



Primary Policy Recommendations

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Introduction

The results from this study show that employee development has a positive influence on growth mindset and empowerment. Growth mindset has a positive influence on empowerment and reduces turnover intention. Empowerment increases life satisfaction and work-life balance while reducing emotional exhaustion and turnover intention. In addition, job security negatively influences psychological wellbeing and turnover intention, but increases job and life satisfaction. Supervisor support has a positive impact on psychological wellbeing and job security and reduced worker stress. Meanwhile, psychological wellbeing has a positive impact on physical health and job satisfaction.

Improved physical health is shown to reduce worker stress, while distributive justice reduces the emotional exhaustion of workers. Increased pay incentives and the ownership of individual assets reduce worker's job search behavior. Social support systems reduce work-family conflict and emotional exhaustion. Increases in an employee's workload generate work-family conflict, emotional exhaustion and job search behavior of workers.

Positive supervisor-employee relations increase empowerment and turnover intention while reducing worker stress. Abusive behavior and work-family conflict also increase stress, as well as emotional exhaustion and turnover intention. Emotional exhaustion increases work-family conflict and turnover intention. Finally, life satisfaction has a negative influence on turnover intention.

Managerial Implications for Indonesian Factories

There are several managerial implications for this study:

1. The factory needs to undertake a more in-depth time study, so that management can optimize the time workers need to complete tasks. A better time study is expected to encourage better management of workloads to reduce emotional exhaustion, and therefore reduce the desire for workers to leave their jobs.
2. Skill and empowerment training should be provided for companies that have not yet participated in the BWI program, so that garment workers can work more productively. Companies under BWI program should continue to maintain and improve the training programs that they provide. With regard to emotional exhaustion, factories should provide training in managing emotions alongside stress management. This can reduce the potential for increased emotional exhaustion caused by work-family conflict and heavy workloads.
3. Companies need to better understand workers' job search and turnover intention behaviors. Managers should pay more attention to the provision of non-monetary incentives such as intrinsic rewards, which have a similar impact on motivation in the workplace (Sorauren, 2000). Also, companies can provide worker assistance programs or counseling to reduce stress and/or financial concerns. Stress management is important because it can affect the quality of an individual's work, which can also

impact their future decisions (Meltzer, Bebbington, Brugha, Farrell, & Jenkins, 2012). Management can create a more family-friendly work environment by providing a nursing room for female employees who are breastfeeding and limiting workload and hours to bolster work-family balance.

4. Companies are advised to provide daycare that is close to the factory. The presence of a daycare center in the workplace will make parents' trips to the daycare much easier and can reduce their stress (Payne, Cook and Diaz, 2012). Several workers have entrusted their children to full-day schools and paid childcare. However, they cannot pick up their children from daycare centers that let out in the late afternoon, when they are not yet finished with the workday.
5. Companies can empower employees by implementing positive leadership, improving HR managerial practices, and adopting a more supportive work environment, which could result in increased autonomy and decision-making for employees.
6. It is necessary to supplement workers' knowledge about good health by emphasizing the importance of healthy food and the positive results of ergonomic working conditions. Supervisors should gradually change working conditions that are not ergonomic. For example, providing adjustable chairs to reduce bending, sufficiently lighting workplaces, and training managers and floor leaders on ergonomic work.
7. We need to ensure that factories set workers' salaries to comply with minimum wage limits set by the government, provide sufficient knowledge regarding overtime wage calculations, consider awarding production bonuses, and cultivate non-financial compensation such as reward and recognition programs. In addition to increasing employee morale, this activity does not burden the financial side of the company.
8. The employer should provide sufficient information to workers regarding overtime, noting the number of hours of overtime allowed with the total working hours cannot exceed 40 hours per week or 6 days per week.
9. There is a need for basic financial management education so that workers can manage their income and savings to invest in the future.
10. Conducting morning meetings at the beginning of each work shift, with the agenda of motivating workers and helping them focus, will help workers to not feel tired when facing the day ahead.
11. Supervisors have to catalyze strong communication among the workers. Supervisors must also build workers' trust by allowing them to share criticisms as well as aspirations. In addition, they should support workers. Supervisor performance influences workers' empowerment, emotional exhaustion, work-life balance, and turnover intention; thus, supervisors need to receive leadership training. Moreover, management could also advise workers on how to collaborate and communicate with certain supervisors. Thus, communication is key for supervisors in maintaining worker productivity.
12. Management should comply with government rules to demonstrate their contribution to worker well-being. It would be best if the government would take direct action with the companies to ensure that workers have an appropriate work-life balance. As

standards of living increase for laborers, it can lead to better performance of the labor itself. One action that the government should take is to increase gender equality through wage policies. Factories must serve the particular needs of female workers (such as maternity, physical health problems, breastfeeding, union participation, and sexual abuse protection) through human resource management.

13. Company need to attend to the provision of internal social support from company counselors, supervisors, unions, and worker associations. This will reduce workers' anxiety and stress.

The Contribution of Better Work to the Work Experience and Lives of Workers

***Empowerment at Work.* Workers in BW factories are more empowered at work.**

Better Work increases empowerment by providing formal mechanisms for worker representation, improving channels through which workers can receive support, reducing emotional and physical stress, promoting norms deterring verbal abuse, and providing workers with maternity leave. Dehumanization, abuse at work, and discrimination in promotion opportunities are disempowering, but these are not impacted by Better Work.

***Training.* BW activates some of the channels that help workers think that the training they have received is appropriate.**

Better Work does not appear to affect a worker's perception of the adequacy of the amount of training they have received. Perception of the training adequacy is affected both by personality traits and working conditions. Growth mindset, resilience, and internal locus of control predict a perception that they have received the training that they need. Workers who feel represented at work, are comfortable asking for help when they need it, and feel that promotion is based on ability are also more likely to feel that they are receiving adequate training. Workers who feel dehumanized at work are less likely to feel that there is adequate training. While Better Work affects the channels that inform perceptions of training, the effect is not strong enough to produce a reduced form treatment effect on training perceptions.

***Training Needs.* Workers in Better Work factories feel like they need less additional training.**

There are several drivers of demand for training. The channel activated by Better Work is verbal abuse. When workers feel verbally abused, but not to the extent that they feel dehumanized, they are more likely to think that they need additional training. Verbal abuse may occur when workers lack skills or do not understand how their pay is calculated. Tolerance for verbal abuse is lower in Better Work factories, which in turn, lowers the demand for additional training. Analysis of the demand for training over time reveals that having higher pay and a greater desire to eventually retire from one's current workplace drive down workers' training needs. By increasing pay and encouraging a comfortable and safe environment, Better Work further reduces training demand.

***Weekly Hours.* Workers in Better Work factories work 1.4 hours fewer than in non-Better**

Work factories.

Workers in Better Work factories are more likely to be a member of a union, to have representation channels within their factory, and to be paid appropriately for their overtime work, and are less likely to be paid by the piece.

Pay. Workers in Better Work factories earn \$15.17 more per month and earn \$2.92 more per month in bonus pay than other workers (USD).

The most likely source of the Better Work treatment effect on total pay is enforcement of the minimum wage. The mediators of the Better Work treatment on bonus pay were more successfully identified. Better Work reduces the fraction of pay that is piece rate, improves formal representation and voicing mechanisms, and increases the comfort of workers seeking help from supervisors, managers, the worker committee, and the union. These are all associated with increased bonus pay. Workers in Better Work factories are also more likely to report being paid overtime as soon as the regular workday is complete. This facet increases hourly compensation by \$1.07 per hour.

Verbal Abuse. Verbal abuse is lower in Better Work factories.

The main channels through which Better Work reduces verbal abuse are through deterring verbal abuse norms, promoting communication and problem-solving mechanisms, and improving mental health. Better Work also requires firms to pay overtime once the regular workday is complete. However, compliant overtime payment practices increase verbal abuse. Verbal abuse may occur when workers fail to reach their production target during the course of the regular workday, causing work to continue at the overtime pay rate.

Working Conditions. Better Work is associated with a reduction in work stress, hunger, discrimination in promotion, dehumanization and uncomfortably hot or cold factory temperatures.

Workers in Better Work factories have stronger representation systems, are more comfortable seeking help from support personnel in the factory, and face less discrimination in promotion decisions. Better Work reduces work stress, dehumanization, hunger, and thirst by strengthening support systems that promote communication and problem-solving. Better Work also increases the probability that less of a worker's pay is determined by piece rate. However, the overtime payment practices promoted by Better Work increase work stress and thirst. Better Work requires factories to begin paying overtime as soon as regular work hours are over, rather than when the production target is complete. Supervisors may respond by increasing pressure on workers to complete the target by the end of the regular workday in order to prevent payment of overtime wages for regular work. While partial piece rate pay reduces stress, it is associated with an increase in injuries, dehumanization and thirst. Partial piece rate pay, like overtime compliance, increases pressure at the end of the workday, which may result in abuse.

Physical and Mental Health. Better Work improves physical and mental health.

The main treatment channels are through reduction in work stress (*Dizzy Ache Injured Worry Fatigue Frustrated*), communication and problem solving (*comfort seeking help from supervisor, HR, factory committee, union, suggestion box*), reduction in verbal abuse, and

reduction in discrimination in promotions.

Dehumanization and Work-life Balance. Better Work reduces dehumanization at work, improves work-life balance and promotes social dialogue.

Better Work reduces dehumanization and improves work-life balance by helping workers develop a sense of empowerment, making workers more resilient, ensuring that workers properly receive overtime pay, reducing work stress, reducing unfair obstacles to promotion, and reducing verbal abuse. Better Work also shortens the workweek, positively contributing to work-life balance. As is emerging across the analysis, Better Work has a complex impact on workers through its impact on the use of incentive pay. Better Work factories are less likely to pay by the piece than other factories. Workers who are paid by the piece often have their interests aligned with the factory's production. As a consequence, there may be less dehumanizing pressure applied by supervisors. However, piece rate pay has an adverse effect on work-life balance.

Turnover Intention. Better Work persistently reduces workers' turnover intention.

This was observed at the baseline and was strengthened at the endline. Better Work reduces turnover intention by increasing wages and encouraging open workplace communication and promotion opportunities. The program also allows workers to feel like they have an improved work-life balance, which has a strong compounding effect, meaning that not only does the effect continue to be important, but becomes stronger over time.

Borrowing Habits Workers in Better Work factories borrow and pay off significantly more money than other workers.¹

Borrowing money can signal a lack of funds to pay for necessities; however, the SEM suggests that Better Work may increase workers' pay security, enabling them to borrow more funds for larger investments, such as home improvements and education. Workers' security is improved by reducing promotion discrimination, increasing overtime pay compliance, and increasing workers' overall feelings of resilience. The effects of Better Work and pay security are slightly depressed by Better Works' effect on increasing workers' plans to retire from their factory, which reduces borrowing. Workers who plan to eventually retire from their factory may be less inclined to borrow money to secure themselves while searching for a new job or setting up a new business. Better Work's effect on pay security also increases the amount that workers pay off, even when controlling for amount borrowed. The narrative around the complex nature of pay incentives is furthered in this analysis, given that although Better Work reduces the use of piece rates, workers with piece rates pay off their debt in larger amounts.

Life Satisfaction Better Work workers persistently have higher life satisfaction over time than non-Better Work workers.

Better Work's effects are driven by the fact that the program reduces the use of piece rates to calculate workers' pay and workplace stress while it also increases workers' overall health and

¹ Better Work workers borrow an estimated 31 percent more money and subsequently pay off 15.6 percent more debt per month than other workers.

the level of open communication within the factory, including workers' level of comfort speaking up at work. The amount a worker is paid, including production bonus amounts, does not affect life satisfaction. However, having greater amount of a worker's pay determined by production bonus makes workers less satisfied with their life. These results suggest that workers do not like having a high fraction of their pay based on production incentives and that **improving working conditions will raise worker life satisfaction more than premium pay and pay incentives will.**