

## RESEARCH BRIEF:

# The Case Against Verbal Abuse in Garment Factories

## Evidence from Better Work



Better Work research briefs present a summary of the programme's research findings on particular topics

### BETTER WORK

This research brief presents results of recent analysis of responses from workers and managers in Better Work factories in Indonesia, Jordan and Vietnam revealing what causes verbal abuse in garment factories.

Verbal abuse is measured by asking workers whether there is concern in their factory with the use of yelling or vulgar language, and the present research shows that such verbal abuse has negative effects on business outcomes. The findings from this research suggest that, in addition to negatively affecting the well-being of workers, verbal abuse negatively affects worker productivity and factory profitability.

## I. SUMMARY OF KEY FINDINGS

- **Multiple conditions, both internal and external, affect the level of verbal abuse in factories.**
  - o Verbal abuse is driven by the structure of how workers and supervisors are paid. The more a worker's pay is determined by the number of pieces she produces, rather than by the hour, the less likely she is to report verbal abuse as a concern. In contrast, workers are more concerned with verbal abuse if their supervisor is paid based on how efficient workers are.
  - o Sourcing pressure from buyers may trigger verbal abuse. Verbal abuse is up to 23 percentage points more likely where managers report customer penalties for late delivery as a major problem, and up to 3 percentage points more likely where excessive rush orders are an obstacle to business success.
  - o Effective workplace dialogue reduces verbal abuse. Verbal abuse decreases where workers are more comfortable raising concerns with their supervisors, and where workers are part of a collective bargaining agreement.
- **Verbal abuse decreases individual worker productivity, while basic training increases productivity.** In Vietnam, workers require almost one

additional hour per day to reach their production target if they work in an environment where verbal abuse is prevalent concern for workers in the factory. Instead of increasing productivity, verbal abuse hurts overall business performance. Basic skills training, on the other hand, reduces the time needed to reach a target.

- **Factory profitability decreases as verbal abuse increases.** In addition to decreasing productivity, verbal abuse raises production costs by forcing factories to pay more to attract and retain workers. As a result, factories in Vietnam with low levels of verbal abuse have higher profits on average than high verbal abuse factories.

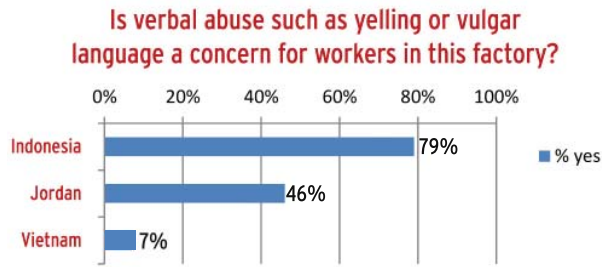
## II. BACKGROUND ON VERBAL ABUSE IN GARMENT FACTORIES

Garment workers in global supply chains often face poor working conditions, including verbal abuse from their supervisors<sup>1</sup>. For example, baseline impact assessment surveys in Better Work Jordan factories show that half of workers reported verbal abuse is a concern in their factory. Workers in Indonesia are even more likely to express concern with verbal abuse, while workers in Vietnam are the least likely to report the problem in the current countries studied.

Figure 1 shows the prevalence of concerns about verbal abuse in factories participating in this study.

<sup>1</sup> In addition to survey responses from workers indicating concern with verbal abuse, interviews with workers in Better Work factories as part of case study research has shown that workers commonly face shouting and insults from supervisors. For example, see: Pike, Kelly and Shane Godfrey, "Corporate social responsibility and the worker stakeholder: Lesotho clothing workers' perceptions of what makes better work," Better Work discussion paper no. 7, Geneva: ILO, 2012

Fig 1



### III. RESEARCH APPROACH

Through its advisory services, Better Work attempts to establish and improve worker-management dialogue to promote joint problem solving in garment factories. An interdisciplinary team of researchers at Tufts University is conducting impact assessment research in Better Work factories to support this effort by establishing greater understanding of the dynamics that lead to certain factory conditions and business outcomes.

The research team recently set out to uncover what factors cause verbal abuse in factories, and whether that kind of behavior hurts or helps business outcomes. The data used in the current analysis were drawn from surveys conducted from 2010 to 2013 in Indonesia, Jordan and Vietnam among managers and workers in over 300 survey visits to factories enrolled in Better Work. Approximately 30 randomly selected workers and four managers in each factory participate in impact assessment surveys.

In the current analysis, researchers first consider how internal factors may determine levels of verbal abuse. These include the organizational structure of factories, the method for determining wages for workers and supervisors, worker training, and whether workers are covered by a collective bargaining agreement. Researchers also consider external factors, such as buyer pressure to fulfill rush orders on tight deadlines, that could lead to higher stress levels among managers and supervisors and could increase their tendency to verbally abuse workers.

Additionally, researchers sought to understand whether verbal abuse hurts or helps the business of factories. Even if workers bring grievances related to verbal abuse to the attention of managers, supervisors may continue to use verbal abuse if they believe it has a positive effect on worker productivity, thereby supporting business goals. If verbal abuse would erode a worker's agency to sense of self-worth, she might be intimidated into accepting lower wages at the factory, which would reduce the cost of production for the

business. Lower costs, combined with higher worker productivity, would make for an attractive business rationale for tolerating verbal abuse.

On the other hand, verbal abuse could be bad for business. Verbal abuse may have a negative effect on worker productivity by reducing morale or causing workers to lose focus. Additionally, instead of suppressing wages, verbal abuse could have the opposite effect as managers overseeing verbally abusive workplaces must pay more to attract and retain workers, thus raising their production costs. Higher costs and lower productivity would be counterproductive to managers' business goals.

As will be detailed in the Findings section below, responses from workers and managers in Better Work factories show that verbal abuse decreases worker productivity and increases production costs, providing strong evidence that verbal abuse against workers also hurts business.

### IV. FINDINGS

Researchers have used responses from workers and managers to identify determinants of verbal abuse, as well as the effect verbal abuse has on production costs, individual worker productivity and firms' profitability. Main findings from the current analysis are below.

#### A. The factory's wage structure and workplace dialogue influence the level of verbal abuse workers face.

Managers seeking to maximize efficiency in their factories will create strategies to encourage worker productivity. One way to encourage individual productivity is to pay workers by the number of pieces they produce (a piece rate) rather than an hourly wage. Evidence from Jordan shows that motivating effort from workers through piece rate wages decreases the likelihood they will experience verbal abuse. The decreasing incidence of verbal abuse occurs as workers are motivated by monetary incentives, rather than through shouting, to increase their productivity.

Furthermore, worker concern with low wages is a strong predictor of verbal abuse. Workers in Vietnam who express concern with low wages are 6 percentage points more likely to also report concern with verbal abuse. Evidence from Jordan also shows that verbal abuse is more likely to occur in factories where the pay of supervisors is determined by the production efficiency of the workers s/he oversees. Supervisors likely believe they can use verbal abuse to elicit faster production from workers, and they are more likely to verbally harass if their pay depends upon worker productivity.<sup>2</sup>

Factory conditions unrelated to wages can also affect the prevalence of verbal abuse. In Vietnam and Indonesia, workers who report less comfort approaching their supervisor with problems that occur in the factory are also more likely to be in an environment with higher verbal abuse. Formal channels for worker-manager dialogue can discourage verbal abuse: in Vietnam, the presence of a collective bargaining agreement significantly decreases an individual worker's probability of being concerned with verbal abuse.

Migrant workers are less likely than locally-recruited workers in Jordan to report concern with verbal abuse. For example, factory workers in Jordan from Bangladesh and Sri Lanka are significantly less likely to report verbal abuse as a problem. This does not necessarily mean they experience verbal abuse less often; rather, workers from Jordan are more likely to report the problem.

Finally, discrimination based on ethnic background is associated with greater verbal abuse. In Indonesia, factories where a perception of ethnicity bias in promotions exists are three percentage points more likely to foster an environment where workers experience verbal abuse.

**B. External pressure from buyers - including late delivery penalties and rush orders - contributes to higher verbal abuse in factories.**

Evidence from Vietnam shows that verbal abuse is three percentage points more likely to occur in factories where rush orders from customers is perceived by managers as a "serious obstacle" to business success. Similarly, where managers in Jordan feel late penalties from buyers is a "serious obstacle" to business success, verbal abuse against workers is more likely to occur.

Verbal abuse is up to 23 percentage points less likely to be a concern among workers in factories in Jordan where managers report customer penalties for late delivery as a "minor" obstacle, rather than a "modest" or "serious" obstacle to business success. This finding suggests that as managers feel increasingly squeezed by late delivery penalties from their buyers, verbal abuse is more likely to be used in an effort to meet production deadlines.

2 Aligning pay incentives for workers and supervisors in a way that focuses on attention on productivity has been found as key to reducing other forms of abuse, such as sexual harassment, in garment factories. For example, see: "Garment Factory Characteristics and Workplace Sexual Harassment," ILO/IFC Better Work research brief, 2014.

<b>KEY DRIVERS AFFECTING LEVELS OF VERBAL ABUSE</b>	
<b>INCREASES LIKELIHOOD OF VERBAL ABUSE</b>	<ul style="list-style-type: none"> <li>• Worker concern with excessively low wages</li> <li>• Hourly pay structure for workers</li> <li>• Supervisor pay based on worker's productivity</li> <li>• Worker discomfort around supervisor</li> <li>• Worker perception of ethnicity bias</li> <li>• Management concern with "too many rush orders"</li> </ul>
<b>DECREASES THE LIKELIHOOD OF VERBAL ABUSE</b>	<ul style="list-style-type: none"> <li>• Worker involvement in a collective bargaining agreement</li> <li>• Piece rate pay structure for workers</li> </ul>

**C. Verbal abuse contributes to higher production costs.**

Wages represent a large proportion of the overall production costs in apparel firms. Data from Indonesia, Jordan and Vietnam suggest the total costs to factories in the form of wages increase as average prevalence of verbal abuse increases. Even if verbal abuse may disempower workers and suppress their ability to advocate for higher wages, it does not appear to outweigh the additional wages factories must pay to attract and retain these workers. Factories in Indonesia have up to a \$.07 USD per hour higher wage expense burden among workers who report concern with verbal abuse, as opposed to those where verbal abuse is not a concern.

In Jordan, wage expenses are up to \$.29 USD per hour higher for workers who report concern with verbal abuse. Verbal abuse increases the production costs for individual factories by increasing wage expenses.

**D. Individual worker productivity decreases as a result of verbal abuse, but increases with more training.**

In addition to raising production costs, verbal abuse is also found to decrease worker productivity. In Vietnam, the average worker reports that it takes her 10 hours to reach the daily production target set by her supervisor. Workers concerned with verbal abuse, however, require almost one additional hour per day to reach this target than workers with similar education, training and experience who are not concerned with verbal abuse. This finding strongly suggests that using verbal abuse as a motivational technique is counterproductive for firms. In contrast, basic skills training reduces the time needed to reach a target.

Workers in Vietnam who have received basic skills training will reach their daily production target nearly a quarter of an hour faster than workers who have not received training.

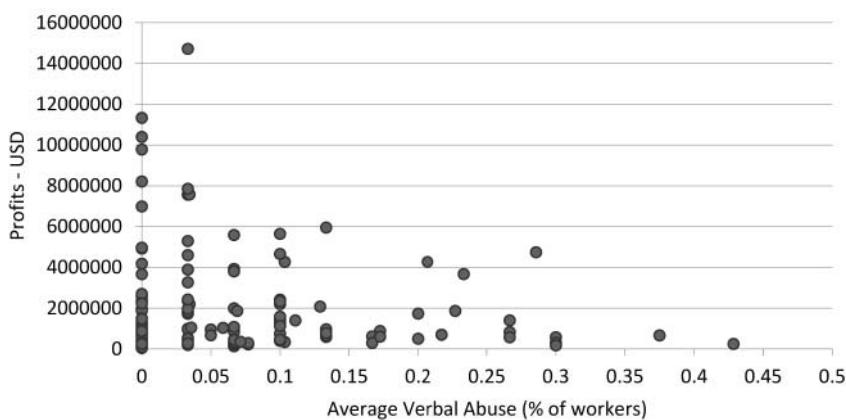
**E. Profitability suffers when verbal abuse increases.**

Preliminary analysis of the relationship between firm profits and verbal abuse in Vietnam suggests factory profits decrease as worker concern with verbal abuse increases. Each point on the graph below represents one factory's reported profits in USD and the percent of workers in that factory who express concern with verbal abuse.

As seen in Figure 2, the majority of factories in Vietnam have only 10 percent or less of its workers reporting verbal abuse as a concern, although a few factories have nearly one third or more of its workers expressing concern with verbal abuse.

**Fig 2**

**Vietnam: Factory Profits and Average Verbal Abuse**



As the percentage of a factory's workers expressing concern with verbal abuse increases, profits decrease. When considered in conjunction with the productivity and costs findings above, the downward trend in this graph strongly suggests that increased use of verbal abuse hurts factory profits.

better worker productivity. For these supervisors, skills training that equips them with positive motivational techniques to use in place of verbal abuse has the potential to increase worker productivity while decreasing verbal abuse.

In addition, managers should align pay incentives in a way that maximizes worker productivity and cooperation between workers and their supervisors. Multi-dimensional pay packages, such as using a base hourly pay rate for workers plus production incentives, or a contract renewal bonus that is based on overall productivity performance, are two possible dimensions of such a strategy.

For full results, see: Rourke, Emily L. (2014) "Is There a Business Case for Verbal Abuse? Incentive Structure, Verbal Abuse, Productivity and Profits in Garment Factories," Better Work Discussion Paper no.15, Geneva: ILO.

**V. CONCLUSIONS AND RECOMMENDATIONS**

The research summarized in this brief has several implications for stakeholders in the global garment industry. In addition to uncovering many of the drivers of verbal abuse, this research provides evidence from factories participating in Better Work showing that verbal abuse adds to the costs of production and reduces individual worker productivity. Together, this strongly suggests that factories seeking to maximize productivity and profits should seek to deter verbal abuse.

However, verbal abuse remains common in factories. Supervisors, particularly those whose pay depends on worker productivity, may mistakenly believe that using verbal abuse as a motivational punishment can spur

**Better Work is funded by** (in alphabetical order):

- Australian Government
- Netherlands Ministry of Foreign Affairs
- State Secretariat for Economic Affairs, Switzerland (SECO)
- Corporate donations from the Levi Strauss Foundation and the United States Council Foundation (funds provided by The Walt Disney Company)