialise in the export apparel industry allowing the other initiatives to focus in other industry areas. There are many opportunities for *Better Work Jordan* to directly contribute to the other initiatives. For example, newly hired labour inspectors could receive on the job training by working with the *Better Work Jordan* staff on Factory Assessments. There are further possibilities regarding sharing information management systems (or some derivation) between the *Better Work Jordan* and the Inspection Reform projects. This is discussed in the project document below.

## Better Work Jordan Strategy

The goal of *Better Work Jordan* is to reduce poverty in Jordan by expanding decent work opportunities in global supply chains. It will do this by improving competitiveness of enterprises in Jordan which are part of global supply chains by promoting economic and social performance, the principles of the ILO Declaration and compliance with Jordanian labour law. The project is an industry-based scheme that works at the enterprise level. It uses transparent public reporting to promote accountability and measure progress over time. Local factories can use the project reporting to demonstrate compliance performance and remediation plans to their international buyers. The project includes training opportunities for workers and supervisors. It will be advised by a tripartite committee and international buyers, provide for broader stakeholder engagement, and be rigorously evaluated.

Figure 1: Better Work Strategy Overview



*The specific components of Better Work Jordan are described below.*

## Component 1: Enterprise assessments

Objective: To improve (1) compliance with Jordanian labour law, and the principles of the ILO Declaration, and (2) quality and productivity.

Under this component Better Work Jordan will provide assistance at the enterprise level through Enterprise Assessments. Compliance with Jordanian labour law and the principles of the ILO Declaration will be assessed at each participating enterprise at least annually. The ILO Declaration covers freedom of association and right to collective bargaining, discrimination, child labour and forced labour. The Enterprise Assessment will identify both (a) compliance requirements and (b) recommendations on improvements in systems to support proactive management of compliance. The Enterprise Assessment includes optional modules to measure productivity and quality. This module will include a concise set of questions on quantitative data and on systems. No information on productivity or quality performance on individual factories will be disclosed. This optional module allows factories to track improvements over time. It also allows the project to gather aggregate data and adjust training and enterprise assistance accordingly. Enterprise Assessments will be followed up with enterprise level assistance in identifying priorities, developing corrective action plans (CAPs) and providing training opportunities. (See Component 2).

*Better Work Jordan* will integrate Enterprise Assessments and enterprise level assistance functions within the role of an Enterprise Advisor. Each Enterprise Advisor will have a caseload of factories with which to work on an ongoing basis. Annual Enterprise Assessments for each enterprise will be conducted by two Enterprise Advisors who do not have caseload responsibility for the particular enterprise. Public sector inspectors will join the assessment team. The project staff will prepare the reports and sign off will be done by the project management. Information from the assessments will be posted into the Better Work Information Management System (IMS). When applying for a *Better Work Jordan* Enterprise Assessments the procedures will be carefully explained including the need for access to the enterprise and full disclosure. Factories who have applied for Enterprise Assessments will be listed on the website for one year from the application to help ensure that they receive recognition for their participation.

The Information Management System (IMS) is a software tool developed by the ILO in the *Better Factories Cambodia* project which captures information on compliance needs and remediation. It is a multi-lingual web-based system which allows factories to share information with third parties such as their international buyers. It will be able to generate reports in Arabic, English and Chinese including a range of quantitative reports measuring progress over time. The IMS will underpin *Better Work Jordan* as set out in Appendix 3. It is currently being adapted by the global *Better Work* programme to support country projects such as *Better Work Jordan*.

A variety of reports will be provided. Private reports include:

*Enterprise Assessments* reports:

*Enterprise* corrective action plans (CAPs) and progress on implementation:

Public reports include:

Aggregated quantitative reports on trends and issues

Reports which name factories and progress made on addressing their Enterprise

Assessments in some key performance indicator areas.

Public reports will only name factories and progress made in implementing suggestions after their second Enterprise Assessment so that the factories concerned have the opportunity to address problems identified in the first visit. Transparency is very important to building industry reputation and credibility for the project.

The IMS will support factories granting access to third parties (such as buyers) through a subscription system to be managed by *Better Work Jordan*. This system is designed to reduce buyer auditing. Buyer commitment to reduce or stop auditing and to redirect resources from auditing to remediation will be sought for participating factories. Three major US buyers (WalMart, Sears/Kmart and Jones New York) have already provided this commitment, together with pledging to strongly encourage their suppliers to participate in the programme and to provide seed funding of US\$25000 each. Through the global *Better Work* programme, the ILO is currently reaching out to other buyers with the assistance of Business for Social Responsibility.

A Self Assessment Tool (SAT) will be made available to all Jordanian firms to help them identify and proactively manage compliance with labour standards. A simple download version will be available free of charge. A web-based version will be available which allows for storing the assessment on the *Better Work Jordan* server, access by authorised third parties (such as a buyer) and tracking progress over time. There will be a fee to cover this additional service.

### ***Activity***

#### ***Output 1: Enterprise Assessments***

1.1.1 *Enterprise Assessments by Better Work Jordan (increasing to 120 per year)*

1.1.2 *Self Assessment tool for simple download*

1.1.3 *Self Assessment on Better Work Jordan server*

#### ***Output 2: Quarterly synthesis reports produced***

1.2.1 *Production of reports*

## Component 2 Training and remediation

*Objective: To make sustained progress in improving enterprise compliance and economic performance.*

*Better Work Jordan* will offer a range of services to enterprises. All these services will be action-orientated and aim to improve performance on labour standards and quality and productivity. A consistent theme in all services will be increasing workplace cooperation between management and workers to achieve these aims and reduce disputation between them.

The services offered will include:

Web-based and Self Assessment and independent Enterprise Assessment services

Work Books for mini projects to address common problems in enterprises

Enterprise Advisory services including assistance with corrective action plans, implementation and training brokerage

Enterprise level worker awareness raising on rights and responsibilities including training kits, comic books, etc.

A range of class room based training packages including a 12 month modular training programme, single issue training, training HR managers to deliver induction training kits, and first level supervisor training.

*Better Work Jordan* will offer all services with core staff with the exception of the classroom-based training. This will be provided by a network of qualified training partners which have been trained and certified by the project. The training packages will be developed by the global *Better Work* programme. Training partners will charge agreed fees for training delivery. Training packages purchased by enterprises will include factory level assistance in implementation provided by the *Better Work Jordan* Enterprise Advisors. *Better Work Jordan* in collaboration with the global *Better Work* programme will be responsible for quality control.

For *Better Work Jordan* to be successful it will need to build a reputation for quality and positive impact. Trainers and Enterprise Advisors will be key to success and will be well-trained and supported including with continuous professional development opportunities. The global *Better Work* programme will establish certificated training programmes for both Trainers and Enterprise Advisors, a support network, an interactive web based community of practice, and a professional development programme for these target groups.

There will be an investment by *Better Work Jordan* in localising and translating the global resources, practical tools and training materials to support the programme. In addition, materials specifically designed for Jordan will be developed. This will include materials targeted to enterprises with a high number of migrant workers and ways to increase the number of local workers. These will then be made available to the global *Better Work* programme.

The IMS will be used to support remediation through allowing factories to post and update Corrective Action Plans, track participating in training and promote training opportunities including from related ILO and IFC activities.

### **Activity**

#### **Output 1: Enterprise Advisory services**

- 2.1.1 Corrective action plans (CAPs) and support for factory level remediation and implementation

#### **Output 2: Develop training, resources and tools to support remediation**

- 2.2.1 Translation and localisation of Better Work training, resources and tools materials into Jordanian These include:  
Training materials;  
Good practices sheets;  
Model policies and procedures.
- 2.2.2 Localisation of global TOT for Trainers
- 2.2.3 Localisation of global training package for Enterprise Advisors
- 2.2.4 Localisation of global workbooks for mini projects and production of additional workbooks particularly in relation to workplaces with high levels of migrant workers and where increasing the number of Jordanian workers is desirable.
- 2.2.5 Localisation and development of additional information resources to support the project
- 2.2.6 Development of additional training packages including for (a) workplaces with high number of migrant workers (b) increasing the number of Jordanian workers (c) cultural awareness
- 2.2.7 Development of kits for migrant workers for use in Jordan and sending countries.

#### **Output 3: Delivery of Training**

- 2.3.1 Selection of training partners
- 2.3.1 Modular training programme (7 modules over 12 months)
- 2.3.3 Training for:  
Single issues  
Supervisors  
Worker education
- 2.3.4 Establish a quality control mechanism

#### **Output 4: Development and support for Trainers and Enterprise Advisors**

- 2.4.1 Training of Trainers.
- 2.4.2 Training of Enterprise Advisors
- 2.4.3 Establishment and support for Trainers and Enterprise Advisors
- 2.4.4 Establish a quality control mechanism

### **Component 3: Stakeholder engagement and sustainability**

Objective: To develop an independent organization to support the ongoing operation of Better Work Jordan with appropriate stakeholder engagement

Better Work Jordan will be managed by the ILO in its first three years of operation whilst it works to create an appropriate independent entity. By the fourth year of operation an

organisational entity and governance structure will be established and financial plan developed. As part of the process a plan will be put in place for transfer of staff to the new entity.

The form of the ongoing *Better Work Jordan* entity will need to protect the independence, transparency and credibility of *Better Work Jordan* activities. It will need to have broad stakeholder support including from ILO's tripartite constituents' and international buyers. An appropriate quality control mechanism will be put in place through the global *Better Work* programme and with support of the IFC and ILO.

There will be a tripartite Advisory Committee (AC) to provide advice to the ILO in the operation of *Better Work Jordan* in its first three years of operation. In addition there will be stakeholders' consultative meetings twice per year in order to provide opportunities for a broader range of stakeholders to be consulted about the project. A Jordanian Buyers Forum will be established bringing together international buyers with AC members to discuss issues arising from the project and provide advice. This will be done with a combination of electronic and actual meetings in coordination with the global *Better Work* buyers' consultative mechanism.

The *Better Work* IMS will be adapted and localised. The IMS will be the information "spine" for the project. Stakeholders will need to be trained in how to use the system. Factories will be able to give access to the *Better Work Jordan* to nominated buyers who have paid an annual subscription.

*Better Work Jordan* will develop a marketing and promotions strategy including regular customer surveys. As part of the strategy it will launch a multi-lingual website. This will also provide access to a range of resources to the broader Jordanian community.

An important element will be demonstration effects. Particular activities will be carried out to analyse impact and consider extension to other industries in Jordan and to share expertise internationally. This will be important for the sustainability strategy as unless the project extends its reach it is unlikely to achieve sustainability.

The global *Better Work* programme is designing an impact measurement strategy for its global and national level activities. This will include the *Better Work Jordan* project. As part of this process there will be benchmark studies of firm productivity and quality performance, The IMS will provide information on labour performance. Whilst productivity and quality sections will be included in the IMS from the beginning, it is expected that the reliability of data will improve over time. Many enterprises do not systematically collect this data and some may opt not to enter it into the IMS. Therefore the *Better Work Jordan* project will implement a base line survey that will be repeated in the 3<sup>rd</sup> and 5<sup>th</sup> year.

*Better Work Jordan* will also consider ways to collaborate with important institutional players such as the MoL and union bodies.

The MoL is responsible for labour administration and enforcement in Jordan. There are opportunities to develop collaboration between the MoL and the project. The Chief Technical Advisor of Better Work Jordan will produce a specific plan for collaboration within six months of the launch of the project. The collaboration plan will be developed in consultation with the MOL, ILO and IFC. It may include:

Opportunities for building capacity for staff for MoL by participating in *Better Work Jordan* training and activities;

Development of a common Enterprise Assessment tool:

Procedures for information sharing with the public inspectorate to enable enforcement actions against factories in which there are serious human rights violations, such as trafficking, identified by the project

Providing feedback to MoL on labour law implementation: areas which require clarification and problems:

Ideas on improving incentives for enterprises to participate in the programme so as to allow MoL to use its resources more strategically.

Collaboration on developing a common software platform in conjunction with the IFC inspection reform project (subject to separate funding).

This plan will be the basis of consultation between MoL, ILO, and the IFC. Some initiatives may be resource neutral or low cost and can be easily accommodated within the existing project. Others may need additional resource allocations. ILO and IFC (in conjunction with their existing projects in related areas) will work together with MoL to help ensure an appropriate implementation mechanism.

During the scoping mission for the Better Work Jordan project many parties emphasised the importance of working with the industry union to develop its capacity for representing workers at the enterprise level. The absence of effective worker representation means that grievance handling and dispute resolution mechanisms are often not effective. It is not appropriate that this be done within the *Better Work Jordan* project. However the ILO is discussing what forms of appropriate support might be provided to build union capacity in representing workers at the enterprise level. *Better Work Jordan*, with its enterprise level focus on workplace cooperation and support for enterprise level management and union committees, provides a perfect opportunity for synergy with developing the capacity of the industry union to represent workers.

#### *Activity*

#### **Output 1 Governance structures/Stakeholder engagement**

- 4.1.1 *Establish the legal entity for Better Work Jordan, guidelines and training for stakeholders*
- 4.1.2 *Twice yearly stakeholder consultative meetings*
- 4.1.3 *Buyers forum*
- 4.1.4 *Project Advisory Committee meetings*
- 4.4.5 *Establish appropriate financial, IT and human resource systems for the independent entity.*

#### **Output 2 IMS**

- 4.2.1 *Jordanian Enterprise Assessment tool based on Jordanian labour law and core international labour standards*
- 4.2.2 *Localisation of the IMS*
- 3.2.3 *Equipment and support*
- 4.2.4 *Training for stakeholders*
- 4.2.5 *Business model*

**Output 3: Communications and Marketing**

- 4.3.1 *Development of a communications and marketing strategy*
- 4.3.1 *Website for Better Work Jordan in Jordanian, Chinese and English with public, extranet and internets as part of the global Better Work programme.*
- 4.3.2 *Promotional materials on Better Work Jordan*

**Output 4: Knowledge Sharing**

- 4.4.1 *Industry cluster meetings and information seminars*
- 4.4.2 *Feasibility study to extend to other Jordanian industries (e.g. stone and marble)*
- 4.4.3 *Establishment of local and international on-line communities of practice.*
- 4.4.4 *Annual global Better Work skills sharing, coordination and strategic planning meeting.*

**Output 5: Impact Evaluation**

- 4.5.1 *Survey of selected factories on firm economic performance and labour performance based on information from IMS enterprise feedback on project services*  
*There will be a baseline survey and repeat surveys in the 3<sup>rd</sup> and 5<sup>th</sup> year. In alternate years this will be supplemented by in depth research on key themes.*

**Output 6: Support to Ministry of Labour**

- 1.2.1 *Collaboration plan between Better Work Jordan and the Ministry of Labour*
- 1.2.2 *Feedback to MoL staff on implementation of the law and key issues which arise frequently*
- 1.2.3 *On and off-the-job training opportunities for MoL*

**Addressing Gender Equality and Discrimination**

Within 3 months of program start up, *Better Work Jordan* a gender equality and non-discrimination plan. It will include a range of gender equality and non-discrimination policies and procedures. It could include the following:

Staff

Affirmative action in staff recruitment targeting gender equality in both professional and general staff categories

Gender equality and non-discrimination in all job descriptions, selection criteria and annual performance assessments

ILO human resource practices to support combining family and work responsibilities  
Gender equality and non-discrimination training for all staff  
Cultural sensitivity workplace policy  
Senior staff member responsibility for gender equality and non-discrimination

Training

Target 30% minimum female participation  
Target 50% trainers and consultants participation  
Requirement for the inclusion of female training partners  
Requirement that all training material be gender inclusive  
Address issues affecting women and migrant workers in training materials

Information resources

Gender neutral and non-discriminatory  
Deal with issue for women and migrant workers

Enterprise Assessments

Target of 50% for the number of women Enterprise Advisors (33% minimum)  
Address discrimination issues, including discrimination faced by migrant workers

Monitoring and Evaluation (M & E)

Disaggregate data by gender and nationality;  
Gender equality targets in M&E Framework  
Develop a gender equality and non-discrimination action plan within 3 months of start up

In addition specific initiatives for gender equality and non-discrimination may be developed to supplement the mainstreamed activities.

Reporting, Monitoring & Evaluation Framework

The global *Better Work* programme is designing an impact measurement strategy for its global and national level activities. A common monitoring and evaluation framework will be developed for the country projects to allow for consistent reporting and comparison of results. This will include *Better Work Jordan* and will be completed by October 2007.

In addition, *Better Work Jordan* will provide quarterly progress reports with details on the activities undertaken against the workplan, constraints met and lessons learnt during the three months under review. These will also be discussed at the Advisory Committee.

A mid-term self-evaluation will be carried out the third year of the project. This will draw on the information and research conducted under the monitoring and evaluation programme.

A final evaluation will be undertaken at the end of the five year project. The final evaluation will focus on assessing the long-term results, impacts, sustainability of the project following its completion and draw lessons for further programming and policy-making.

implementation risks

There are three main risks in the implementation of this project. The risks and mitigation strategies are set out in the table below.

<i>Risk</i>	<i>Mitigation Strategies</i>
The tripartite partners and international buyers do not support and collaborate fully in the activities of the project	High level of engagement in the project design and implementation phases; The Government of Jordan has already shown commitment by requesting the parties to develop the programme and by pledging to make a budget contribution of US\$ 1 million.

	<p>Major US buyers have already pledged support;  Global <i>Better Work</i> programme is managing a consultative forum with buyers through a partnership with Business for Social Responsibility (BSR).</p>
<p>Enterprises will not buy services at the level contained in the project business plan</p>	<p>Assessment of demand in the design stage indicates that the projections of demand are conservative. Further the project design includes:  Incentives for firm participation  Engagement of buyers to encourage suppliers to participate. Commitment from 3 major buyers already in place.  BSR is currently mapping buyers supply chains and testing the assumptions in the project design for confirmation.  Documentation of business case to build understanding of benefits  A marketing and communications strategy.</p>
<p>Difficult to find, train and support appropriate Trainers and Enterprise Advisors with appropriate language skills to communicate with migrant workers.</p>	<p>The skill levels in Jordan indicated that it is possible to find appropriate project staff. Support and development is required. The design deals with this risk by:  Building in substantial TOT and entry-level training for key staff:  Professional development and support programme.  Budgets for interpretation  Relatively good employment security prospects with a global programme supported by IFC and ILO.</p>
<p>The industry will be significantly negatively affected by changes in the trade regulation framework and/or will become uncompetitive.</p>	<p>The viability of the industry is largely beyond the control of the project. The project is designed to assist with improving the industry's competitive position and strengthen engagement with international buyers. This provides a measure of support.</p>



## Budget

Below is the proposed budget for Components 1 and 3 to be funded by USAID. The total is US\$2,695,323 . International buyer contributions of US\$75 000 would be used to off-set this amount to US\$2,620,423. It is proposed to process this through the Global Development Alliance facility. (to be further discussed)

ILO Budget Codes	Costs	Year 1	Year 2	Year 3	Year 4	Year 5	total
11.01	CTA (Program Manager)	161,000	161,000	161,000	161,000	161,000	805,000
11.02	Intl training consultant	-	-	-	-	-	-
11.03	International experts	1,000	41,550	32,128	12,734	13,371	170,782
13.01	Administrative support	15,000	15,000	15,000	15,000	15,000	75,000
15.01	Travel costs	8,000	8,000	8,000	8,000	8,000	40,000
16.01	Evaluation	12,677	12,637	12,412	12,643	25,302	75,672
17.01	National professional staff (FA)	54,545	54,545	81,558	46,753	51,948	289,351
32.01	Training/tools development	19,819	18,813	14,033	10,653	10,620	73,939
33.01	Staff development	13,068	13,068	4,578	4,838	5,097	40,649
21.01	Sub-contract	-	-	-	-	-	-
41.01	Equipment	21,136	-	-	11,753	9,753	39,396
51.01	Operations and maintenance	81,564	81,493	68,529	73,968	79,006	384,559
52.01	Reporting costs	25,689	65,665	25,276	20,507	40,542	177,679

59.01	Sub total	413,499	471,772	422,513	377,850	419,640	2,172,028
11.099	Global Better Work technical support	52,354	54,888	57,136	60,528	63,574	288,480
53.5	UNDSS security requirements	-	-	-	-	-	-
68.01	ILO administrative support	24,045	33,024	29,349	26,450	29,375	142,242
71.01	Provision for cost increases	-	23,589	20,963	18,893	20,982	84,426
-	<b>total</b>	<b>489,899</b>	<b>583,273</b>	<b>529,961</b>	<b>483,720</b>	<b>533,570</b>	<b>2,620,423</b>

Buyer contributions to components 1 and 3 are set out below.

**ILO Budget**

<b>Codes</b>	<b>Costs</b>	<b>Year 1</b>
11.03	international experts	70,000
59.01	sub total	70,000
68.010	ILO PSI for administrative support	4,900
-	<b>total</b>	<b>74,900</b>

Below is the proposed budget for Component 2. The total is US\$1,629,304. This would be offset by US\$579,400 in fees. The balance of US\$1,050,000 will be provided by the Ministry of Labour.<sup>17</sup>

<b>ILO Budget</b>								
<b>Codes</b>	<b>Costs</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>total</b>	
11.02	Intl training consultant	60,000	60,000	60,000	60,000	60,000	300,000	
11.03	International experts	9,000	9,450	9,923	10,419	10,940	49,731	
13.01	Administrative support	5,000	5,000	5,000	5,000	5,000	25,000	
15.01	Travel costs	4,000	4,000	4,000	4,000	4,000	20,000	
16.01	Evaluation	7,323	7,363	7,588	7,357	14,698	44,328	
17.01	National professional staff (FA)	30,390	30,909	25,974	26,299	29,221	142,792	
32.01	Training/tools development	121,932	116,499	64,381	44,532	48,375	395,719	
33.01	Staff development	7,549	7,614	2,799	2,815	2,961	23,737	
21.01	Sub-contract	-	-	-	-	-	-	
41.01	Equipment	15,097	130	(1,234)	6,120	6,769	26,883	
51.01	Operations and maintenance	46,168	46,742	42,375	42,273	45,085	222,643	
52.01	Reporting costs	4,000	4,000	4,000	4,000	4,000	20,000	
59.01	Sub total	310,459	291,707	224,806	212,814	231,048	1,270,833	
11.099	Global Better Work Technical Support	28,146	29,637	31,615	32,661	34,275	156,333	
53.5	UNDSS security requirements	14,505	14,153	12,578	11,336	12,589	65,161	
68.01	ILO administrative support	21,732	20,419	15,736	14,897	16,173	88,958	
71.01	Provision for cost increases	-	14,585	11,240	10,641	11,552	48,019	
	<b>Total</b>	<b>374,841</b>	<b>370,501</b>	<b>295,976</b>	<b>282,348</b>	<b>305,638</b>	<b>1,629,304</b>	

An estimate of fee income is set out below.

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Total</b>
<b>TOTAL Service Fees</b>	<b>78,150</b>	<b>91,525</b>	<b>120,200</b>	<b>137,025</b>	<b>152,500</b>	<b>579,400</b>
Factory Assessment	33,750	39,375	50,000	58,500	65,000	246,625

<sup>17</sup> In the event that *Better Work Jordan* does not reach the projected cost recovery, the Minister of Labour will make up the shortfall. This is will be assessed each year. In the event that this occurs, there will be a joint review of the project assumptions and cost recovery projections. As a result of such review the project document and budget may need to be amended.

Factory Advisory	13,500	15,750	21,000	27,000	30,000	107,250
Modular Training	15,000	17,500	25,200	23,625	26,250	
Single issues Training	4,500	5,250	6,600	8,100	9,000	
Supervisors Training	9,600	11,200	14,400	16,200	18,000	
Workers Training	1,800	2,450	3,000	3,600	4,250	

## **Sustainability**

The project is designed to support the transition to an independent self-financing Jordanian institution within 5 years, as discussed under Component 3 above.

In designing the strategy the project will take into account the views of the Government, employer and worker organizations, international buyers, donors and other stakeholders. It will also build on the ILO and IFC's experience with the *Better Factories Cambodia* sustainability strategy which deals with issues such as governance structures and appropriate business plans for financial self-sufficiency. It will also consider scalability of the programme within Jordan and the region, and appropriate models of how this could be achieved.

# Support Services

## STEP 1

### What

Enterprise Assessment  
(Self or by Better Work project)



### Output

Assessment report  
(Self and/or Better Work)



## STEP 2

**Priorities and Create Corrective Action Plan (CAP)**



### Output

Enterprise Corrective Action Plan



## STEP 3

### **Implementation**

Monitor implementation, and update, CAP



### Output

Progress Report on Corrective Action Plan



**INFORMATION MANAGEMENT SYSTEM**

