ROGOVSKY, Nikolai and Sims, Emily, *Reduction of overtime in the Asian footwear industry,* in Corporate success through people. Making international labour standards work for you, Geneva: International Labour Office, 2002, 46-47.

Case 4: Reduction of overtime in the Asian footwear industry

A study of 14 factories in three countries (China, Thailand and Vietnam), supplying sports shoes to three leading global MNEs supports the idea that reducing overtime does not necessarily have a negative impact on enterprise performance (Bodwell and Rogovsky, forthcoming).

In the mid-1990s the main footwear MNEs adopted Codes of Conduct and they required their suppliers to comply with them. Working time was very high on the list of changes demanded of suppliers and, at the same time, it was one of the most difficult for factory managers to comply with. Changing from a system where a factory would work whatever hours were needed to get the job done (at the peak season up to 80, even 100 hours a week) to one where it was limited to 60 hours per week (including overtime) has required the supply factories, as well as the MNEs themselves, to change in various ways. Accounting and information systems were needed to keep track of hours worked, and bonus systems were put in place to encourage higher productivity to make up for lost output. Most importantly, training was provided to explain to workers and managers why the change was necessary. Given the seasonal nature of the sector, with its peaks of demand, change has not been easy. As a labour practices inspector of one of the MNEs put it:

> *Overtime is the biggest challenge to meeting the Code, due to the nature of the business. In the low season, we can't lay off the workers, and then we don't have enough for the high season. We can't use temporary workers, because they don't have the skills — these take several months to learn.*

Over time, the factories have learned to boost productivity and to meet the same production goals within the working-time limitations. Many of the supplier managers were surprised to find that this was possible — by setting limits and paying bonuses, they were able to meet their goals.

One of the suppliers has achieved good results through complying with an MNE Code of Conduct, particularly the provisions on hours of work. This factory has only about two years' experience with the MNE Code of Conduct. At first, there was quite strong resistance and doubt about the benefits of the Code for the factory and the workers. Now factory managers attribute tangible results to the changes in working time (ibid). Turnover in this factory fell from 4 per cent in 1998 to 2 per cent in 2000. At the same time, orders from the MNE rose by 10 per cent between 1998 and 2000. The CEO of the multinational actually visited the factory and expressed his satisfaction with the efforts to comply with the Code. Now over 3,000 job applicants are on a waiting list for positions. Working hours have fallen, but productivity has risen quite considerably. In 1998 workers put in about 300 hours a month. When the Code was introduced, the factory had to bring the work week down to the code standards — a maximum of 250 hours a month, including overtime. Output fell in the beginning but was back at previous levels by the end of 2000 (about 400,000 pairs of shoes per month), resulting in a considerable net productivity gain during the period.