



The ETI code of labour practice: Do workers really benefit?

Vietnam



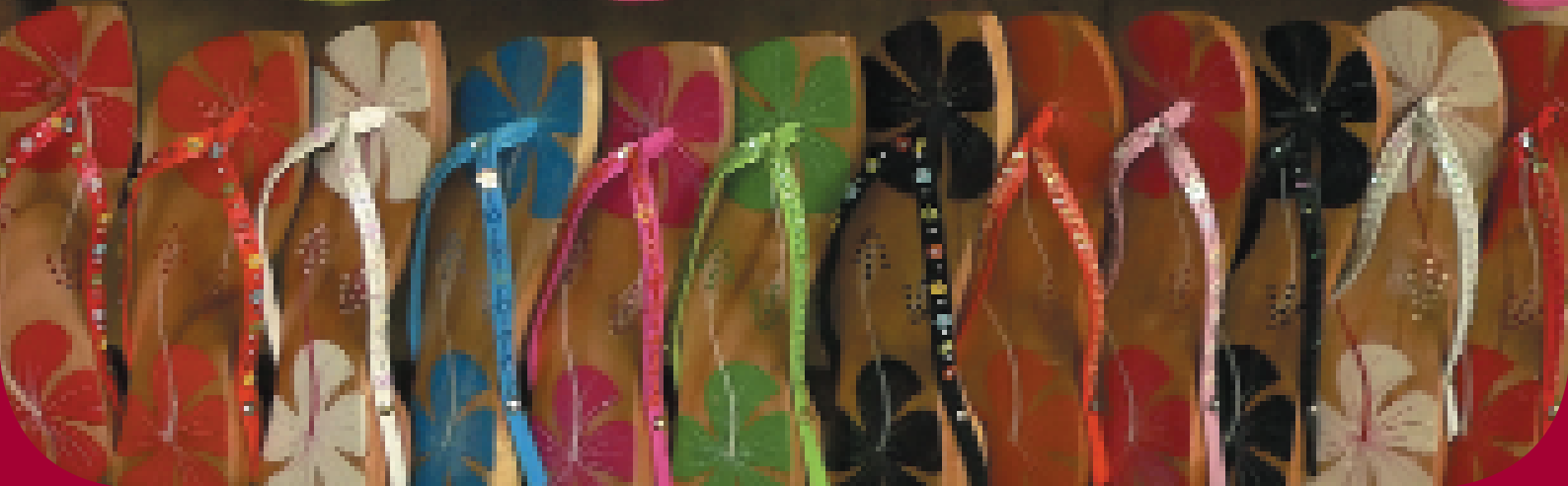
“Once I had a penalty because I came back 15 minutes late from lunch, so they deducted VND 100,000 [equal to 14% of the average monthly wage] and gave me a written warning”.

Male worker,
Vietnam footwear factory



“At first, we did not join [the trade union]. Later we saw quite a lot of useful activities of the trade union: help with bringing forward complaints, taking care when you were sick...so we joined”

Women workers,
Vietnam footwear factory



About the Report on the ETI Impact Assessment 2006

The Ethical Trading Initiative (ETI) is an alliance of companies, trade union and non-government organisations committed to improving working conditions in global supply chains. ETI company members require their suppliers to comply with the ETI Base Code, a code of labour practice based on international labour standards. After five years of operation, ETI wanted to assess:

- how its member companies were implementing the ETI Base Code;
- the impact of members' activities on workers in the supply chain;
- how the impact of members' work could be improved.

In 2003 ETI commissioned the Institute of Development Studies at the University of Sussex to conduct this assessment. The study was undertaken between 2003 and 2006 and this document is one of ten reports which, together, give the summary, complete findings, case studies and methodology of the study. The ten reports, published under the series title Report on the ETI Impact Assessment 2006, include the following:

The ETI code of labour practice: do workers really benefit?

Summary

Summary of an independent assessment for the Ethical Trading Initiative

This six-page document summarises the key findings and recommendations. It is available in print as well as online and is translated into Chinese, Spanish, French and Vietnamese.

Part 1

Main findings and recommendations from an independent assessment for the Ethical Trading Initiative

This is the report of the main findings with recommendations and good practice examples.

The detailed fieldwork comprised case studies in six countries and the findings are given in six documents that make up **Part 2** of the report. These will interest readers who want more detailed information on labour issues and code impacts in these countries.

Part 2A

Findings and recommendations from a case study in India (garments)

Part 2B

Findings and recommendations from a case study in Vietnam (garments and footwear)

Part 2C

Findings and recommendations from a case study in South Africa (fruit)

Part 2D

Findings and recommendations from a case study in Costa Rica (bananas)

Part 2E

Findings and recommendations from a case study in the UK (horticulture)

Part 2F

Findings and recommendations from a scoping study in China

Part 3

How and where ETI member companies are implementing codes

This makes up Part 3 of the report series and describes the first phase study of ETI members' activities.

Part 4

Research methodology

This is for readers who want more detail on the research approach.

Each of the reports can be freely downloaded from www.ethicaltrade.org/d/impactreport and www.ids.ac.uk/

This series of reports has been prepared by the Institute of Development Studies (IDS) and the views expressed do not necessarily represent the views of ETI or of its member organisations. IDS is responsible for the accuracy of information contained in the document and our recommendations have not necessarily been endorsed by ETI.

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Foreword

Over the last decade, an increasing number of companies have recognised that they have a responsibility for the rights and conditions of workers who produce the goods that they sell - even if those workers are employed by a factory or farm on the other side of the globe. Companies have typically responded by adopting voluntary codes of practice which stipulate minimum labour standards that they expect their suppliers to comply with. Many have invested considerable resources in monitoring compliance with their codes, and working with suppliers to improve conditions over time.

The Ethical Trading Initiative (ETI) is an alliance of companies, trade union and non-government organisations (NGOs) committed to improving working conditions in global supply chains. When they join ETI, companies commit to implementing the ETI Base Code - a code of practice based on international labour standards - in all or part of their supply chain. But how exactly have member companies put this commitment into practice? Has their work on implementing the Code actually made any difference to workers in their supply chains? How can the impact on workers be improved? In 2003, ETI commissioned us to undertake a study to answer these and other related questions. This document provides an account of the key findings and recommendations from a case study of the Vietnam garment and footwear industries, one of six case studies chosen to give an insight into key issues in different countries and sectors.

Who is this document for?

This document is relevant to all those involved in monitoring and improving labour conditions in the export garment and footwear sectors in Vietnam, including retailers and brands, agents and suppliers, auditors, NGOs and trade unions. It provides an overview of the impacts of codes of labour practice in garment and footwear factories in Vietnam, and of key labour issues that remain to be addressed; an analysis of key factors affecting impact; and recommendations for improving the impact of codes in the Vietnam garment and footwear industry.

About the ETI Impact Assessment and IDS

The ETI Impact Assessment was initiated in 2003 - five years after ETI was established - to answer the questions outlined above. Based on assessing the

ethical trade programmes of nearly 30 sourcing companies (retailers, brands and suppliers), and including in-depth case studies in five countries and three sectors, this has been the most comprehensive assessment of the impact of codes of labour practice to date.

The Institute of Development Studies (IDS) at Sussex is well-respected for its research and consultancy on international development. The research team has extensive experience and expertise in ethical trade, employment in export production and labour standards. For the case studies IDS worked in partnership with local researchers who spoke the relevant languages and had experience of labour issues in the industry in question.

The research findings are based on qualitative and quantitative information collected from all key stakeholder groups, including brands, retailers, agents and suppliers, factory and farm managers, trade union organisations at international and national levels, NGOs, and all types of workers (women as well as men, migrant and contract workers as well as permanent workers, and trade union worksite representatives).

About the ETI Impact Assessment reports

The findings and recommendations from the ETI Impact Assessment are written up in ten separate documents, all of which can be freely downloaded from www.ethicaltrade.org/d/impactreport and www.ids.ac.uk. The ten documents, each targeted at different audiences, are listed on the inside front cover of this report.

By offering these different ways of accessing the findings of our study we hope we are throwing a helpful searchlight on current ethical trade practice that will enable everyone involved to enhance their understanding and develop their practice in this challenging but worthwhile field.

Acknowledgements

We would like to offer our sincere thanks to Dr. Nguyen Thang and Tran Thi Van Anh, our research partners in Vietnam, who conducted most of the research interviews in Vietnam and compiled an initial report of the findings. We would also like to thank our colleague Professor Naila Kabeer, whose extensive experience of labour issues in Asian garment factories proved an invaluable contribution to this case study. Lastly, we would like to extend our thanks to all those who took part in the interviews, in particular managers and workers at the case study supply sites.

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1 Introduction

1.1 Rationale for this case study

Vietnam was selected as a country case study for the ETI Impact Assessment because:

- it would complement the India garment study with a contrasting political and social context;
- sourcing was not likely to decrease significantly as a result of the phase out of the Multi-Fibre Arrangement (MFA) and it would therefore not raise questions about the ethics of involving suppliers;
- it was in the top 15 countries in terms of ETI member monitoring activities.

We originally intended to restrict the case study to the garment sector, but in the end decided to include footwear factories after encountering difficulties in securing the participation of appropriate ETI member companies and suppliers within the garment sector.

1.2 Who was involved in the study

The research partners for the ETI Impact Assessment in Vietnam were Tran Thi Van Anh of the Centre for Gender and Family Studies, Hanoi, and Dr. Nguyen Thang of the Vietnam Institute of Economics, Hanoi.

1.3 Case study value chains

Eight factories were selected through the value chains of three ETI members - one retailer and two brands. Three factories were foreign owned, two were joint ventures and three were Vietnamese (one ex-state owned). In total these factories supplied nine ETI member companies, as well as various other buyers. They ranged from supplying between 50 and 100% of production to an ETI member, to having production spread quite thinly between different buyers. The retailer sourced products through trading companies, agents and/or importers, while the brands generally sourced more directly, e.g. through the parent company of the factory.

1.4 Worker sample

Management and worker interviews were carried out at six factories, with only management interviewed at the remaining two factories as they did not want workers to be interviewed¹. In total there were 2,159 men and 5,739 women employed during peak season at five of the sites, with figures for the sixth site unavailable. 106 workers were selected purposively by the research team according to gender, type of work and employment status. 73% were women and 69% were employed on fixed-term contracts of at least one year (see Table 1.1).

Table 1.1

Worker sample by employment status and gender (number of workers)

	Men	Women	Total
Permanent	4	16	20
Fixed term	23	50	73
Temporary	2	9	11
Unknown	0	2	2
Total	29	77	106

The average age of workers in the sample was 29 years. 70% had no children and 63% were migrants. 63% lived in rented accommodation; a further 23% lived with relatives, with the remainder owning their own home. On average they had been working in the garment/footwear industry for five to six years.

1.5 Research methods

Workers participated in focus group discussions (FGDs) and short structured interviews. Four workers were also interviewed in their homes, two in person and two by telephone. Management representatives were interviewed using two semi-structured interviews, one designed for General Managers and the other for those in charge of human resource

¹ In one case the owner said there was no point in conducting worker interviews because codes had had no impact on his labour practices. In the other various commercial reasons were given.

management (sometimes the General Manager). Representatives from the ETI member companies provided information on their supply chains and their code implementation management approaches. Two UK importers selling to the retailer complemented this information. Key informant interviews were carried out with representatives from government ministries, foreign governments, the Vietnam General Confederation of Labour (VGCL), international organisations/NGOs, corporate social responsibility (CSR) initiatives/consultancies, research institutes, and the owner of a small privately-owned garment company.

More detailed information can be found in the report on the research methodology (Part 4).

1.6 Limitations

As with the other case studies, the sample of factories and workers was very small relative to total numbers in the Vietnamese garment and footwear sector. There was also bias in the selection of factories, as ETI member companies gave a sample of their suppliers from which the team made their selection², and two factories did not want workers to be interviewed. The findings should not therefore be taken as representative of either the ETI members' total supply base in Vietnam, or of the Vietnamese garment and footwear industries.

Logistical complications limited the number of workers who could be interviewed in their homes. Exploration of impacts at the household level were therefore somewhat restricted, but it was agreed at the start of the ETI Impact Assessment that this would not be the primary focus of the study.

² This was for a number of reasons but principally related to delays in getting full information from ETI members on their garment suppliers and then not being able to find enough ETI members or garment factories to participate. This led to the footwear sector being included late in the day, by which time there was a need to move the selection process forward quickly, hence only partial information on supply chains was collected.

2 Background on the Vietnamese garment and footwear industries

2.1 Size of sector and recent trends

The garment and footwear sectors in Vietnam have been growing fast in the past two decades and playing an increasingly important role in generating export revenue and employment. According to the Vietnam General Statistics Office, by the end of 2002 there were approximately 1,200 registered textile and garment firms, of which 70% were privately owned, 25% foreign invested and 5% state owned. The EU and Japan have until recently been the main export markets, but exports to the US have increased rapidly since the introduction of a Textile and Garment Bilateral Trade Agreement (BTA) in 2003. The footwear sector is comprised of around 380 enterprises, 50% of which are privately owned, 35% foreign invested and 15% state owned (2004 figures from Vietnam Trade Office in the USA). The UK was the biggest market in 2003, taking 17% of exports.

2.2 Type and number of workers

Figures from Vietnam's General Statistics Office indicated that in 2002 the textile and garment sector employed around 1.43 million workers, of whom around 800,000 were in the formal economy. In the same year around 430,000 workers were employed in the formal footwear sector, with an unknown number employed informally.

2.3 Other relevant background information

The Labour Code of Vietnam was drafted by the Ministry of Labour, Invalids and Social Affairs (MOLISA) in co-ordination with other agencies, and passed into law by the National Assembly in 1995 (then revised in 2002). It is protective of workers and broadly in line with International Labour Organisation (ILO) Conventions. However, enforcement of labour law is weak, due in part to the lack of human resources in the labour inspectorate at both central and local levels.

Vietnamese law mandates that all enterprises with more than 10 workers have to be unionised and have Collective Bargaining Agreements (CBAs), although

this is not yet fully enforced. Trade unions fall under the umbrella of the Vietnam General Confederation of Labour (VGCL) which is aligned with the state and not considered independent by the International Confederation of Free Trade Unions (ICFTU). They are traditionally associated with State Owned Enterprises (SOEs) where there is officially no difference between the interests of management and workers. They have little experience organising workers in the private sector, although they are working with the ILO to strengthen their skills in this area. However, according to key informants, workers feel free to go on strike and when they do the issues are usually resolved peacefully and in their favour.

The media provides some safeguard of workers rights, with the public and government officials sensitive to stories in the press about management abuse. In case of conflicts between workers and employers, factory management often finds a way to resolve the problem to avoid it getting into the media, and tends to respond quickly to any negative coverage that occurs.

A number of CSR initiatives have been introduced as a means of co-ordinating efforts to promote good labour practice (e.g. the Vietnam Business Links Initiative (VBLI), the VGCL/Global Alliance project, and the Social Accountability International (SAI) Vietnam office), but CSR is still perceived as an imported concept and not well understood by the Vietnamese. A 'social clause' covering labour conditions was included in the BTA with the US, but at the time of the research did not appear to be having much influence.

3 Key impacts found

3.1 Summary of worksite impacts by Base Code principle

Table 3.1 summarises the impacts reported by management and workers in each of the nine areas of the ETI Base Code. 'Major' indicates that widespread and significant change has occurred across several or all case study worksites (e.g. reductions in working hours at over half the sites). 'Minor' indicates that changes were only reported at only a few sites or had minimal impacts on workers (e.g. introduction of age documentation at one or two sites). An asterisk next to either Major or Minor implies that the change was viewed as negative for at least some of the people interviewed. Zero means that no change was reported, but this does not necessarily imply there were no non-compliances with the Base Code (see

section 3.4 for Key issues remaining).

The only area of widespread positive impact was health and safety. The next most common area in which changes had been made was in working hours, but these changes were not seen as positive by all workers due to a reduction in wages. Minimal impacts had also occurred in relation to wages and benefits, young workers, age discrimination and support for trade unions, as detailed in the following sections.

Table 3.1
Summary of impacts by ETI Base Code principle at country study supply sites

KEY	
Mmt	Management
Wkrs	Workers
Major	Major and/or multiple impacts across several worksites
Minor	Minor impacts and/or impacts at isolated worksites only
*	Impact perceived as negative by at least some interviewees
0	No impact reported

Base Code principle	Mmt	Wkrs
Freedom of employment	0	0
Freedom of association	0	0
Health and safety	Minor	Minor
Child labour	Minor	Minor
Living wage	Minor	0
Working hours	0	0
Discrimination	Minor	0
Regular employment	0	0
Harsh treatment	Minor	0

3.2 Impact by Base Code principle

3.2.1 Employment is freely chosen

No impacts reported.

3.2.2 Freedom of association and the right to collective bargaining are respected

Although management did not report any changes in this area due to codes, the trade union representatives in two factories said they were more active as a direct result of buyer interest in labour practices. In part this was because management was taking more interest in compliance with the law, but it was also because the trade union felt more confident in asking for management support for their activities.

Workers' views on trade unions varied, but some did report enhanced benefits in recent years. In two companies the union was active in providing guidance and information, channelling concerns and complaints to management, and providing written materials. In three others the focus was on social activities, which is what trade unions have concentrated on in the past (often with the trade union representative being the HR manager). The union was viewed as inactive in the sixth factory.

3 A full explanation of how Table 3.1 was derived is given in Part 1, Key findings, section 2.1.

Enhanced role of trade unions

“Because of and on the basis of buyers’ requests, we ask managers to support trade union initiatives; our trade union committee is active and highly aware of obligations to defend workers’ interests”

Trade union representative

“At first we did not join because we had not known about the benefits, only fees. Later, we saw quite a lot of useful activities of trade union: gifts on holidays, helping with bringing forward complaints, taking care when you were sick... so we joined.”

Women footwear workers

3.2.3 Working conditions are safe and hygienic

All factories had made improvements in health and safety provisions, mainly in order to comply with buyer codes. Improvements had been made in the following areas:

- fire safety;
- personal protective equipment (e.g. gloves, dust masks, steel gloves);
- machine guards;
- infrastructure including ventilation, lighting and toilets;
- chemical storage and eyewash basins;
- medical services;
- training and information.

These changes had had positive impacts for workers, who reported feeling more safe and secure at work, particularly as they now knew what to do if there was an accident or emergency. However, at two sites workers said some improvements were only for when buyers visited (e.g. protective glasses and drinking cups). Another supplier had introduced aprons and mufflers, but later stopped providing them free of charge.

3.2.4 Child labour shall not be used

At two sites 15-17 year olds were no longer employed in order to comply with restrictions for young workers. Management at one site thought this was negative for those young people wanting to work. Workers did not express an opinion on whether it was a positive or negative change.

3.2.5 Living wages are paid

There had not been any increases in basic wage rates as a result of buyer codes. However, management of one factory said that overtime premiums were better calculated as a result of codes and between 25% and 45% of workers in each factory said they were being paid more for overtime than previously. Other positive changes in wage-related issues attributed to codes included:

- two suppliers had begun giving workers detailed payslips, which workers viewed as positive as they liked to be able to check the details at home to make sure payment was correct;
- two suppliers were now complying with legislation on annual leave, maternity leave and/or women’s entitlement to a one hour reduction in hours to take care of children under 12;
- one supplier had increased the proportion of workers who received social security;
- one supplier gave more detailed contracts.

While these changes were generally all linked to codes, one supplier said the trade union had also played a role and workers in another factory thought changes were related to a strike.

However, reductions in working hours had brought a fall in the take-home pay for some workers, particularly in one factory - see [section 3.2.6](#) below.

3.2.6 Working hours are not excessive

Workers in all six factories said they were working fewer normal hours and fewer overtime hours than they used to. They also said they worked less often on

Sundays. One supplier said overtime hours now had to be agreed with the trade union. Suppliers mostly attributed these changes to codes, but at one site workers said it was a result of a strike. Another supplier had decreased hours by installing new machines and hiring temporary workers for unskilled work, with the added impact of creating employment opportunities.

Workers mentioned various benefits from these changes:

- they were less tired, their health had improved and they spent less on medicine/vitamins;
- they had more time for friends and family, especially small children;
- they had more time for studying and household activities.

They also said they felt less inclined to leave their jobs, which is positive for suppliers.

While some workers (especially in one particular factory) complained that they weren't earning as much as before, most said that so long as they had two-three hours overtime per day they were happy as there was a balance to be struck between earning enough and having time to rest. Generally migrant workers agreed with this, but in one factory some were taking piece work home to do on Sundays and they would have earned more if they were working in the factory.

Workers' views on changes in working hours

"After a long and tiring day, if we are allowed to go home at 7.30pm [after three hours overtime] then we have some time to rest and recuperate for the next day, and those who are married have time to take care of their families. Overtime work gets higher pay but it's too tiring. None of us want long overtime."

Male footwear worker

A male garment worker was planning to take an evening course in mechanics after work, which he would not have been able to do previously.

3.2.7 | No discrimination is practised

One supplier had ceased specifying an age limitation for recruitment (18 - 30 years) at a buyer's request. Other than this there was little impact in this area.

3.2.8 | Regular employment is provided

While workers in four factories reported changes in their contracts from short term to longer fixed term or permanent contracts, it was unclear if this was because of codes or other factors. However, one supplier said he no longer puts all new workers on a one-month apprenticeship due to buyer requests.

Interestingly, some workers were happy to have longer term contracts (e.g. because they got an annual bonus based on the number of years worked) while others preferred shorter term for the flexibility it allowed. This is a reflection of the high turnover of labour in these sectors, with many companies reporting difficulties finding or retaining workers.

3.2.9 | No harsh or inhumane treatment is allowed

No impacts reported.

3.3 | Other worksite impacts

Management in four factories, and workers in one reported that codes had brought improvements in the worker-management relationship. This was partly because codes resulted in more frequent interactions between management and workers, supervisors and trade union representatives on labour-related issues.

In five factories management said codes had increased their awareness of and/or compliance with national legislation. For example, some said they now needed to read the Labour Code and keep up to date with revisions. Buyer communication and capacity building on the law (and any revisions) was welcomed.

Workers in only two factories were familiar with the content of labour laws and buyer codes. In one

factory workers were shown a video prior to signing their contract, specifically in response to a buyer request. In the other workers were given a booklet on labour law, which was linked indirectly to codes as the latter had brought a greater focus on labour issues.

A representative from the Ministry of Labour, Invalids and Social Affairs thought that codes helped the government enforce national law as businesses were given the added incentive of receiving orders if they complied. However, he emphasised that codes should not conflict with any aspect of the law.

3.4 Key issues remaining

3.4.1 Employment is freely chosen

In one factory migrants reported that the company holds on to their social insurance benefits for three-six months after they leave.

3.4.2 Living wage is paid

All workers were earning considerably more than the minimum wage, but the minimum wage was not considered enough to cover basic needs. Workers said they were able to save from their wage only if they did overtime hours; in one factory workers said they needed to do at least three hours overtime a day. The cost of living was increasing, especially for migrant workers who had to pay for rent, private schooling, and remittances to support their families.

Garment workers were earning over 40% more than footwear workers, on average, though the small sample of factories makes it difficult to draw conclusions about this. New workers, or short term workers, earned less due to being on lower grades and making more mistakes. They also had access to fewer state benefits (e.g. social and health insurance, pre- and post- natal benefits).

In one factory there were complaints about deductions used for disciplinary purposes, and delays in payment. Workers in two factories complained of not being given a written contract with information

about their terms and conditions. There were also complaints about the quantity and quality of meals provided (which they have to pay for), and about not having a clean and dry place to eat packed lunches.

Worker complaints about disciplinary penalties and delayed payments

“Once I had a penalty because I came back 15 minutes late from lunch, so they deducted VND 100,000⁴ and gave me a written warning.”

Male footwear worker

“We were paid on the 10th, now on the 12th, with many reasons [given] for the delay. On time payment is very important for us as we are far from home and we have things to spend money on, or need to send money home on time.”

Footwear worker

“This affects me a lot because I do not know what is in [the contract] and I’m not sure if whatever I do is right or wrong, what the penalties are for doing something wrong, and the benefits I am entitled to.”

Female footwear worker

3.4.3 Working hours are not excessive

All factories still rely on long working hours, especially in footwear where workers claim to work 11 hours a day on average, 6 days a week. Almost all management said it was hard to comply with code requirements due to short lead times and inflexible deadlines. Management also reported difficulties in making overtime completely voluntary due to line production. Workers complained of being expected to do overtime at little notice and not having time to prepare for it. In one factory workers said they sometimes signed to say they agreed to overtime/Sundays after the work was done.

3.4.4 No discrimination is practised

The majority of managers were men, despite the fact that the workforce was on average over 85% female (see Table 3.2). However, there were significant

⁴ This equates to 14% of the average monthly wage of footwear workers in the study.

numbers of women in ‘professional’ positions. Women and men do many of the same tasks (e.g. sewing, packing, ironing, cleaning, supervising), but men are more likely to do the cutting, maintenance, driving and security work (often interpreted as “heavy work”), whereas women are more likely to do the embroidery, trimming, weaving and stitching work (“light work”). Some of the heavy work is higher paid, e.g. cutting. However, in two factories women said they earned more than men as they were more productive.

Table 3.2
Gender breakdown of the workforce across six worksites

Type of work	Garment		Footwear	
	Women	Men	Women	Men
Management	40%	60%	26%	74%
Professionals	63%	37%	91%	9%
Skilled workers	96%	4%	93%	7%
Unskilled workers	86%	14%	89%	11%
Non-production	72%	28%	89%	11%

3.4.5 Regular employment is provided

It was hard to determine the true extent of the use of temporary labour, as several suppliers gave contradictory information. For example, three suppliers reported only permanent workers when asked to complete the company data sheet, but in interviews either they or their staff referred to short term and/or fixed term contracts. New workers in one factory were given repeated two to six-month contracts, with no social or health insurance. This may suggest some use of double books, as some key informants warned.

3.4.6 No harsh or inhumane treatment is allowed

There were some complaints of unpleasant language and behaviour by management in two foreign owned

factories. This appears to be related to language and cultural differences, although workers also blamed Vietnamese management for not taking action to curtail the problem.

3.5 Impact by type of worker

3.5.1 Impacts by employment status

Temporary and new workers

Most suppliers admitted the use of temporary workers during peak periods (up to 10%), but dismissed them as an “unimportant part of the workforce”. Some temporary workers were recruited by team leaders, others through workers. In general ‘new’ workers (i.e. employed for less than one year) were less likely to have a copy of their contract or be registered for social insurance or health insurance, and received

lower pay (as bonuses were given for experience). However, the study was inconclusive in relation to whether codes were benefiting them any less than longer term workers.

Migrant workers

Often migrants want to earn as much and spend as little as possible while they are away from home. The study found that they had a poorer standard of living in general, and shared small, cheap rented accommodation in order to cut costs. Some had to wait until midnight to take a bath and they complained of increasing rents. They were also not entitled to put their children into public schools and so had to pay for private (low quality) schools.

Factors such as this mean that reductions in overtime hours may impact negatively on migrants, if there is no compensation through higher rates of pay. However, those interviewed generally did not object to working fewer hours, so long as they had at least two to three hours of overtime per day, in order to meet their income targets. However, migrant workers who were taking home piece work to do on Sundays may have earned more doing this work in-house.

In one factory management was checking to make sure all migrant workers were registered, due to codes. Unregistered migrants may therefore have been excluded from beneficial changes due to codes, have less access to employment, and be less able to contribute to their families through sending remittances.

3.5.2 | Impacts by gender

All changes had a relatively greater impact on women due to the high percentage of women workers in the garment and footwear industries. While both men and women appreciated the reduction in working hours, women with families experienced it differently as they were usually responsible for most work in the home. This did not necessarily mean that their total workload was reduced, as workers' husbands commented that they benefited as they didn't have to take care of children every evening. However, some women

expressed concern about neglecting their children, and others mentioned the positive impact of having more time for household chores. Women were particularly happy to have more time to spend with young children.

Unmarried women and women without children, especially migrants, were less interested in reducing working hours. They said they would be unhappy if overtime was reduced to less than two hours per day, as this would jeopardise their income earning possibilities.

In some factories women also benefited from increased compliance with legislation on maternity leave and other pre- and post-natal entitlements. One woman talked about being able to claim social security when taking time off to care for children.

Since it tended to be men that worked with chemicals, health and safety improvements such as the provision of protective clothing and eye washes, and better storage of chemicals, may have a greater impact on men than women.

Codes have apparently had no impact on the gender distribution of work, with women still under-represented in positions of authority (although not to such an extreme extent as in some other countries).

3.5.3 | Impacts by ethnicity

Not relevant.

3.6 Wider impacts

3.6.1 | Household and community impacts

Positive impacts at the household level mainly relate to reductions in working hours, as described above. Small children particularly benefited from having more time with parents. Some migrant women said they previously left their children with grandparents in their home area, visiting them only once a year, as they had no time and energy for anything besides work. Whether the positive impacts were outweighed by negative impacts on household income as a result of

reduced overtime depended on household costs, whether there was a second income, and the presence of children. For some migrant workers it may mean they are less able to support their families at home with remittances.

Local communities were benefiting from increased demand for services from factory workers, but were having problems due to large numbers of workers settling in areas without sufficient infrastructure (e.g. no piped water or garbage collection). However these outcomes are not linked with codes.

Impact on households from reductions in working hours

“We were stressed by long overtime and our children also suffered – someone has to pick them up from school and it was hard to organise this.”

Female footwear worker

“As there is less overtime we have time for going out at the weekend. If the family’s income is okay, there’s no need for overtime.”

Female footwear worker

“My husband has a higher salary than me as he is a mechanical engineer. If there were only two of us [the reduction in wages due to less overtime] would not be much of a problem, but we have a small child and food and milk for him is expensive, so we are just about making ends meet.”

Female garment worker

“Our wage is about 15% less than before because of less overtime. There is hardly anything left over after paying for rent and food.”

Female footwear workers

3.6.2 Poverty impacts

In terms of the impact of codes on poverty, the findings suggest that most impact falls within the dimension of social and physical well being, i.e. due to improvements in health and safety and reductions in working hours.

There was relatively little positive impact on income

and employment security, although in some factories workers had greater access to social security, pre- and post-natal benefits and annual leave. Such forms of social protection can contribute to poverty alleviation and income stabilisation, and can also help improve the quality of care provided to children and other dependants (e.g. giving workers time off to care for sick children). However short term workers may not benefit from these changes. In some cases there were negative impacts on income as a result of reduced working hours.

There were some impacts from codes in terms of empowerment:

- workers in two factories had increased knowledge of labour law and were confident talking about their rights;
- some factory trade unions were more active in representing workers’ concerns;
- workers knew what to do in case of an accident or emergency, and felt less vulnerable to health risks at work.

On the negative side, non-resident migrants were probably the least empowered, due to their illegal status. Codes appear to have done little to improve their situation, and may have even reduced their access to work.

3.6.3 Impacts on employment patterns

No impacts evident.

3.6.4 Other intended and unintended impacts

Codes of labour practice appeared to be working in conjunction with a number of other developments in Vietnam (e.g. social clause in the BTA, ILO training of labour inspectors and trade unionists) to create a critical mass of interest in labour issues. Combined, given the relatively strong labour law, this may bring substantial improvements for workers in the garment and footwear sectors and potentially also beyond.

4 Management approaches to code implementation

4.1 Overview of management approaches

The three ETI companies involved in the case study had quite different approaches to code implementation. For one (the retailer) responsibility lay with the quality assurance department, but it largely relied on UK importers/agents to communicate their code and monitor compliance. The two brands both had separate departments for ethical trade-related issues and were directly in contact with their suppliers, with one employing a local code compliance officer in Vietnam. The brands had a more holistic approach to code implementation, incorporating some aspects of capacity building - one took a project based approach linking up with other organisations, while the other took a more individual approach with each supplier. However all companies had minimal integration of ethical trade with core business, rarely going beyond including compliance as a condition of doing business.

4.2 Communication and learning

- The two ETI companies with direct links to suppliers were more effective at communicating their codes, including using posters. The third ETI company had a more complex chain and some suppliers did not have a copy of their code.
- In foreign owned/joint venture factories, the person who communicated with buyers on codes was typically not Vietnamese and not the person responsible for implementation. This reduced the effectiveness of communication.
- There was only one case of workers being told about codes by buyers (by a UK importer). Otherwise posters were used, but they were removed when buyers ceased ordering which sent confusing messages to workers and made managers sceptical about buyer ethics.
- One factory reported that it now gave new workers an orientation on company policies, at the request of buyers.
- Management was aware of ETI in three of the eight factories, but buyers generally only talked

about their company codes and not ETI during their visits. Workers were aware of codes but not ETI.

- Five of the eight suppliers had installed complaints boxes, but they were apparently little used. Workers in one factory said they have never seen anyone emptying the box ("It's just for show"), but in others it was emptied frequently.

4.3 Monitoring compliance

- Buyer and third party monitoring was seen as useful, especially the feedback sessions/reports, though initially suppliers found it difficult.
- All buyers (or their agents/contracted auditors) interviewed workers and checked for corrective actions.
- One supplier had been asked to monitor subcontractors. He said he found it hard as subcontractors were not being monitored by other first tier factories. Only two suppliers admitted to subcontracting production (both saying approximately 5% was subcontracted).
- Some workers were 'trained' for audits and in two factories some changes were made only when buyers visited.
- Key informants reported increased use of double books, allegedly due to buyer pressure to simultaneously reduce price, lead time and overtime.

4.4 Capacity building

- Advice and training from buyers/auditors was welcomed by management.
- Key informants highlighted knowledge and skills gaps at management and worker levels.
- Locally based code compliance officers allowed for a more sustainable learning process, and more in-depth understanding of each supplier (including use of double books). This was helped by their familiarity with the local context.
- One ETI buyer recommended a six-month

capacity building programme with a local CSR consultancy, although this was at the suppliers' expense.

- Suppliers that had received capacity building didn't necessarily make more changes. Management attitude was important, as was continuous follow-up.
- Supplier capacity building with workers was mainly related to health and safety, but one had given written information on labour laws.

4.5 Integration with core business

- Some suppliers thought code compliance led to better relationships with buyers and/or increased orders. Others thought it had no influence, with exclusively market factors determining orders. There were differences of opinion among those who shared the same buyers, suggesting that there is little clear policy in this area.
- Almost all suppliers said lead times and inflexible deadlines made compliance on working hours difficult. Overtime hours were costly for suppliers and so they didn't necessarily want workers to do overtime. However, one had adapted by buying new machines and hiring temporary workers for simple tasks during peaks.
- Only one supplier complained about multiple codes and audits.
- Key informants alleged that downwards price pressures made it difficult to improve wages and other employment benefits.

5

Key factors affecting impact

While the focus of the study was on identifying impacts resulting specifically from code implementation, in many cases it was not possible to attribute change exclusively to codes as there were a range of factors influencing labour practices. In this section we identify the key factors which we believe lay behind the impacts recorded, grouped according to:

- factors related to management approaches to code implementation;
- factors related to the value chain;
- other influences on change.

Note that the following conclusions about the key factors affecting impacts are tentative, given the small sample size and possible selection biases.

5.1 Key factors related to code implementation management approaches

Combined buyer interest

There was a lot of overlap between buyers in some chains. It appeared that their combined pressure for good labour practices drove change, although buyers who took more volume were more influential than others and there was a risk of free riding. Interestingly, the time elapsed since the first buyer code was introduced was not necessarily relevant.

Buyer commitment of resources to code implementation:

Active individuals from various different levels of the chain were able to influence suppliers. Regular face to face contact appeared important in bringing about change, with local code compliance officers the optimal model.

5.2 Key factors related to the value chain

Length of the supply chain and buyer leverage

Suppliers with close links to buyers (direct supply relations and high percentage of production) reported changes in more areas and/or had higher standards. Suppliers with complex/longer chains with more small buyers reported fewer areas of change, though changes may have been of greater magnitude (e.g. working hours).

Supplier attitudes

It was clear from both management and worker interviews that the attitude of management towards workers was critical in determining improvements in labour practices. As one worker put it, “The change should start from the management. No matter that there are buyer requirements, if the company doesn't want to satisfy them there will be no change. If the management doesn't care about workers' lives, no buyer can help.”

Sector

Garment factories registered changes in more areas, but the magnitude of change was greater in the footwear factories. However these differences were probably related more to the situation at each factory prior to code implementation, than the specific sector.

5.3 Other influences on change

Critical mass of interest in labour issues

As well as interest from individual buyers, a number of code-related initiatives had been established in Vietnam in recent years (e.g. SAI, Global Alliance, VBLI). The inclusion of a social clause in the BTA with the US, and ILO support for MOLISA (including capacity building with labour inspectorates and trade unions), were additional influences on labour practices. Together these initiatives were helping build a critical mass of pressure and a culture of change in relation to working conditions in Vietnam. This is particularly important in terms of widening and sustaining impacts.

Strong labour law

The fact that codes appear to be reinforcing compliance with national law makes it important that Vietnam's labour laws are quite protective of workers. However, it should be noted that the national minimum wage is not considered a living wage, and therefore impacts on income may be limited.

Media coverage

The media in Vietnam covers incidences of labour discontent (e.g. when there is a strike or reports of worker abuse) and is apparently influential in raising

public support for workers and capturing the attention of state officials.

Challenges of migrant labour

Migrant workers were generally the poorest group and were least likely to benefit from changes such as reduced working hours. If unregistered, they are also vulnerable to being excluded from what may have been the most favourable employment opportunities available to them.

6 Recommendations

The following recommendations are specific to the Vietnam study. Further recommendations based on the findings across all the case studies can be found in **Part 1: Key findings**.

6.1 Recommendations from case study participants

6.1.1 Management approaches to code implementation

Capacity building for management and workers

Both suppliers and key informants recommended that retailers and brands provide training on labour laws and codes for management and workers (especially trade union representatives), as well as training on code implementation for management.

Longer lead times and more flexible deadlines

Several suppliers said that in order to comply with code limits on working hours, they needed buyers to extend lead times and be more flexible on delivery schedules. Some key informants thought integration with core business was critical if improvements were to be sustained, rather than double books encouraged.

6.1.2 Working with others

Coordination between buying companies

It was felt that the impact of codes could be far greater if retailers and brands were to work together. It would increase their leverage, while reducing auditing costs for suppliers.

Enhanced role for trade unions

Some key informants suggested that both retailers/brands and workers should make more use of international trade union networks for reporting code violations.

6.1.3 Other recommendations

Support for Vietnamese and small and medium enterprise (SME firms)

Several key informants and suppliers were concerned

that Vietnamese-owned and SME firms were at a disadvantage in comparison to foreign owned firms, as they lacked information on buyer requirements, had less access to capital, and their infrastructure was older. There was also concern they would lose out from trends towards more concentration in sourcing (i.e. larger volumes from fewer factories). Arguments in favour of supporting these firms include sustainability and higher returns to the Vietnamese economy. Retailers and brands were encouraged to demonstrate commitment and support for Vietnamese and SME firms, for example by facilitating access to credit for improvements in infrastructure.

6.2 Recommendations from the Research Team

Involve workers

There was limited involvement of workers in any aspect of code implementation by retailers/brands and their agents, except during assessments/audits. Workers should be more actively included, especially in capacity building activities.

Differentiate between workers

Retailers/brands and their agents, as well as auditors, should pay attention to differences between workers and mitigate possible negative impacts on the most vulnerable/poor, i.e. short term and migrant workers.

Increased involvement of local stakeholders

Retailers/brands should look for ways to involve local stakeholders in monitoring code compliance. They should also cooperate with established organisations/institutions to train workers on labour rights, e.g. VGCL, ILO.

Make use of the media

Civil society groups could use the media effectively to raise the profile of workers' issues and raise support for improvements in labour practices.

Local code compliance officers

Retailers/brands should have local staff on the ground for ensuring understanding of the context and issues and a more in-depth knowledge of suppliers. It would also be useful for ongoing capacity building.

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