



# HERproject Partner Toolkit

Establishing a “Return on Investment” Program in Factories

## About BSR

A leader in corporate responsibility since 1992, BSR works with its global network of more than 250 member companies to develop sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. With six offices in Asia, Europe, and North America, BSR uses its expertise in the environment, human rights, economic development, and governance and accountability to guide global companies toward creating a just and sustainable world. Visit [www.bsr.org](http://www.bsr.org) for more information.

## About ESD

Extending Service Delivery (ESD), a five-year project funded by USAID, helps address unmet need for family planning (FP) and increase the use of reproductive health and FP services in communities, especially among poor and underserved populations. Pathfinder International manages ESD in partnership with Meridian Group International, Inc., and IntraHealth, and Management Sciences for Health. Meridian is the lead ESD organization on CSR and private sector partnerships.

The HERproject of Business for Social Responsibility (BSR) is designed to assess the business case for onsite investments in the health of factory workers, particularly female workers. This guide is intended to help you understand Return on Investment (ROI) and how to measure it.

Very often, investments in worker health are viewed as hurting the bottom line and reducing profits of factories and suppliers from the developing world.

In fact, factories that put money into health services for workers find that such spending earns a return on the investment (ROI), or, at worst, is budget neutral. The savings can come in a variety of forms, including lower rates of turnover and absenteeism.

This ROI toolkit provides some basic tools and background to integrate ROI into the overall health program at a factory:

1. ROI Basics
2. The ROI Process and the Role of the Factory Management
3. Components of a HERproject ROI program
4. ROI Data and Metrics

## ROI Basics

There are any number of ways to analyze and calculate the possible return on investment to a factory from a health program for workers. HERproject uses a mixed methodology for determining ROI that collects both quantitative and qualitative data.

The most difficult quantitative data collect and analyze are those related to productivity. The strength of this element of the ROI study is largely influenced by the quality and quantity of production data the factory itself collects.

In general, HERproject is looking for quantitative data related to productivity a return from **new savings** attributable to the health activities. It may also be also to identify, if not completely quantify a return from **sunk costs** (existing investments) that produce more impact than before.

Typically the main indicators for an ROI from new cost savings are:

- Reduced absenteeism
- Reduced turnover

Yet the implementing partner should not stop at those two indicators. It should explore with the factory management any other potential indicators of productivity and cost savings that the factory tracks. These will vary from factory to factory, but could include:

- Reduced overtime
- Fewer production errors (return rates)
- Increased output
- Reduced shipping costs (some factories are contractually obligated use more expensive shipping if they miss deadlines)
- Attendance bonuses

The return on investment from “sunk costs” is often overlooked but should not be ignored. The main sunk cost for many factories is the onsite health clinic and health staff that are not providing products or services related to women’s health. Improvements to health services and consequent improved health for women workers mean that the factory is getting more impact from its existing investment in health. Other kinds of sunk costs include training personnel and programs that could be more effective and health insurance payments that could be more effectively spend (in countries where companies can choose insurance providers and/or health care providers).

HERproject also collects quantitative data from surveys of a representative sample of workers to determine how workers view the impact of new health activities on their health status, absenteeism levels, employment choices, and attitudes.

Finally, ROI analysis requires formal and informal process for collecting qualitative data. It is valuable to learn from workers, managers and supervisors about how they feel the health programs has or has not affected their health and work lives. Their stories and perceptions enrich the quantitative data and capture important information relating to productivity.

The implementing partner collects formal qualitative information through focus groups and one-on-one interviews. However, it is important for them to have an informal system for data collection so that staff knows to report on the side conversation in the hall, for example, with a line supervisor who thinks morale has improved in her section.

## **The ROI Process and the Role of the Factory Management**

The factory management plays an essential role not only in the collection of ROI data but also in the analysis of the data. That is why a relationship of trust is so important between the implementing partner and factory management.

There is no cookie cutter approach to determining an ROI. The ROI process requires an ongoing dialogue with management about the kinds of quantitative productivity data they have available, the meaning of the data, and external events that affected the data.

Most important, the factory management must help assign a monetary value to agreed-upon indicators. For instance, how does the factory estimate the cost of an absent worker to its production or the cost of a replacing a worker who leaves? These values can only be supplied by the factory itself. For the sake of

## ROI Methodology:

- 1. A review of factory records.** The factory should perform a review of the previous 1-2 years of data to provide a baseline for the following; absenteeism, turnover, returned goods, employee on-time bonuses, production output, overtime rates, or any other productivity data the factory keeps. The factory should track the same data for the year in which the health program is introduced.
- 2. A quantitative attitude survey** of employees before and after the introduction of the health program. A survey of a randomized sample of employees provides a baseline and enables the factory to learn about the health issues that affect workers, as well as their perceptions of management's concern for their wellbeing. A year after the introduction of the health program, a follow-up survey will provide information about how workers value the services, whether they view it as affecting their absenteeism and turnover, and how they feel about management.
- 3. Focus group discussions** with employees. Focus groups of no more than eight employees enable the factory to gain qualitative information about the new health program and its effect on their productivity and attendance and probe more deeply into issues that arise from the survey.

the health program's long-term sustainability at the factory, it is important that the values be meaningful to management itself.

Furthermore, management must help the implementing partner understand how they define terms like turnover and absenteeism. Factories track and define these areas differently. If a worker works a half day and goes home sick, is that counted as a day absent or a day worked? How long does a worker have to be absent to be counted as a resignation? These are critical details.

The collection of ROI data must coincide with the introduction of a new health program at the factory. But the data collection takes place in different stages:

- » The survey, focus groups and interviews take place before the health program begins and a year after it has been in place.
- » The collection of quantitative productivity data can start anytime during the first year, but the initial discussions with management about possible indicators should occur at the start of HERproject. This data collection must include at least a baseline of one year before the start of the health activities.

## Components of a HERproject ROI Program

The basic ROI Methodology HERproject uses is 1) a review of factory records for productivity related data; 2) Worker survey; and 3) Worker focus groups (see Sidebar). Together, these elements provide a range of information for determining the ROI and the overall value of the health program. The implementing partner will determine how they apply these three components in each factory based on costs and available resources. Ideally, the implementing partner will track ROI data, even in very limited ways, in all factories.

## HERproject has nine basic steps for designing and implementing an ROI program:

### STEP 1: DESIGNATE A MANAGER RESPONSIBLE FOR THE ROI PROGRAM

The factory must designate a person responsible for overseeing the ROI data collection and analysis in collaboration with the implementing partner. The ROI supervisor must be able to provide the implementing partner technical assistance on ROI data and analysis as well as create buy-in for the program throughout the factory.

### STEP 2: DETERMINE THE SCOPE AND DESIGN OF THE ROI PROGRAM

The implementing partner with the ROI supervisor must determine how the three elements of the ROI are to be done within the time constraints, production schedules, and site logistics of the workplace. Key issues to be determined are:

- » What will be the metrics tracked in the review of productivity data – absenteeism, turnover, overtime, error rates or any other indicators?
- » How will the factory calculate the monetary value of desired changes in the indicators it chooses to track?
- » How many workers will be interviewed in the baseline and end line surveys?
- » How many focus groups will be held? And will there be focus groups at the beginning or end or both.
- » Who will do the work for each element of the ROI program – factory employees, external experts or a combination of both?

### **STEP 3: ADMINISTER THE BASELINE QUANTITATIVE SURVEY**

The baseline attitude survey is most useful when it takes a randomized sample of workers and asks a series of questions about how the availability or lack of health services affects their worklife, productivity, and attitudes. It makes sense to use the baseline survey also as a Health Needs Assessment in which workers also provide information about health issues of greatest concern and accessibility to services. The HNA information then helps inform what new services to provide. If the factory has onsite health services or programs, the survey should also be used to gauge the quality and accessibility of those services from the workers' perspective. This provides important feedback for improving existing services.

The HERproject typically has the implementing partner perform the survey/HNA, but it is possible to work with the factories to administer surveys themselves using their own employees and internal resources. The key to any survey is that the workers feel comfortable with the survey team, who must be able to maintain complete confidentiality.

### **STEP 4: COLLECT/AUDIT DATA FROM FACTORY RECORDS**

Once the factory has determined what records it will review (absenteeism, turnover etc.), the implementing partner must work with the ROI supervisor to determine the most effective way to gather the data, either through the accounting staff or external accountants. There are two sets of data that must be collected;

1. Baseline data for the last year or preferably two before the start of new health services. Although not necessary, collecting two years of data is ideal as this allows the ROI program to see variability between the two baseline years that might be important in analyzing changes seen in the first year of services.
2. Current data for the first year of the new health services. It is preferable to create a system for tracking current data as the year progresses, but it also can be collected retrospectively near the end of the year.

In some cases, a factory may track the reasons why a worker was absent from work. This is the most valuable of all data, and should be gathered if it is available.

### **STEP 5. IDENTIFY/TRACK MAJOR DISRUPTIONS/INTERRUPTIONS FOR THE BASELINE AND CURRENT YEAR**

The challenge for any ROI analysis is distinguish between changes to absenteeism, turnover and related productivity indicators due to external events and those due to internal actions of the factory, in this case a new health program. The ROI program must track predictable events, like national and religious holidays, production demand, and seasonal infectious diseases (eg. influenza seasons), that affect these indicators and should be relatively consistent year to year. But, it is equally important to track unpredictable disruptions that can affect productivity indicators such as strikes, political turmoil, catastrophic weather, and unusual disease patterns.

### **STEP 6: MONITOR DATA ON USAGE OF NEW HEALTH SERVICES**

The team managing the new health services should be collecting basic monitoring and evaluation data related to rates of employee usage or participation and types of services provided on a monthly basis. The implementing partner must receive this information and help ensure that any

issues are addressed. For instance, if employees are not using the services or participating in the health program, this will likely reduce or eliminate any return on the factory's investment in health. It also likely means a problems exists with the services – anything from poor quality to low awareness of availability by employees to inadequate support by line managers.

## **STEP 7: ADMINISTER ENDLINE QUANTITATIVE SURVEY AND FOCUS GROUPS**

After the first year of new services, an endline survey is administered to a randomized sample of employees. This survey mirrors many of the questions in baseline survey, but includes additional questions about the quality of services, rates of usage, and the impact on employees' productivity on the job as well as their decisions to come to work when ill and to leave the factory.

The focus group discussions complement the survey, enabling the ROI program to probe more deeply into qualitative issues raised in the survey and service data, such as the perceived quality of services and barriers at work and home to meeting health needs. It is best to have multiple focus groups, which allows qualitative comparisons to be made based on gender, marital status, age, job level, or other distinctions.

Since focus groups succeed only if participants feel free to speak their minds, it is critical that the facilitator be viewed as independent from management who can be trusted to keep each participant's identity confidential.

## **STEP 8: ANALYZE THE ROI DATA**

With all the data collected, the ROI program determines compares the audit data, survey data and focus group to see what impact the health services has had. This includes determining the monetary value of demonstrable changes in absenteeism, turnover or productivity as well as the perceived value employees assign to the health services in the survey and focus groups.

## **STEP 9: SHARE THE RESULTS**

Sharing the results of an ROI study is important to do because this shows management support for the health services and reinforces the perception that employee needs and views are being addressed. At minimum, senior and line managers need to be aware of the results. If they are positive, the result reinforces the message to managers that encouraging employee use of the health services improves productivity and profitability. If there are issues to be addressed, it makes managers aware of their role in helping address the issues.

## **ROI Data & Metrics**

### **RELEVANT BACKGROUND INFORMATION**

- » Location
- » Main products
- » Organisation and administration system
- » Management system
- » Terms of worker payment – i.e. piece-rate or salary
- » Existing worker supported programmes
- » Strategies/Policy development on workers' welfare and development

## FACTORY CLINIC INFORMATION

- » Health care facilities available for workers (number of patient beds, equipment, medications etc.)
- » Existing health services provided at the factory clinic
- » Number of doctors, doctor assistants, nurses and other clinic staffs
- » Number of patients visited the factory clinic and their health problems/ health records

## METRICS

- » Employee absenteeism: ***The total average number of workdays missed per month***
  - Number of work days recorded in a month
  - Average number of monthly net work days<sup>1</sup>
  - Cumulative number of absent days in a month
  - Include “reason a worker was absent from work” if data is available
- » Employee turnover: ***The total number of new recruits in a given month***
- » Productivity
  - Increased output (merchandise produced per day)
    - number of products per day
    - wholesale price per unit
    - piece-rate pay level changes (if applicable)
  - Reduced overtime costs
  - Fewer production errors (return rates)
  - Increased output
  - Reduced shipping costs (some factories are contractually obligated use more expensive shipping if they miss deadlines)
  - Attendance bonuses
- » Return-On-Investment
  - Costs:
    - Start-up costs of the factory
    - Clinic operational costs
  - Return:
    - Saved turnover cost per employee
    - Saved cost of training a new employee
    - Productivity gains from reduced absenteeism and healthy, happier workers

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<sup>1</sup> Calculate the average number of net work days at the factory by subtracting the total number of leave days (holidays; closed days; average paid sick leave including maternity leave) from the total number of days in the calendar: 365.