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# THE CONSEQUENCES OF LOW WAGES

a study on fashion  
suppliers in  
Vietnam

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OXFAM

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# DEFINITIONS

**Buyer/Brand:** the name given to global fashion brands when they place orders and buy clothing from garment factories in Vietnam.

**Code of conduct:** Principles, values, standards, or rules of behaviour that guide the decisions, procedures and systems of an organisation in a way that (a) contributes to the welfare of its key stakeholders, and (b) respects the rights of all constituents affected by its operations.

**Collective bargaining agreement:** Written, legally enforceable contract for a specified period between the management of an organisation and its employees represented by an independent trade union. It sets down and defines conditions of employment (wages, working hours and conditions, overtime payments, holidays, vacations, benefits, etc.) and procedures for dispute resolution.

**Company/garment company/factory/manufacturer:** A factory where garments are made. On an industrial scale this involves using sewing, cutting, making, processing, repairing, finishing, assembling, or otherwise preparing any garment.

**Cycle of poverty:** Endless continuation of poverty, where no matter what a person does, it is extremely difficult to move out of poverty. Normally, this is because the structural factors outside a person's control like laws, the way businesses operate and local context mean working to earn enough to move out of poverty or escaping poverty by other means is made near-impossible. Once a person or community falls below a certain level of resources, a chain of events starts to occur that tends to perpetuate the situation: progressively lower levels of education and training leading to lack of employment opportunities, leading to shattered health, often early death, and a similar situation of ongoing poverty for the next generation.

**Fast fashion:** A term used by fashion retailers to describe inexpensive designs that move quickly from the catwalk to stores to meet new trends. The tradition of introducing new fashion lines on a seasonal basis is being challenged and it is now not uncommon for fast-fashion retailers to introduce new products multiple times in a single week to stay on-trend.

**Focus group:** A group of people assembled to participate in a discussion to provide feedback.

**Lead time:** Number of days between when companies (in Australia, for example) place an order and the clothing is delivered.

**Living wage:** The living wage is a simple concept. It is the idea that the lowest wage paid to a full-time worker needs to cover the essential basics — enough nutritious food, decent housing, healthcare, clothing, transportation, utilities, childcare, education, and other essential needs, as well as some savings for the future and unexpected events. A living wage is not a luxury. It is a minimum that all working people should be paid if they are to escape poverty. A living wage should be earned in a standard work week (no more than 48 hours as a maximum) by a worker and be sufficient to afford a decent standard of living for the worker and her or his family.

**Piece rate:** A wage paid to workers based on the number of products they make.

**Production norm:** The number of products workers are expected to produce per day, per week and per month.

**Time wage:** A wage based on a specified number of hours worked; it does not depend on the performance or output of the worker.

**Wage regions:** the Vietnamese minimum wage system identifies four regions differentiated by living costs, based on which a minimum wage level is applied.

# ABBREVIATIONS

CM	cut-make
CMT	cut-make-trim
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
CSR	Corporate Social Responsibility
EVFTA	EU-Vietnam Free Trade Agreement
GLWC	Global Living Wage Coalition
ILO	International Labour Organisation
MOLISA	Ministry of Labour, Invalids and Social Affairs
UNGP	United Nations Guiding Principles on Business and Human Rights
VCCI	Vietnam Chamber of Commerce and Industry
VGCL	Vietnam General Confederation of Labour

# FOREWORD

Minh, 39, lives and works in a rural province in northern Vietnam<sup>1</sup>. The garment factory she works for makes dresses and jackets for global fashion brands. For six days a week and at least nine hours a day, Minh sews the sleeves on to approximately 500 jackets a day, earning around US \$1 an hour<sup>2</sup>.

Minh is married, but her husband is unable to work due to chronic illness<sup>3</sup>. This makes Minh the sole income earner for her household which also includes her elderly mother-in-law and her son. Minh has no choice but to work overtime each day in order to make ends meet, with little money left over once she has paid for essentials such as food, her husband's medicine and her son's education.

For Minh, her biggest concern is how the family will pay their expenses if she falls ill and cannot work. As the sole income earner, this puts a lot of pressure on Minh and leaves her and her family vulnerable to being pushed deeper into poverty.

Minh's story isn't unusual. Most garment workers in Vietnam are overworked, underpaid and have little to no enjoyment of life.

Based on interviews with workers in Vietnam, this report lays bare the fact that the widespread payment of low wages in the garment sector is trapping workers and their families in a cycle of poverty.

It exposes the hardships of everyday life for the workers, mainly women, who are an essential part of a booming and lucrative industry — and yet who struggle every day to put enough food on the table.

The report also examines the pressures placed on factory operators and owners by brands from Australia and other countries in the world to keep costs low — and in turn, keep wages at levels that deny workers and their families decent lives.

Women like Minh have right to a living wage for a decent quality of life, so that they can afford food, healthcare and education for themselves and their family. They have the right to have time off to see their family and friends. But to achieve this, changes must be made throughout the supply chain.

**Babeth Ngoc Han Lefur**  
Country Director, Oxfam in Vietnam



1. All workers' names in this report have been changed to maintain confidentiality.

2. Calculated by taking average earnings as reported by Minh and 234 working hours a month. Take home wage varies depending on hours of overtime worked. The exchange rate used is 22,552 VND = 1 USD, May 5 2018, Vietcombank.

3. Minh's husband passed away one month after the interview.

# EXECUTIVE SUMMARY

**This research – an in-depth investigation into the lives of the garment workers in Vietnam – reveals not only harrowing personal stories of individuals, but a systemic failure to pay wages that are enough for people to afford the basics of a decent life.**

Oxfam, together with the Institute for Workers and Trade Unions in Vietnam, interviewed more than 88 workers in six factories across four wage regions for this study. The investigation also included more than 67 interviews: 14 with factory supervisors, five with managers, 38 with union officials, six with officials from provincial Departments of Labour, War Invalids and Social Affairs, one with the Ministry of Labour, Invalids and Social Affairs, two with members of the National Wage Council, and one with a salary expert. Researchers also collected 14 case studies of workers.

Not only are almost all the workers interviewed for this report earning well below a living wage, they are also struggling to feed themselves and their families, sometimes going hungry. They fall into spiralling debt, live in poor conditions and cannot afford the healthcare or education they or their families need. Workers told stories of having to stay back late at the factory most nights, even when they are exhausted and their bodies are on the brink of shutting down. They spoke of having to run to the toilet and skip breaks, so they still met their targets per day. They miss out on spending time with their children, visiting their parents in their home villages, and spending social time with friends because of their work.

The garment sector is predominantly made up of women, so low wages plus poor working conditions is a matter of gender inequality. Mothers of young children are often forced to pay expensive childcare costs while they work overtime. Cuts to social insurance premiums and maternity leave means mothers are missing out on vital support when they have children. Therefore, paying a living wage and improving working conditions is an effective solution for addressing gender inequality in Vietnam.

Low wages are the result of unfair business practices within the garment supply chain. The

purchasing power of brands is the ultimate cause behind all these practices and is key to the solution. Competitive bidding for suppliers, non-negotiable prices, small and unstable orders, short lead times, and strict punishments by brands for non-compliance are resulting in low wages for workers making clothes. Although companies conduct corporate social responsibility (CSR) assessments, these are often not effective since they do not include standards on living wages.

Prepared by a research team with technical assistance and support from Oxfam and national consultants, this report identifies gaps that need to be addressed in order to improve wages and working conditions for garment workers. It describes our findings on the actual wages that Vietnamese workers in some garment factories receive and the impact of wages on their lives and families. The report identifies practices in the global supply chains that lead to this status of wages and the domestic barriers to achieving a living wage. The garment industry is worth big bucks, apparel brands are growing and increasing their turnover. Brands are driven by maximising profit and often also by creating the highest dividends for their shareholders. While governments across Asia set wages low to encourage foreign investment, brands also play an important part in keeping wages low by negotiating hard with individual factories to produce garments as cheaply as possible. To meet the demands of big brands, garment manufacturers are making workers work long hours on low wages. The report provides recommendations to global buyers, consumers, factory managers, the Vietnamese Government and labour unions for achieving a living wage.

This report is part of a document series compiled to provide information for public discussions about development and humanitarian policies.

4. International Labour Organisation (ILO), *Wages and working hours in the textiles, clothing, leather and footwear industries*, ILO, Geneva, 2004, viewed 20 September 2017, [http://www.ilo.org/wcmsp5/groups/public/---ed\\_dialogue/---sector/documents/publication/wcms\\_300463.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---sector/documents/publication/wcms_300463.pdf)





# 1. WAGES OF GARMENT WORKERS

This report looks comprehensively at the lives of women and men who make clothes in factories across Vietnam. What we found is undeniable: garment workers are stuck in a cycle of poverty because of the wages they are paid.

TABLE: STATUTORY MINIMUM AND BASE WAGES IN FOUR WAGE REGIONS IN VIETNAM

	Wage region 1	Wage region 2	Wage region 3	Wage region 4	Notes
Statutory minimum wage <sup>5</sup>	3,980,000 VND (USD \$177)	3,530,000 VND (USD \$157)	3,090,000 VND (USD \$137)	2,760,000 VND (USD \$122)	applied for simple jobs in normal working conditions
Base wage in garment sector <sup>6</sup>	4,457,600 VND	3,953,600 VND	3,460,800 VND	3,091,200 VND	applied for skilful workers who work in hazardous conditions

Vietnam has four minimum wage regions to reflect the cost of living in each region. In addition to wages, the law allows for allowances, such as seniority, responsibility allowance, training allowances, toxic allowances, travel, housing, attendance, productivity bonus, periodic support, etc. In different companies, types of allowance

and allowance levels are different. Workers in formal garment companies in Vietnam have their base wage specified in the labour contract. The base wage must be at least the minimum wage (an additional 5 per cent and 7 per cent can be added as training and hazardous working condition increments, respectively).

5. Exchange rate used is 22,552 VND = 1 USD, Vietcombank, 5th May 2018.

6. The basic wages in garment sector are legally regulated, should be at least, equivalent to the minimum wage with an increase of 7% for trained workers and 5% for hazardous working conditions.



## WHAT IS “A LIVING WAGE”?

The living wage is a simple concept. It is the idea that the lowest wage paid to a full-time worker needs to cover the essential basics — enough nutritious food, decent housing, healthcare, clothing, transportation, utilities, childcare, education, and other essential needs, as well as some savings for the future and unexpected

events. A living wage is not a luxury. It is a minimum that all working people should be paid if they are to escape poverty. A living wage should be earned in a standard work week (no more than 48 hours as a maximum) by a worker and be sufficient to afford a decent standard of living for the worker and her or his family.



FIGURE 1: COMPONENTS OF A LIVING WAGE

There are various ways to estimate living wage levels, but the two key benchmarks are the Asia Floor Wage and the Global Living Wage Coalition (also known as the “Anker methodology”).

Both methods of calculating a living wage are credible; however, the Asia Floor Wage is usually higher due to differences in detail, approach and calculation.

## **FLOW CHART OF ANKER’S METHODOLOGY FOR ESTIMATING A LIVING WAGE**



**FIGURE 2: THE GLOBAL LIVING WAGE COALITION AND ANKER METHOD<sup>7</sup>**

The Global Living Wage Coalition brings together Fair trade International, Forest Stewardship Council (FSC), Good Weave, Sustainable Agriculture Network/Rainforest Alliance (SAN/RA) and UTZ Certified, along with Social Accountability International (SAI), to improve wage levels in supply chains. The coalition, in partnership with

Richard and Martha Anker, has developed a methodology for calculating a living wage. Each living wage benchmark commissioned by the coalition is made public to further this aim and to increase the opportunity for collaboration towards payment of a living wage.

7. Global Living Wage Coalition, viewed September 2018, <https://www.isealalliance.org/our-work/improving-effectiveness/global-living-wage-coalition>.

**THE ASIA FLOOR WAGE**  
(AFW) IS CALCULATED BASED ON THE FOLLOWING ASSUMPTIONS:



FIGURE 3: ASIA FLOOR WAGE<sup>8</sup>

The Asia Floor Wage Alliance (AFWA) is an international alliance of trade unions and labour rights activists that are working together to demand garment workers are paid a living wage. The alliance began in 2005 when trade unions and labour rights activists from across Asia came together to agree a strategy for improving the lives of garment workers. The alliance has defined its own formula and methodology to calculate a living wage. It recognises that the way the garment industry is organised places severe limits on the ability of workers to improve wages and working

conditions in developing countries. In light of these difficulties, the AFWA campaign calculates a living wage — in terms of purchasing power parity dollars — for a range of Asian countries. Its mission is to campaign for a living wage across Asia because it realises that improving wages in a country makes it vulnerable to capital relocation — the practice of companies moving to another location if wages or other costs increase in their country of operation. The purpose of the Asia Floor Wage is to create a social floor, a level playing field, by taking wages out of the equation.

8. Asia Floor Wage Alliance, viewed September 2018, <http://asia.floorwage.org>



Garment worker Minh at her home with her son Tuan Anh, husband Chuong and her mother-in-law Quyen. Photo: Do Manh Cuong/OxfamAUS

### LIVING WAGES: A DEFINITION<sup>9</sup>

A living wage:

- Must be established in consultation with workers.
- Is sufficient to cover basic needs including food, housing, clothing, medical care, education, social relations, transportation and some savings.
- Includes enough for some discretionary income for unforeseen events such as accidents or illness.
- Supports more people than just the individual worker — it is a family wage.
- Includes consideration of the number of hours needed to earn a living wage — not more than 48 hours per week.
- Includes strategies to periodically update rates, so that workers keep their relative purchasing power.

A few companies refer to a living wage in their codes of conduct, however they limit the standard to at least legal or industry minimum standards. In reality, the legal minimum wage is not a living wage.

When we talk about poverty, we refer to the situation of workers who are unable to meet basic needs for a dignified life for themselves and their families – not necessarily the same thing as official poverty lines of the Vietnamese Government or the World Bank. These poverty lines are nothing near a dignified life.

9. Oxfam, 2016, *Underpaid and undervalued: How inequality defines women's work in Asia*.



# THE WAGES OF GARMENT WORKERS IN VIETNAM

In this report, we took the survey results of actual wages of workers in the surveyed enterprises (in four wage regions) and compared them with the legal minimum wage, living wage calculated by the Global Living Wage Coalition (GLWC) for four wage regions, and the Asia Floor Wage for Vietnam.

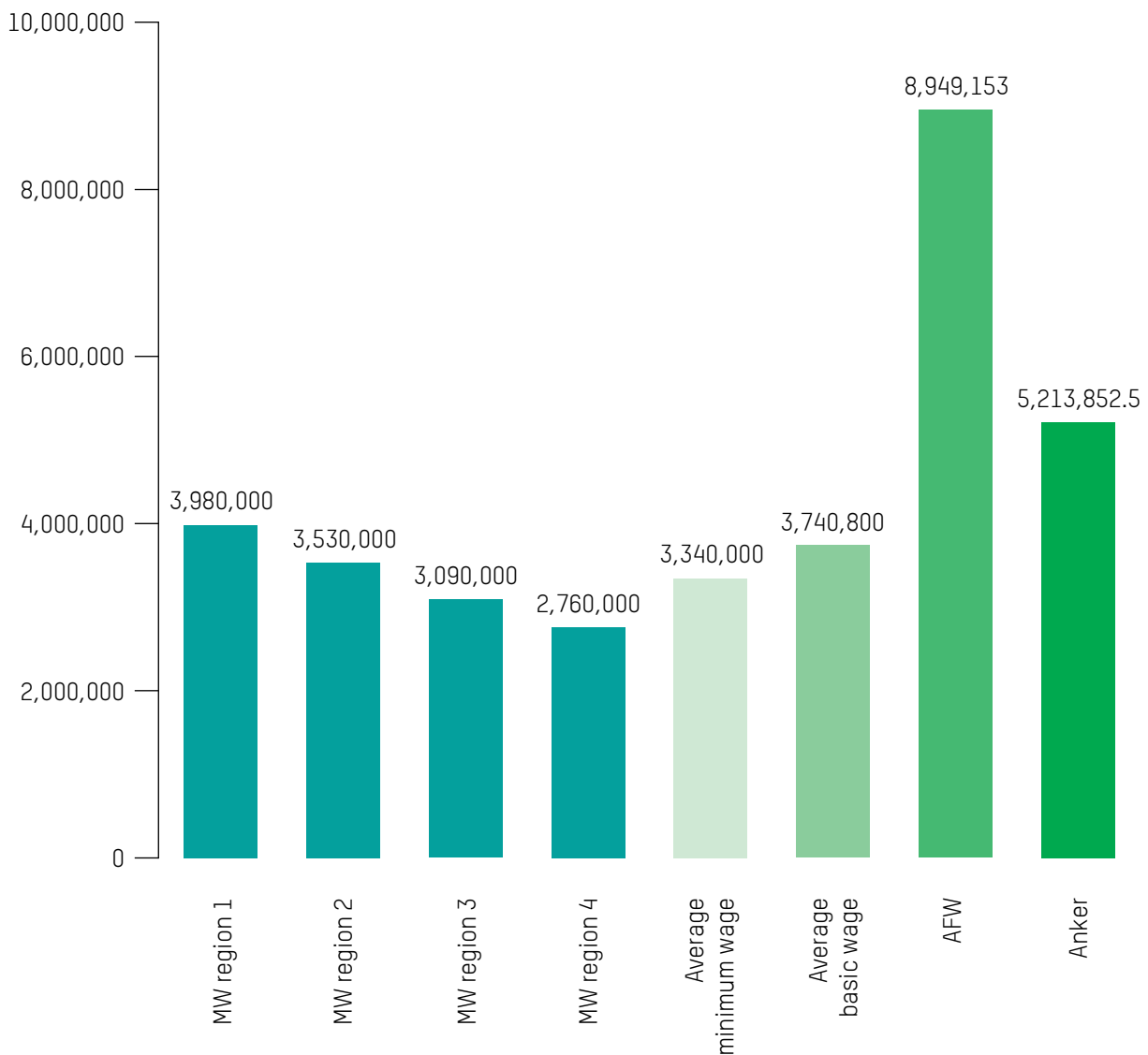
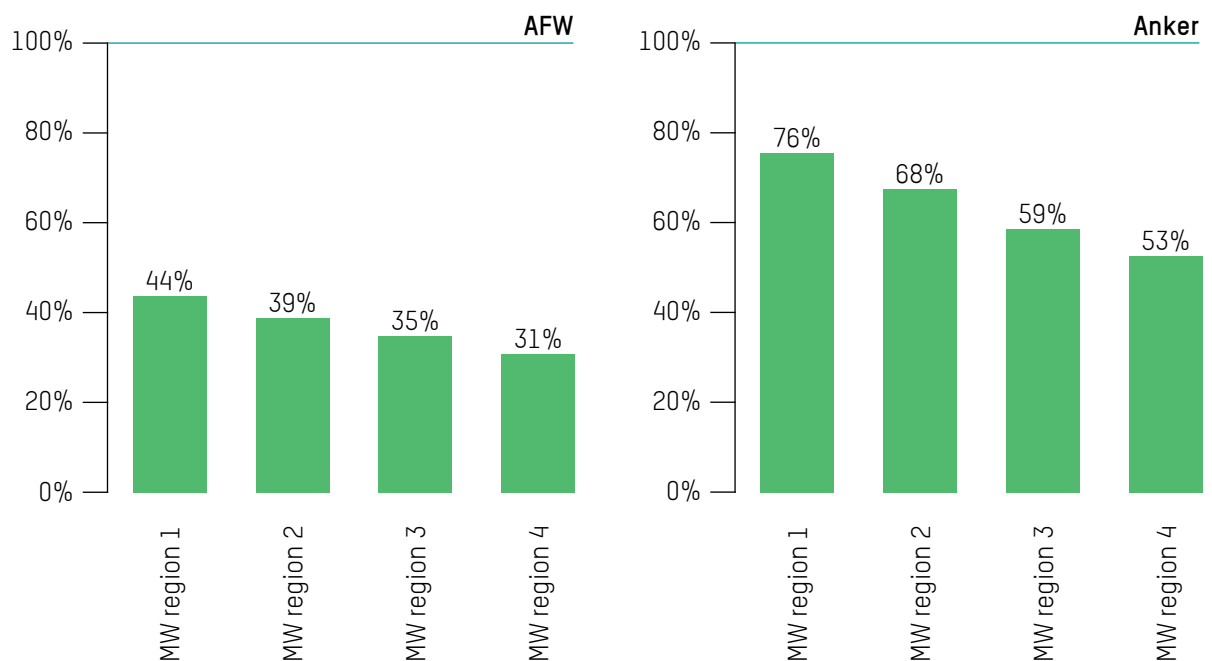


FIGURE 4: MINIMUM WAGE (MW), AVERAGE MINIMUM WAGE AND AVERAGE BASIC WAGE COMPARED WITH LIVING WAGE BENCHMARKS FOR VIETNAM

Vietnam’s statutory minimum wage is far below what a person needs to cover the essentials such as food, housing, healthcare and education. But even the wages most garment workers earn on top of the minimum wage fall short of what is considered a living wage. The

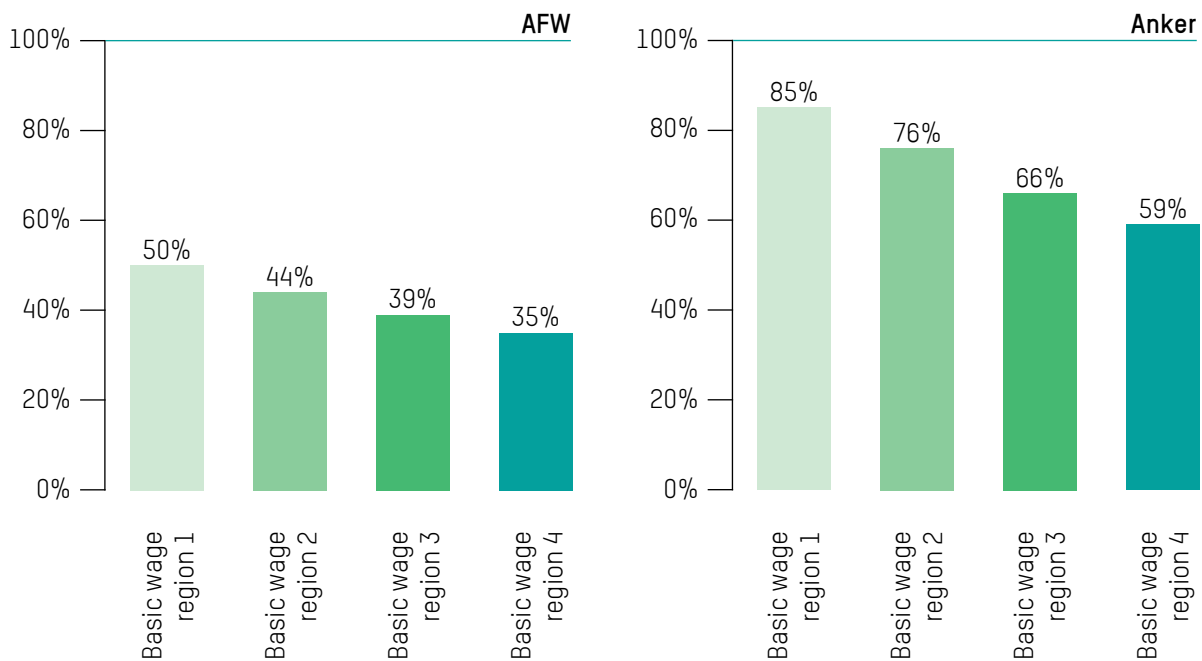
national average minimum wage in Vietnam is VND 3.34 million<sup>10</sup>, which is around 37 per cent of the Asia Floor Wage and 64 per cent of the Global Living Wage Coalition benchmark<sup>11</sup>. The following table shows the gap between the minimum wage and different living wage benchmarks.



**FIGURE 5: MINIMUM WAGE AS A PERCENTAGE OF LIVING WAGE BENCHMARKS**

10. Calculated by adding minimum wage of four regions and divided by four.

11. Compared against the average Global Living Wage Coalition benchmark for region 1 (Ho Chi Minh City) and region 4 (Soc Trang and Thai Binh provinces, Vietnam with the national average minimum wage.



**FIGURE 6: BASIC WAGE AS A PERCENTAGE OF LIVING WAGE BENCHMARKS**

In this research, we found that 99 per cent of the workers earn below the Asia Floor Wage, and 74 per cent earn below the Global Living Wage Coalition benchmark. Even if we take overtime income into consideration, over 52 per cent of workers in Vietnam are earning below the Global Living Wage Coalition benchmark and still 99 per cent compared against the Asia Floor Wage. It is difficult to estimate how much overtime payment workers get from their month's total wage, because workers are paid in piece rates and usually do not monitor closely their overtime hours. Based on interviews, we estimate that workers work at least one hour extra every day compared to the legal limit. Overtime makes about

11-16 per cent of workers income. This may be an underestimate. In other research by VGCL in 2018, overtime in the garment sector makes up 18.6 per cent of workers' total income<sup>12</sup>.

Their wages are also impacted by other allowances, including extra payments for seniority, training, hazardous work, travel, housing, attendance, productivity bonus and periodic support. In different companies, the type and level of allowances differ. If these allowances are not factored in, workers' wages from work completed during standard working hours is not enough to live at even the most basic level.

12. IWTU, Survey on wages and working conditions in selected industries, 2018, with a sample of 538 garment workers from 23 garment companies in 15 provinces coalition.





## THE ISSUE WITH PIECE RATES AND PRODUCTION NORMS

In Vietnam, garment workers are usually paid at a “piece rate”. This means workers are paid a base salary, and then an additional sum based on the number of products (such as T-shirts) they make. A piece rate wage system is considered to be fairer for workers because the wage is higher if workers work more productively.

**However, as we will explore in this report, piece rates can be unfair, production norms<sup>13</sup> (or targets) are often unreasonably high, and workers’ wages are being deducted, so manufacturers can keep prices low for international buyers.**

The factory decides the rate workers get per piece they produce, based on orders from buyers. Even though minimum wages increase annually, workers explained to us that companies often adjust the piece rate and daily production targets based on specific orders. As a result, national minimum wage increases only affect the base wage, while total income (based on the number of pieces made by each worker) does not increase.

In principle, piece rates and production norms are calculated based on the number of products the average worker can produce at a unit price the factory negotiates with the customer. However,

our survey revealed that many workers are not able to complete their daily or monthly production norms. The concern is that the unit price and production norms calculation are not transparent and not negotiable with unions and workers. The calculation of the unit price is entirely decided by the company and the company does not publicly inform how they calculate the unit price. Even union officials do not know how to calculate unit prices or production norms, unless the union officials are actually part of the management of the company.

When international brands look for the lowest possible price to place their orders to factories, the manufacturers set low unit prices to retain business, meaning workers have to make more products with more effort than usual to meet the target and earn the base wage. The base wage is nowhere near enough for a person to live on. Therefore, garment workers can only increase their wage by producing more products — but to produce more, they have to work overtime. All companies we surveyed have regular working hours from 7:30 am to 4:30 pm, but if the workers do not finish their assigned production norms, then they have to stay up to 5:30 or 6:30 pm. The 2017 Better Work report shows that the violation of overtime rules is pervasive in the industrial sector: 82 per cent of the 257 companies surveyed violate overtime regulations<sup>14</sup>.

13. Workers are expected to produce a certain number of pieces per day, per week and per month, which is called a production norm.

14. Better Work, *Annual Report 2017: an Industry and Compliance Review, Vietnam*. <https://betterwork.org/blog/portfolio/better-work-vietnam-annual-report-2017/>

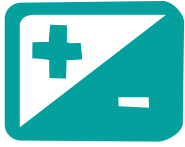


The slogan on a boss' T-shirt: "Don't ask me to go home until you finish your SAH." Normally, an unit of SAH is equivalent to 12 products to be done (more or less, depending on the orders). Photo by workers/CDI

### No wage increase in eight years

Na, a garment worker in Ninh Binh, has been working at the same company for eight years. She said when she first started, she sewed belts with the unit price of 400 VND per unit. Today, the unit price for the same product hasn't changed, even though the revenue of the company has increased. Her income is almost the same after eight years — it has only increased slightly because she works overtime and she's faster at sewing the same product.

"I am very tired!" she said. "Knowing that nothing has changed is hard, but I have to work for my family."



# COMPENSATING FOR MINIMUM WAGE INCREASES

There are workers who work hard and do overtime every day, but still do not make enough products to earn even the base wage. These are usually new or low-skilled workers or workers with reduced productivity due to poor health. It also occurs when unit prices are too low for the piece rate to add up to the base wage. In these cases, in order not to break the law, the company will support these workers to earn the base wage. In many companies, such wage support is quite common — 45 per cent of interviewed workers said that they occasionally or regularly got wage support during the year.

Minimum wage increases do not affect the wage of workers who work to a piece rate; however, it does affect workers who are paid on a time wage<sup>15</sup>. A time wage is based on a specified number of hours worked; it does not depend on the performance or output of the worker. Time based workers account for about 15–25 per cent of the workforce. Normally when the minimum wage increases, the time wage will increase accordingly. The majority of time-based employees — if they are not managers or supervisors — are paid just slightly above the minimum wage. Despite this, when we interviewed workers, we found some companies were cutting allowances to keep the wages of time-based workers the same as before the minimum wage increase.

## EARNING THE SAME WAGE, DESPITE AN INCREASE IN THE MINIMUM WAGE

Dung is a boiler worker for a garment company in Ninh Binh, which is in wage region 3. The minimum wage for wage region 3 in 2017 was 2.9 million VND, and in 2018 is 3.1 million VND. Dung's expected wage (not including overtime) for each year is calculated as follows:

### In 2017:

Basic wage = minimum wage (2.9 million VND) + 7% training allowance + 5% hazard allowance  
+ 800,000 VND (allowance for work, travel, seniority and food)  
+ 500,000 VND (responsibility allowance)  
+ 400,000 VND (revenue benefits)  
= 5 million VND (including social insurance premium and union fees)

### In 2018:

Basic wage = minimum wage (3.1 million VND) + 7% training allowance + 5% hazard allowance  
+ 800,000 VND (allowance for work, travel, seniority and food)  
+ 500,000 VND (responsibility allowance)  
+ 450,000 VND (revenue benefits)  
= 5.2 million VND (including social insurance and union fees)

However, in the first three months of 2018, Dung's responsibility allowance dropped from 500,000 VND to 300,000 VND. This means that he receives just over 5 million VND (approximately the same as his 2017 wage). He inquired and was explained by the company that "his wage is under an agreement, that fluctuates around this level only". He told us that 80–90 per cent of workers who work on a time wage have had their allowance cut.

In summary, efforts to increase minimum wages to meet minimum living requirements have not been effective because of malicious practices. Annual increases cause wages, social insurance contributions and trade union fees costs to increase for the company.

While the purchasing price does not increase — and sometimes even decreases — companies devise different ways to balance their costs. Usually this is by reducing the wages of workers without the worker knowing. This is called "wage theft".

15. Time-based workers generally include fabric cutters, helpers, packers, quality checkers, cleaners, boiler masters, and iron workers.



## MOST COMPLAINTS FROM WORKERS ARE ABOUT WAGES

**Low wages are the cause of the majority of labour disputes and strikes in Vietnam and are the underlying cause of complicated industrial relations.**

Among thousands of strikes since 1995, 39.5 per cent took place in the garment sector, and one of the main reasons was low wages<sup>16</sup>. When asked about complaints made at their factory, the majority of workers we interviewed said their complaints were related to wages.

In one company we surveyed, a strike had occurred over the past two years as a result of low wages and overtime. All workers said they aspire to have higher wages but are wary of pushing

too hard for them as it could put their livelihood at risk. Ironically, workers said they wish for their company to have more orders, so they can work more overtime. Even though many said they were exhausted from working long hours in exchange for a higher income, most workers said they just wanted enough to “survive” – rather than an ordinary human aspiration of “living a decent life” with time for rest, play and enjoyment of life.

Low wages are a rampant problem within the garment sector in Vietnam. All workers surveyed said they work long hours for little pay and struggle just to get by. However, most workers said they are grateful to have a job at all and believe they are still earning more than if they worked in the agricultural or service sectors.

■ 16. VGCL record on labour disputes and strikes, 2018.





# 2. THE HUMAN COST OF LOW WAGES

While interviewing workers, we found the human consequences of low wages. Many workers expressed dissatisfaction with their lives and said their life is limited to their work and the expectation of earning more income. They have to sacrifice all other needs, wants and desires in order to cover minimum living costs for things such as food, housing, electricity and water.

Many workers have their own plans and dreams for the future, but do not see how their current job could help them to achieve it. "Spend all that is earned" is a common practice for these workers; however, 69 per cent of workers said they did not

have enough money to cover their living needs, and 31 per cent said they did not save anything from their wages although they have some "social security savings" from the statutory social insurance contribution.

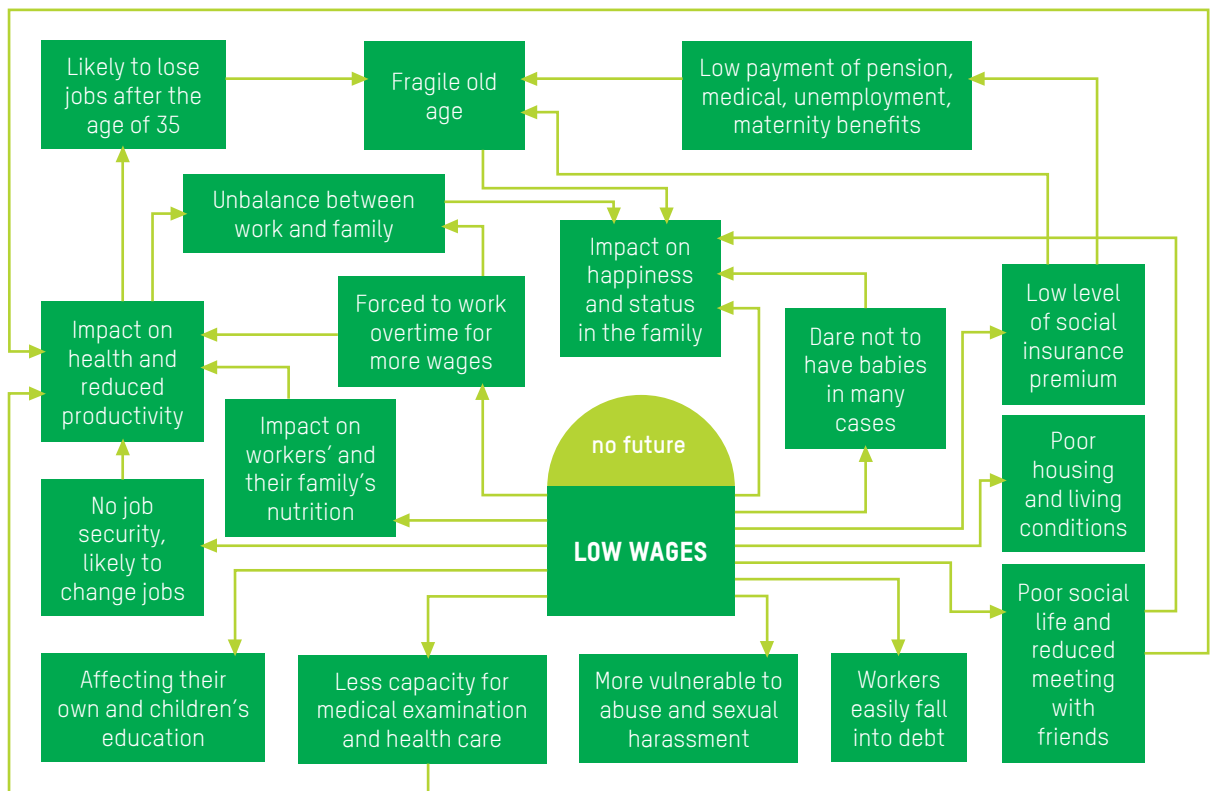


FIGURE 7: MATRIX OF LOW WAGES AND THEIR CONSEQUENCES.  
SOURCE: SURVEY OF GARMENT COMPANIES, MAY 2018.



Garment worker Minh and her son Tuan Anh clean outside their home. Photo: Do Manh Cuong/OxfamAUS

## WAGES AND WORKERS' PSYCHOLOGY: THE OPINION OF A PRODUCTION MANAGER

Workers' wages affect their mood. When workers feel depressed or uncomfortable, their productivity and quality of work decreases, because they work with no motivation or interest. If the working conditions are poor and the wages are too low, the workers will leave to seek a better job opportunity elsewhere.

In addition, low wages directly affect the personal lives of workers. They have to tighten their belts and cannot afford good basic necessities such as food, clothes, travel, child care, school fees, etc.

They generally have to work overtime to improve their income, but overtime compounds their depression as they are less likely to have time to rest, participate in social activities or enjoy life. When not working, they have to take care of their families or do housework, meaning their mind and body is usually tense and tired.





## MIND THE GAP: WORKER'S WAGES AND DEBT LEVELS

The flow-on effect of poverty wages is everywhere. Workers' rent regularly remains unpaid or half paid. Even when workers are seriously ill, they cannot afford to take rest. They try to keep travel costs to a minimum. When the workers fall sick, loans are needed to cover the treatment cost. They buy and wear

very cheap and poor quality clothes. There is no spare money to cover a family crisis or an emergency. Workers universally reported that they don't go for outings or spend anything on recreation. They are forced to miss out on visiting family or any of their relatives due to the costs associated with travel.

### NOT ENOUGH MONEY TO VISIT FRIENDS OR FAMILY

Hoi, 45, has worked as a cutting worker at a garment company in Dong Nai for over a year, but has worked in the garment industry for nearly seven years. Her husband died long ago and Hoi is now living in a boarding house with her daughter, who is in her second year of college. Her mother is very sick, and her father looks after his wife; Hoi is the main bread earner for the family.

Because of her low wages, Hoi never thinks of entertainment or being social. Both she and her daughter have to try to keep their expenses low and limit their visits back to their village, about 200 km away, as travelling home is very expensive. Beside studying, her daughter works in a milk tea shop from 5-10 pm, earning 1.5 million VND per month so they have a bit more money. Every month, Hoi tries to send her parents 2 million VND for her mother's medicine. The rest of the money is spent on rent, food, tuition fees for her daughter, electricity and water. There is nothing left over.

Hoi has a close friend who lives in her village, but she no longer visits her because she says she is embarrassed to be poor. Her desire is for her daughter to graduate college and get a job, and then she will withdraw her social insurance as a lump sum and return to her village. She feels that "working as a worker will not be for long — only when my health is good".

Because they are not earning a living wage, workers are often forced to borrow money from other garment workers and people living in their boarding houses. They borrow money to buy an old motorbike, so they can get to work. They borrow when they are sick to pay for medical treatment and medicine. They borrow to pay for their children's education. They borrow this month to pay for the next month. The situation of borrowing is quite common for garment

workers that we met: 37 per cent of the workers interviewed reported borrowing from friends, relatives or neighbours to fill their income and expenditure gap.

To overcome their economic hardship, many workers come together to devise ways they can have money when they need it for unexpected circumstances. The reliance on revolving loan funds show how fragile their financial situation is.

## REVOLVING LOAN FUNDS AMONG GARMENT WORKERS

Garment workers take part in a “sharing money” group to overcome their economic hardship. Chơi Hụi is a loan or money-pooling club. Chơi Hụi members contribute monthly to a common pool, which is given on a rotating basis to every member of the club. There are two types of Chơi Hụi. The first is a group of workers who donate and take a lucky draw to choose who takes this money first in turn. The second type is that a group of workers donate money to the group. Anyone who has a need for the money most will get the money first. For subsequent donations, those who get the money in the previous round are required to pay a low interest rate for the previous amount they borrowed.

68%

of workers reported that they rarely or never get time to visit relatives and friends.

96%

never or rarely eat out.



Photo: Sam Tarling/Oxfam



## FOOD AND NUTRITION

Low wages mean that many workers find it hard to ensure that they and their families have enough to eat. A sizeable 28 per cent of workers reported that their wage was not enough to sustain them and their family for the entire month. Of these, 50 per cent reported that they handle this by borrowing money for food, which increased their family debts, and 6 per cent reported that at the end of the month, they eat only rice.

The long hours of work for many garment workers in Vietnam also cause nutrition problems, as workers struggle to make as many pieces as possible to meet their targets and increase their pay. This means they often skip meals, causing them to feel dizzy and light-headed. Some workers said one of the reasons they skip lunch is the quality of the food provided by the companies is low. Workers told us the lunches are monotonous and lack nutrition.

Many workers fear this will impact their health, which will then affect productivity and their wage. They said they usually have to contribute 8,000 VND more to get a more nutritional lunch or bring food from home. Some workers in Dong Nai said:

“Eating at the company causes us to lose weight, so we do not eat at the company any more. We prepare our own food and inform the company to cut our lunch ration.”

Hau, a 27-year-old garment worker, reported that she spends more on food for her children than herself, and spends little on her own food, in order to help pay down the family's debt. Hau does not have time to eat breakfast at home, sometimes she brings food into the factory to feed herself and this would make Hau's allowance cut if discovered by her supervisor. But Hau takes the risk of losing her allowance, otherwise she could not work with an empty stomach.



## HEALTH AND IMPACTS OF OVERTIME

Vietnamese labour law states that working overtime is voluntary, and workers must sign a form saying they agree to work overtime. However, our in-depth interviews with overtime workers reveal that they have no choice. More than 52 per cent of interviewed workers are not aware of the law related to overtime and 65 per cent said they regularly work overtime.

Workers get one hour for lunch. Often, companies allow workers to take a 5–10 minute break in the morning and in the afternoon to relax, go to the bathroom, and drink water. But in reality, given their wages are based on piece rates and production norms, workers even do not take these breaks and they work through. If they need to go to the toilet, they are also quick to return, so they don't affect the output of the line and of themselves. When asked why they don't take a break, many workers said: "I do not want to be poor. I will work hard to get out of poverty." They will accept high production norms to get higher wages. Yet, many workers also said that even when they make more products, their monthly wage was "still the same, or just a little bit more".

Of those interviewed, 22 per cent said they did not use breaks provided by the company, or they quickly go to the toilet, and this affects their health; and 28 per cent are worried about working too many hours a day and how this will affect their health. Overtime affects the health of workers, leaving workers exhausted after a day's work. A majority of workers we interviewed (69 per cent) said they often have headaches, dizziness, hypotension, back pain and neck pain due to sitting for a long time and leaning over frequently.

### NO LAUGHING MATTER

A joke about overtime in Thanh Hoa is "I am the owner of the house, but the dog does not recognise me", due to workers getting home so late every night. Their dogs bark at them thinking they are strangers because they are rarely home.

Most of the workers we surveyed are very worried about getting sick, or their children or spouse getting sick. Of the workers we interviewed, 36 per cent are living with an illness, such as asthma, high blood pressure, diabetes and heart disease. They almost all have to borrow money for their treatment. A worker who has depression was examined by a doctor and prescribed medication for three to four months, but she only took it for a month, then stopped using it because she couldn't afford it.

In fact, 53 per cent of workers said they did not have enough money to cover the cost of medical treatment and medicine. Some workers are forced to go into debt just to cover their health expenses and must sell their house or motorbike to make their repayments. When we asked about the wishes of workers, many said they did not want anything other than their health.

**"If you are sick, you will run out of money", they said.**

### SACRIFICING HER HEALTH FOR EMPLOYMENT

Phung, 37, has been working in the garment industry since 1999 and has been at her current company in Dong Nai for 12 years. She is married and has had two miscarriages. She wants children, but health issues have prevented her from keeping her pregnancies. She has a chronic heart disease and high blood pressure, which requires daily medical treatment. She has been sick for three years and often has headaches and dizziness. Her husband has hepatitis C and does not work.

Because of her health, Phung's work performance has declined. Usually, she only finishes just over half of her target — 250 pieces out of the target 450 pieces. A sewing technician worker has to help her with the rest. The company applies a piece rate, so often she cannot complete the target to get the minimum wage, so she receives wage support from the company. This occurs two to three months of the year. She must work long hours in overtime just to meet the minimum wage.

Because of the poor quality of lunch provided by the company, Phung eats very little — often just rice with soup — so she often feels dizzy. She doesn't take leave to rest, however, as "if you want to take leave, you have to ask for permission in advance with a signature on the paper. You cannot take leave by getting permission on the phone or through someone else. As such, you will be considered as taking leave without permission and get unpaid leave." There was a month where Phung was too sick to get out of bed for three days but because she didn't ask permission in advance, she was deducted 1.6 million VND — 30 per cent of her wage. She said: "With my bad health, I never dare say anything, never dare to raise any problems or complaints, because I am afraid of losing my job."



Photo: Tineke D'haese/Oxfam

There were also concerns about the long working hours resulting in pregnant women and new mothers experiencing pain and having no space to express milk. One new mother told us of running home at lunchtime to feed her baby, and then working extra hours at night to try to make up for the wage loss. Another new mother shared a distressing story of overtime taking its toll on her, explaining that although she needed to go home to feed her baby, no one would listen to her and she had to stay late at work. She said, "I feel tired, but I still have to stay, go home late; no one listens to us. I have to feed my baby."

**All of this adds up to a workforce that is overworked, tired, malnourished, stressed, sick, unable to afford treatment and afraid to take time off – for fear of losing their already poor salaries.**



## HOUSING AND LIVING CONDITIONS

**Our research shows that workers simply cannot afford a decent standard of living on the wages they are paid. 67 per cent of workers own their own small homes; however, 23 per cent of workers live in semi-permanent or temporary houses, and 44 per cent reported having to use water from a well or harvest rain water, without knowing if it is safe to use.**

Low wages also mean that in order for garment workers to make improvements to their living conditions, they have to sacrifice other essential items or go into debt. One worker told us that the roof of her small house often leaked when it rained. She and her husband share the small home with their three young children. They have had to take out a sizeable debt of 500 million VND, as well as borrow extra money from family, to rebuild the house. Her monthly average wage is 5.5 million VND, meaning she can't save anything from her income after covering the basics and repaying the loan instalments.

**ACCORDING TO THE ANKER LIVING WAGE METHOD<sup>17</sup>, AFFORDABLE AND APPROPRIATE HOUSING SHOULD HAVE THE FOLLOWING ATTRIBUTES:**

- durable structure
- enough living space
- access to safe water
- access to sanitation and toilet facilities
- full lighting
- fully ventilated
- full food storage
- separated from the area for raising animals
- protection from the cold, humid, heat, rain, wind or other threats to health

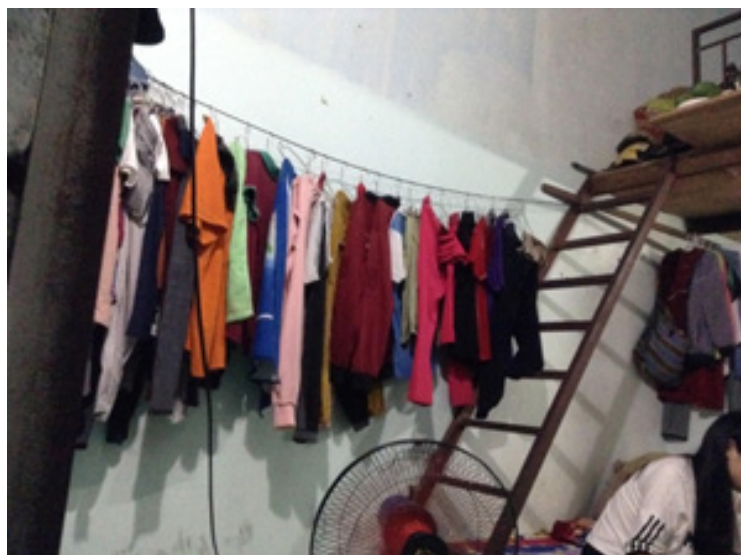
It also specifies that acceptable housing is not located in an unsafe or dangerous area, an area without waste disposal or drainage or an area lacking emergency services.

■ 17. Anker & Anker (April - 2015).

### THE MINIMUM STANDARD FOR ACCOMMODATION IN ACCORDANCE WITH VIETNAMESE LAW<sup>18</sup> SPECIFIES THAT:

- The area used for accommodation must not be smaller than 10 square metres, with the width of no less than 2.4 metres and a minimum height of no less than 2.7 metres.
- The average floor area is not less than 5 square metres per person.
- Rooms must have doors and windows to ensure ventilation and natural lighting.
- Walls must be made of materials that meet the requirements of fire prevention and waterproofing.
- The roof cannot be covered with flammable materials and must not be leaking.
- The floor must be paved with bricks or glazed with cement and must be higher than the surface of the house, yard, or pavement.
- There must be enough light (at least one 40W light bulb for 10-square-metre-area). If the room is shared, there must be at least one power outlet per person.
- If the room is enclosed, the toilet must have wall separating it from the sleeping space.
- There must be a hygienic water supply according to the safe standards of specialised law.
- Fire prevention and fighting equipment should be readily available.

### EXAMPLE OF A GARMENT WORKER'S HOME



Photos of the alley to the living rooms of workers

18. Article 3 of Circular No. 19/2016/TT-BXD of the Ministry of Construction dated 30 June 2016.





Photos of a kitchen and bathroom



Photos of toilet facilities



## EDUCATION AND FAMILY

Of garment workers who are married (78%), 88 per cent have children under school age. Many of them are worried their wages will not be enough to send their children to school all the way until they graduate. Most of the workers we interviewed had small children, and the cost of early education isn't very high, therefore, they can sacrifice all other unnecessary expenses to give preference to their children's education. However, the higher the education, the higher the costs. This is the greatest concern of many workers.

Although it isn't true in all cases, "worry about having children" is quite a common psychology among the workers we met. About 9 per cent of respondents said that their financial difficulty

has affected their decision to have children; however, many families who move to urban areas don't have enough money to pay for a babysitter. They work too much overtime to look after their child and therefore must send the child back to their village in rural areas to live with their grandparents.

Management at some companies told us that one of the most common reasons why workers ask for leave is because they have a baby and do not have a babysitter. Many workers said: "Because we cannot afford to raise our child plus the pressure of work, then we quit our jobs." Among the workers we surveyed, their wage is the only source of income of the family.

# 20%

said their wages are not enough to buy school supplies (books, pens, pencils, notebooks, etc.) for their children.



### HA WANTS TO GIVE HER CHILDREN A BETTER LIFE — BUT HER COMPANY WON'T LET HER GO

Ha, 35, has worked at the garment company in Hai Duong for 18 years as a sewer. She has two children and even though she waited 10 years to have her second child, she says life has become much more difficult ever since. Her first child is 14 years old and her youngest is 4. She finds it difficult to cover daily living expenses at her current wage. Because she isn't able to make ends meet, Ha wants to find another job. Talking with friends, she found that working in Japan will give her a better wage. She felt hurt and sorry for her children when thinking about leaving them with their grandparents but feels she has no choice if she wants to give them a good life. She is resolved to go and has even accepted a loan to pay fees to get to Japan.

However, she has hit a roadblock at her company. According to regulations, workers who want to leave have to send notice 45 days in advance. Ha followed the regulation but after the deadline passed, she met with the production manager who refused to approve her leave application. She went to the HR department, who told her she is not the only person who wants to quit her job and they have many applications from other workers to process. Some workers had sent the application from the beginning of the year and the company had still not approved them. Unless the company agrees to let workers leave their job, workers will not be able to claim their social insurance benefits.

Ha's story shows that some companies will try to keep workers, not by giving them a fair wage but by dragging out administrative measures to prevent them from leaving.



# 3. ADDING FUEL TO THE FIRE: WAGE THEFT, JOB INSECURITY, ABUSE, AN INABILITY TO ORGANISE AND GENDER INEQUALITY

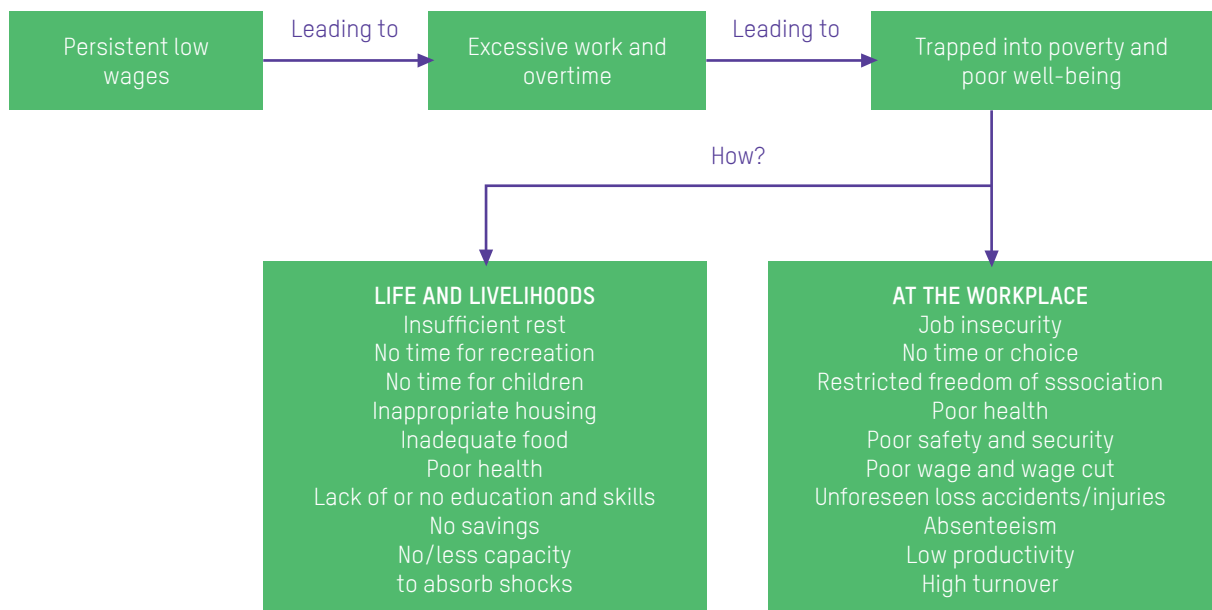


FIGURE 8: IMPACT OF LOW WAGES

Workers trapped in debt and earning poverty wages also face a number of other unfair practices – and their low wages make them more susceptible to exploitation and accepting abuse as part of what they must “put up with” to keep their jobs. This section explores some of these unfair practices.



## WAGE THEFT

To compete for orders, manufacturers must accept the order prices given by their buyers or parent company, and then utilise tactics of “lách luật”, which means to circumvent the law. It describes attempts of companies to make use of the labour law system’s loopholes for their profits without explicitly breaking the law. This happens quite often in Vietnam as the law system is incomplete and law enforcement in business matters is not strict.

Almost all the companies we surveyed use fingerprint attendance checks. Some workers told us that sometimes when they input their fingerprint, it won’t appear on the system. Even though their supervisor has confirmed that they worked that day, it is only counted as working a half day. Workers explained this to the company, but the company didn’t believe them, so the workers had to accept it.

## CALCULATING LOWER UNIT PRICES FOR LARGE ORDERS

Companies use performance and productivity-based wage payment (piece rate) to encourage workers to produce more. The calculation of the unit price of the product, as explained by the companies, is “dependent on the order”. Companies also explain that with small orders, there are more surcharges, such as sewing samples, the calculation of production norms and unit prices, taking time for workers to get used to sewing new products, more product defects, etc. Small orders are more difficult for the company than large orders.

Large orders mean workers have to produce more products, but if the unit price decreases and affects their piece rate, their wage doesn’t reflect their increased output.

In fact, for larger orders (for example, more than 5,000 pieces), the company sets a lower unit price and the buyers and brands also lower the order price due to reduced surcharges and higher labour productivity. This means companies and buyers and brands get more profits – while workers have to work more to produce more products to get the desired wage.

## INCREASING OVERTIME INSTEAD OF RECRUITING MORE WORKERS

Increasing the overtime of existing workers, rather than recruiting more workers to meet the demand, is a common practice within the garment industry. Asking workers to do overtime is more cost-effective than recruiting more workers, especially in the context of labour shortages<sup>19</sup>.



39.5%

of enterprises did not comply with the statutory number of overtime hours. For example, exceeding 04 hours a day, 30 hours a month and 300 hours a year<sup>20</sup>.

There are three reasons for this violation:

- the enterprises have to meet the lead time;
- the employers want to save recruitment and employment costs;
- the workers want to work overtime for an increased wage.

However, due to the pressure of completing production norms, some workers must do overtime without pay. One team supervisor in the factory in Thanh Hoa said: "Line 11 has never completed the production norm. They can make only 350 products while the assigned production norm is 400 products. Every day, the director tells me to put pressure on this line. But the line always has new workers and many workers are in their probationary period. This affects the output of the team. The team has to stay until 6.30 pm to complete the 400 products, without it being calculated as overtime." There are also some workers who go to work earlier than the normal working hours because they work slowly and want to get ahead. They do not get paid for starting early.

In one factory, workers have the responsibility to clean up around their work. If it is dirty, they will not receive a Grade A and at the year end, they will lose their bonus. Some workers told us that they have to clean their sitting place every hour, to ensure a clean environment. "Because we are paid by piece rate, the time it takes for cleaning the workplace affects our wages," they said. If the production norm is not finished, workers must stay to complete it. These workers are therefore working without pay.

19. Better Work, 2017, *The labour situation of garment workers and improvement method*, presented at the IWTO–Losa Luxemburg seminar.

20. According to the Inspection Campaign conducted by the Ministry of Labour, Invalids and Social Affairs (MOLISA) in 152 garment enterprises in 2015: MOLISA-ILO, 2015, Synthetic report on the result of the labour inspection campaign in the garment sector.

### NO CHOICE BUT TO WORK OVERTIME

A group of workers in Thanh Hoa province told us that if their daily production norms are not met, the company asks the whole team to stay behind to deliver the products. “I am so tired when I get home, I don’t even eat,” one worker said.

“It’s not voluntary but we have to stay. We do not dare to refuse, because everyone stays, no one goes home,” said another worker. “If we do not stay, the team leader will take points, and we lose rank<sup>21</sup> and lose our bonus at the end of the year.”

“We stay without swiping our fingerprints, so there is no timekeeping for working overtime hours. We just have to complete the production target before going home,” another worker said. “I have small children and want to leave early but it is difficult.”

Among the workers we interviewed, there are those who work an extra 60–74 hours per month. Working overtime is especially hard for workers with small children. They work overtime

with the desire to increase their income, but in reality, they end up doing overtime without pay. Working late also means workers have pay extra for childcare.

### PSYCHOLOGICAL PRESSURE: “VOLUNTARY” BECOMES “COMPULSORY”

Vui, 36, has worked as a sewing worker in Hai Phong for seven years. She is married and has two children. Her husband works far away, and she has no family living nearby, so they cannot help her with picking up her children every day. Her normal working hours are 7:30 am to 6 pm daily, with 1.5 hours being overtime. Even though it costs more, she sends her children to a private kindergarten because that means they can stay later. She always tries to leave on time; however, even at 6 pm, she still feels anxious because “the team supervisor shows a difficult attitude”. They want her to work until 7 pm, and sometimes she does because of the pressure of production norms. But the extra hour costs her 20,000 VND more to the kindergarten. By law, overtime is voluntary and Vui volunteers to work overtime for 1.5 hours a day in accordance with the company’s working hours. But because of pressure from the supervisor, very often she has to “voluntarily” stay until 7 pm.

21. Workers are ranked in A, B, C, D levels for bonus rank, based on performance including productivity, attendance, on time, mistake, cleaned workplace, discipline, etc.





Textile worker Mai and her two sons Quoc and Trung pictured at their home in Northern Vietnam. Photo: Do Manh Cuong/OxfamAUS

## DEDUCTING WAGES AND CUTTING WORKERS' ANNUAL LEAVE

Most of the companies and managers of the companies we interviewed said that their biggest worry is when workers take leave, as it affects production. According to the Labour Code<sup>22</sup>, under the category of “heavy, hazardous and dangerous occupations”, the annual leave for the garment industry is 14 days per year. However, many enterprises violate this rule and usually give workers 12 days of leave. One-third of the companies in our survey confirmed this. The inspection of 152 garment enterprises by the Ministry of Labour showed that 23.7 per cent of enterprises did not comply with regulations regarding weekly leave, annual leave, holiday leave and other paid personal leave of the employees. A production manager said: “It is difficult to take leave during the peak season. Workers can only take leave due to unexpected incidents that are serious or extremely important.”

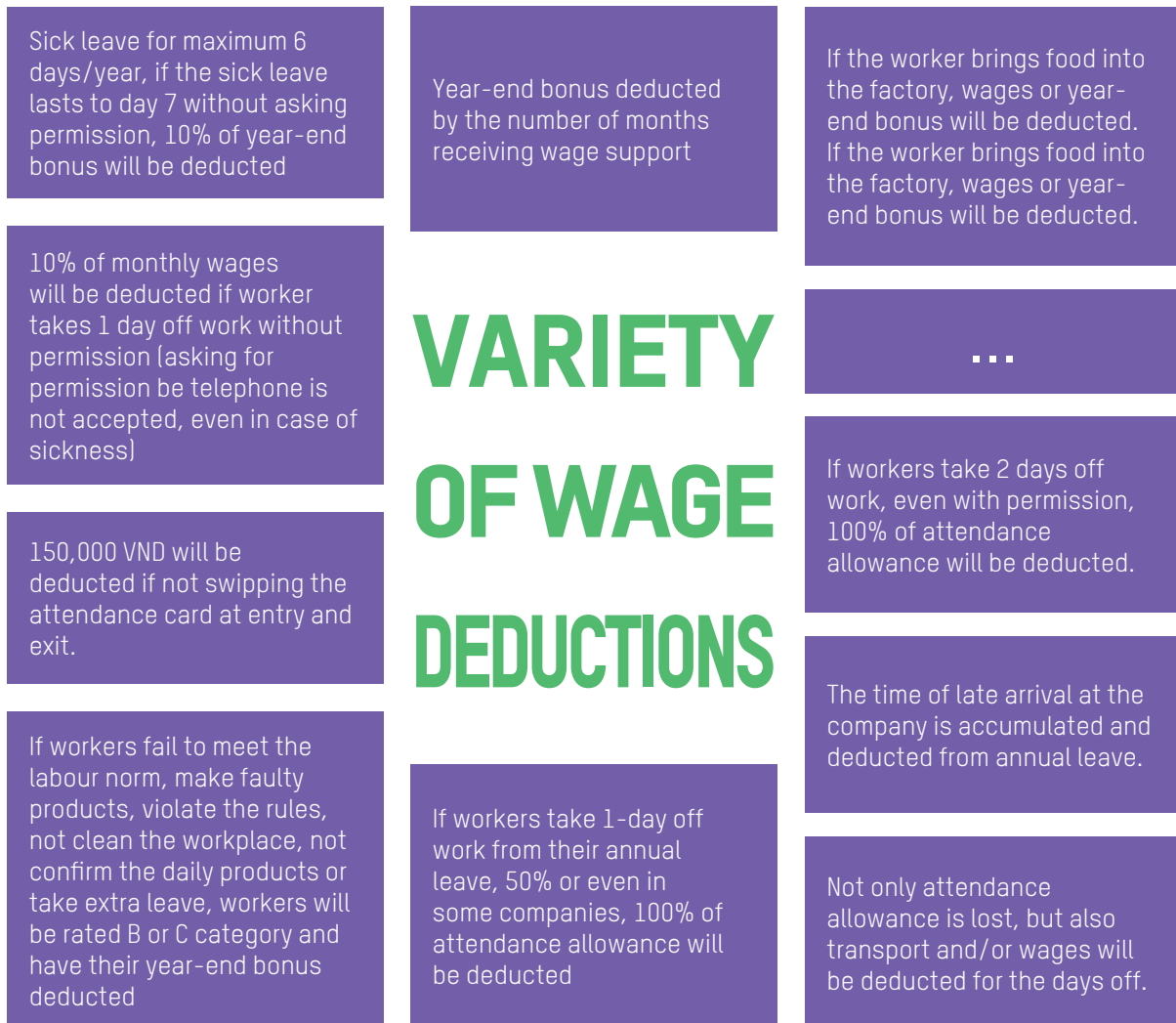
If workers want to take leave in some companies, they must go to the manager’s office to ask for permission first — they are not allowed to get permission on the phone. For workers who have unexpected family issues, or they feel too sick

and can’t come into work to ask permission to take the day off, that day is not counted as leave and they face wage deductions.

Attendance allowances are paid to workers every month to encourage workers to work full time, but if workers take two days of leave — or even one day, for one company in the survey — they lose their total attendance allowance. Many workers register for leave, but due to deadlines, they cannot use it. Among workers in one company, there is a concept of “selling annual leave” — meaning that when the team fails to complete their weekly or monthly production norm, the team leader requests the worker works overtime and sells their annual leave to the company, meaning that workers are “voluntary without choice” not taking leave. If workers take leave for more than 12 days per year, their wage will be deducted.

In addition, there are many other internal rules of the company that if workers violate, they will have their income deducted. Our interviews with the workers revealed a variety of wage deductions.

■ 22. Article 111 of the 2012 Labour Code; Decision 1629/LDTBXH, 26/12/1996.



**FIGURE 9: DIFFERENT WAYS COMPANIES DEDUCT FROM THE WAGES OF WORKERS**

“The company pays one extra month of wages for the Tet holiday, but because of mistakes during the year, some workers lose almost all of this amount”, said some workers.

Getting to work late, forgetting to swipe their timekeeping card, too many months of receiving wage support, bringing food into the workshop, taking sick leave, violating the rules, creating defective products, failing to meet production norms, forgetting to clean the workplace, forgetting to report their output of a day — all of these can cause a worker’s wage to be deducted.

## CALCULATING SOCIAL INSURANCE PREMIUMS

According to the law, the basis for social insurance payments, where workers are entitled to benefits such as retirement, medical care, unemployment, maternity benefits, and others, is the wage level mentioned in the labour contract signed between the employer and workers. In the labour contract, the wage level is mainly

composed of minimum wage plus training and hazardous allowance (called basic wage). However, piece rate garment workers earning higher than the basic wage are deprived. For them, social insurance premiums are lower than it should be, which leads to lower returns of benefits.

## CUTTING LABOUR SAFETY COSTS

The inspection of 152 garment enterprises by the Ministry of Labour shows the following violations of garment enterprises for cost-saving purposes<sup>23</sup>:

- 45.4% of enterprises provide insufficient personal protective equipment for employees.
- 22.4% of enterprises don't equip, or inadequately equip, workers exposed to electricity with appropriate personal protective equipment.
- 24.3% of enterprises don't organise annual inspections and checks of their working environment.

- 57.2% of enterprises don't provide training on labour safety or have inadequate training for workers.
- 9.9% of enterprises don't use the results of inspections to improve working conditions for workers.

Many of the workers in the companies surveyed said the working environment was hot. There are companies that have existed for 15 years, but the workers still complain it is hot. This suggests that investments in improving the working environment are not adequately addressed.



Too hot workplace makes the garment worker sweat heavily. Photo by workers/CDI

■ 23. MOLISA, *National labour inspection of the garment industry*, 2015.

## CUTTING HEALTH AND NUTRITIONAL NEEDS OF WORKERS

The garment industry is considered by the Ministry of Health as a hazardous and dangerous industry because of its monotonous and repetitive nature and the fact that workers must maintain one posture for a long period of time and sit in a continually noisy environment. As a rule, the law specifies that enterprises must organise for workers to have health checks twice a year. However, many companies only organise health checks for workers once a year to reduce costs.

Reducing the cost of lunch is also a way to reduce costs for the company. Based on the minimum level of nutrition, the Vietnam General Confederation of Labour (VGCL) recommends that a minimum of 15,000 VND<sup>24</sup> is spent per person to ensure minimum nutrition levels are met. However, companies only offer lunch at 12,000 VND, and some companies only spend 10,000 VND — the equivalent to a 180 ml milk box and a noodle packet. The monetary value of lunch is not enough to ensure the nutrition and health of the workers.

## CHILD CARE ALLOWANCE NOT ENOUGH TO COVER CHILD CARE FEE

The percentage of female workers in garment factories is very high — up to 70–80 per cent in most companies. Mothers with small children also make up a large percentage, more than 50 per cent in some of the companies we surveyed. Many companies do not provide child care facilities for workers. Instead, they give workers an allowance to send the children to childcare.

However, the level of child support offered is very low. It is mostly just as a formality and is almost insignificant compared to the cost of sending children to a kindergarten and the costs incurred when children must stay late due to overtime. Many workers choose to send their children to private schools, because public schools only look after children during office hours. Sending children to private school means workers can pick up their children late if they have to work overtime.

### HIDDEN COST FOR CHILDCARE OUT OF WORKERS' POCKET

Xuan has a three-year-old child and works at a garment company in Dong Nai. She sends her child to a private kindergarten at a cost of 1.5 million VND per month. The cost of private schools is higher than public schools, but it is better for Xuan because her children can be taken care of beyond school hours when she works overtime. Each extra hour of overtime she works, she must pay 10,000 VND to the school fee. According to her company's regulations, she only gets 10,000 VND per month for child support. During peak time, workers can do up to 74 hours in overtime per month. Therefore, with the company's 10,000 VND support, workers are forced to manage by themselves by asking their parents, grandparents, relatives, friends or neighbours to help pick up the children and look after them, otherwise they will have to pay up to 730,000 VND. This is the case for workers with one child. If they have two children, it is even more expensive.

■ 24. VGCL, resolution No 07c/NQ-BCH on quality of shift meal for workers, 2016.



## JOB INSECURITY

Paying workers a living wage positively impacts on the work culture and stability of the workplace. If a worker isn't paid fairly, she doesn't feel loyalty to the company. One company we surveyed has 520 workers, but says they lose up to 50 workers a month. On average, the rate of labour turnover in garment enterprises we surveyed is 8–10 per cent per month. Family reasons are cited as being the top reason for changing jobs (40 per cent of workers interviewed), with low wages as the second reason (15.5 per cent).

Despite this, job security and stability are goals for many garment workers. One in four workers fears losing her job. Even though 49 per cent said they didn't want to work as a garment worker, they felt they had no choice. And 88 per cent felt they wouldn't be able to improve their career if they were to leave. Because they cannot afford to lose their employment, they keep their heads down and push their bodies and minds to the limit day after day.

### “IT WILL BE THE SAME, NO MATTER WHERE I GO”

Thuy, a female garment worker in Hai Phong, said: “Sometimes I think of quitting my job to move to another company. But then I think, ‘this company is near my house and it will be the same no matter where I go’, so I resign myself to staying here.”

There are workers who leave a company and return after several months, because wages in the new company are only attractive for the first few months, before they lower to the level of the former company. This job instability affects workers' health and productivity, and therefore their wages.

Employment contracts offer little protection to garment workers. Most workers (about 90 per cent of those we surveyed) are not aware of their job grade, set working hours or the annual leave provisions in their appointment letters. Clearly a lack of understanding of rights for these workers is an advantage for a system that works through the threat of termination of employment at will.

Moreover, enterprises are using hidden tactics to lay off older workers, aged 35 or over, who have reduced health, slowness and higher wages and fill in by young, faster and lower wages' workers, a phenomenon of “changing blood” as said by a

factory union official in the garment sector. This is a challenge not just for job security, but also for workers who have not reached retirement age but already lost their health and lost their jobs<sup>25</sup>.

In addition, because most workers don't have any savings, when they lose their jobs and cannot find another, they want to withdraw their social insurance as a lump sum. This is one of the reasons that about 600,000–700,000 people have requested to withdraw their social insurance annually<sup>26</sup>. When withdrawing their social insurance as a lump sum, workers will lose the opportunity to receive a pension.

25. Pham Thi Thu Lan, *A survey of some enterprises in the garment sector, VGCL-LD Sweden Cooperation Programme*, 2017.

26. <https://nld.com.vn/cong-doan/vi-sao-nld-thich-nhan-tro-cap-bhxh-mot-lan-20170826112928034.htm>.



## ABUSE AND INTIMIDATION

Any exploitative system will include elements of abuse, and this is no different in garment factories. Poverty wages and spiraling debt play a large part in ensuring workers feel that they must accept abuse in their workplace, or the risk of losing even their meagre salary. Workers reported feeling intimidated, which means they don't speak up for themselves.

**During the survey, we found out that management's abuse of workers is common, with shouting, yelling, pounding and banging on tables and cursing occurring frequently. The purpose of this is usually to force workers to complete their production norms and increase productivity.**

**23%**

**of interviewed workers said they are shouted and yelled at daily or weekly.**

**39%**

**of workers felt stressed in the workplace.**

It is important to note that all kinds of abuse – verbal, physical and sexual – are regularly underreported due to the social taboo of not discussing these issues with others. The actual incidence of physical and sexual abuse that workers face is likely higher than reported. Workers do not dare to protest because they are afraid of being fired. No one dares to lead any collective actions, because if they do it, they may lose their jobs without protection. Intimidating workers also seems to be a common theme at the garment factories we surveyed. In one company, workers were afraid to go to the medical room when they felt sick because "the medical room is near human resources, so they feel it is uncomfortable to rest there". They said they didn't dare voice their concern to move the medical room to another location that is more convenient for them; instead, they just ask for medicine for their headache or dizziness, and then go back to the production workshop.

There is a company that insists on holding the health insurance cards of workers, despite health insurance regulations stating that workers have the right to keep their health insurance card. When a medical examination is required, the worker must submit an application to the health department of the company for getting their health insurance card. They must then return the card to the medical department after the examination. This seems to be a policy aimed at intimidating workers into working even when they feel sick, because they don't want to have to ask for their health insurance card.

## WORKING WHILE PREGNANT

“During my second pregnancy, my belly was so big — too big for work that requires standing. I couldn’t do it anymore and I wanted to move to a position where I can sit. However, the line supervisor was not happy, and she asked me to carry a very big bunch of trousers up the staircase. I said that I couldn’t because it was too big. The supervisor said ignorantly, ‘If you can do it, do it; if you can’t, leave it’.

“I wanted to tell the human resource department, but I thought again because I am about to take maternity leave, so I refrained.”

– Xuan, a garment worker in Dong Nai

Many workers said the way skill assessments are conducted is unfair and depressing; however, when they ask about it, their voices are not heard. A group of workers told us: “If a production line has 20 workers, only three workers will get grade A. If line has 40 workers, only eight workers get grade A. The rating of A, B, C, D has no clear criteria.

“At the assessment, they ask workers to sew all details of a product. Many workers have never sewn some details of the product before, so their sewing speed is slow, and they don’t get ranked grade A. There are cases where supervisors are biased towards their family members or their acquaintances.”

## THREATENING TO STOP EMPLOYMENT

There are many things workers do not want, or do not like to do, but they have to do. For example: cleaning floors, doing hygiene work and dividing the lunch rotation. Electricity and mechanical workers are required to do the packaging of products. Many workers are threatened by the company if they don’t do the work.

“The company allocates the work and if workers do not do it, the company lays you off,” said two workers interviewed in Ninh Binh<sup>27</sup>. “You do it or not — if not, you go.”

■ 27. Interview with Nguyen Van Dung and Tran Thi Ngoc Mai.



## ABILITY TO ORGANISE

The most effective way to ensure that workers are not exploited, and that they are able to raise their voices to call for higher wages, is to ensure that workers are able to organise together and are represented by strong, independent unions according to the principles of ILO Convention #87 on freedom of association.

**However, the workers we met are often tired after a day of work. They go home to rest and have no time to talk to other workers and compare their experiences. This often means they are unaware of their rights, including their right to voice their opinion. They are forced to accept the company's explanations regarding their wages and working conditions because they have nothing to compare it to.**

In theory, the union's main role is to protect workers' rights, including wage bargaining and wage increases for workers. However, factory level trade unions can only play the role of ensuring that companies increase their wages for workers directly after national minimum wage increases, rather than being allowed to negotiate to increase wages based on other factors, such as the business situation of the company. Factory level union representatives told us that companies decided the piece rate, and trade unions have no role in determining wages, production targets or piece rates of products. Our research indicates that the union representatives understand the principle of wage calculation but lack detailed and specific knowledge about the calculation of piece rates paid to workers. Many factory-level unions are generally weak and union leaders often lack the knowledge to deal with problems, which are unclear or ambiguous in the law.





Photo: Tineke D'haese/Oxfam

#### ORGANISING STRIKES WILL RESULT IN JOB LOSS

“There used to be two strikes at the company. Those who were identified as leading the strikes were laid off after 1–2 years. No one dare to stand and lead a strike — not even the union president. A shop steward of a production line used to speak up for workers and she lost her job. The company does not dismiss workers right away but will create pressure until you feel tired and you quit. The company does not dismiss workers but move workers from one work position to another until you got bored and ask for job leave. Job loss affects the family, children, children’s education and workers have to ‘grin and bear it’.”

– Interview with Dung and Mai, garment workers in Ninh Binh.

Collective bargaining agreements are common in factories in Vietnam. These are agreements that are supposed to be negotiated and agreed between the workforce and the managers, covering pay and conditions for workers. But due

to weak union leadership at the factory level, most workers know absolutely nothing about their collective bargaining agreements and seem to have never been involved in negotiating the agreements or any updates to them. Nearly 75 per cent of the workers surveyed did not know what collective bargaining was or what collective bargaining agreements were. It seems that collective bargaining has no role in these workers’ lives and does not affect them. The reality in Vietnam is that workers do not have the right to participate in wage setting and improving working conditions. Many of the collective bargaining agreements in factories are there in name only — simply to show that the factories are complying with the law.

Workers have the right to strike as regulated in the 2012 Labour Code, yet 74 per cent of respondents did not know about their right to strike. Strikes are difficult to organise by trade unions<sup>28</sup> so most strikes are spontaneous by the workers and therefore, strikes are not a tool to support collective bargaining. Workers at companies that had strikes before continue to share about injustices at their workplaces, but do not strike again, as “There is no leader now, because the leader is gone”. If workers are identified as leading strikes, the result is often they are forced to leave.

28. Pham Thi Thu Lan, *Why always wildcat strikes in Vietnam?*, Society Work and Development Institute, 2017. <http://column.global-labour-university.org/2017/10/why-always-wildcat-strikes-in-vietnam.html>



# 4. PRACTICES WITHIN THE SUPPLY CHAIN

Aggressive price negotiation by overseas brands has an impact on manufacturers' ability to pay living wages to their workers. Intense competition for business pushes the owners and managers of garment factories to engage in a "race to the bottom" on prices. The buyers often apply a practice called "underground bidding" to find the cheapest garment manufacturer. This involves buyers using the quoted prices of one factory to get another factory to lower their price. Buyers will then choose the factory that commits to the fastest turnaround and the lowest price. This pushes down wages and working conditions.

Meanwhile, decreasing retail prices combined with rising production costs puts substantial pressure on manufacturers' margins. Accepting low prices from international buyers exacerbates the situation in garment factories, making the factories less able to invest in improving labour conditions or increasing workers' pay.



## THE MEAT DOESN'T FIT IN THE SANDWICH

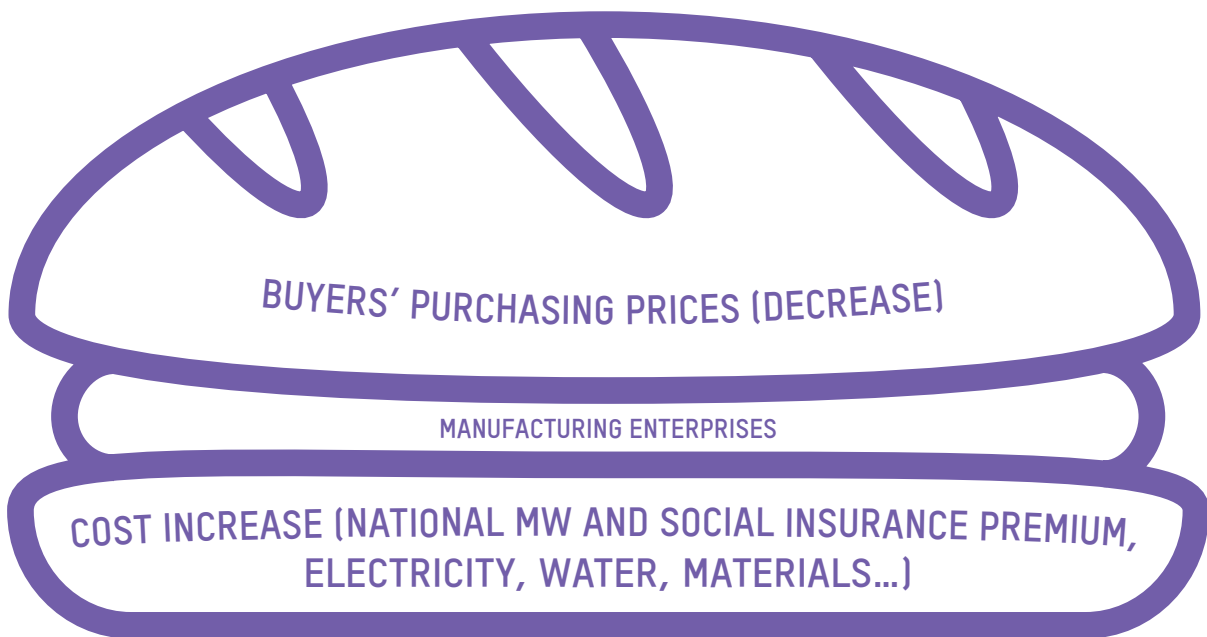


FIGURE 10: A METAPHOR FOR THE GARMENT MANUFACTURING PROCESS

We use the example of the Vietnamese banh mi sandwich to illustrate the pressure on the manufacturing enterprises. Let's imagine the first bread slice is the buyers' purchasing prices, and the second is the increased production cost including national minimum wage policy, electricity, water, etc. The supplying manufacturers are like the meat in the middle. With the downward pressure on purchasing price of brands and the increasing production cost, the meat in the middle is squashed and has no room to move.

Our interviews with manufacturing suppliers confirmed that purchasing prices are too low and have not increased over the past five years. "Buyers always request us to lower the price," said companies in the survey. If prices do increase, it is not by much; however, Vietnamese minimum wages have been increasing rapidly since the early 2000s. And it continues to rise, as it has not yet met minimum living needs as claimed by the Vietnam General Confederation of Labour (VGCL). As we explored earlier in this report, manufacturing companies are penalising workers in order to keep prices low for international buyers.



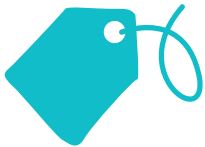
## PRICE NEGOTIATION

The garment companies we surveyed are cut-make (CM) or cut-make-trim (CMT) companies at the end of the chain. They don't directly receive orders from the brand; they liaise through intermediary companies from overseas who own manufacturing companies in Vietnam or establish a purchasing relationship with manufacturing companies in Vietnam. Intermediary companies often set the price for orders; only new orders with new models allow manufacturers to have the chance to raise the price.

To get new orders, manufacturers send their quotation. The quotation has to be competitive; therefore, the quotation is usually only a little bit higher than the previous one. Buyers rarely accept the price increase. Most of the companies we interviewed said that purchasing prices is

low, without any increase or even decrease in the past five years. A senior manager of a company says, "buyers regularly ask for lower prices". Similarly, other senior manager in another company also says, "buyers only want to lower prices".

In fact, there are companies who told us that buyers "seek mistakes to squeeze the price", meaning that they use the factory's defects outlined in the labour standards assessment to lower the price of the order. One company said a buyer complained that they hadn't trained more medical workers when receiving a new order and therefore asked for the price to be lowered. However, the failure to deliver orders on time is one of the main reasons buyers are able to squeeze the price.



## LEAD TIMES AND FAST FASHION

"Short orders" are the concept companies use to talk about small orders — small quantities of a product or sample orders for introducing new products into the market. Usually short orders also require fast delivery times. The tendency towards increased consumption by people in wealthy countries like Australia, driven by "fast fashion"<sup>29</sup>, has placed a significant strain on garment factories and their workers.

Short orders are very time-consuming for the company, in terms of recalculating production norms and preparing raw materials, and this affects costs for the company. After receiving the order, the company usually takes two to three months to calculate and prepare for production, including: calculating raw materials, purchasing necessary inputs, calculating production norms, calculating unit prices and wages. Then they have only about 15 to 25 days

to produce the order. Short orders also affect the productivity of workers. When making new models, their work skills will be slower, and this will affect their wage, as they produce less products. They are also more likely to make mistakes, especially with difficult models.

The companies tell us that due to fast fashion and diversity requirements, the delivery time in the last five years has reduced by 10–20 per cent and urgent orders are more frequent. Urgent orders "create pressure for workers to complete the order", especially during the peak season. "If not completed, all the lines have to use maximum overtime," a line supervisor told us. Companies told us they accept short orders while they wait for big orders and are willing to accept low prices in the hope of securing higher priced orders later. They said they must find other ways to offset costs of short orders.

29. Fast fashion is low-cost clothing collections that mimic current fashion trends. These trends change incredibly quickly, often causing new styles and trends to become obsolete in a matter of weeks. Fast fashion garments are cheap and usually made from lower-quality materials. L Oijala, "What Is Fast Fashion?" viewed September 2018, <https://www.leaf.tv/articles/what-is-fast-fashion>



## LACK OF LONG-TERM COMMITMENTS

**“Unstable orders” occur when buyers place orders with other companies who are more competitive. It means buyers are not committed to building a stable buying relationship with the company. Unstable orders are among the reasons why companies do not want to recruit more workers and give their workers overtime instead. If they hire more workers, the company will have to pay wages for workers even when they do not have orders.**

Through the intermediary company, buyers usually use “underground bidding” to get the cheapest price for their order. They use the quotation of one company to pressure another company to go lower in price and then choose the company with the best quality, fastest delivery times and best price.

This will push down labour costs, including wages and working conditions, because for CTM garment enterprises, labour costs account for 53–60 per cent of total revenue. For them, it is an easy factor for cost reduction.

The companies we surveyed expressed the desire that buyers develop a standard pricing system for basic products — that is, determine the standard number of seconds it takes to produce a basic product and determine a minimum price per second. Then calculate the number of products that can be produced during a normal eight-hour work day. With more sophisticated products, buyers will add more cost based on a predefined factor depending on the complexity of the product. This benchmarking system should be applied to all manufacturing companies in all markets worldwide to prevent a price race and excessive overtime. Manufacturing companies could then compete based on product quality, rather than price.



## MISMATCH

There is also inconsistency and mismatch in the way garment companies operate internally. While placing orders, up to three different departments from a garment company can be communicating with the same factory. Often the technical department will work exclusively on the technical detail and product quality of the clothing. Then the merchandise department will manage the progress, materials and delivery, working separately with the factory. Then the trade department manages and negotiates the price, sometimes working separately again, with the goal of finding the lowest possible price. And this is just for the process of placing and managing orders. Again operating separately, an ethical standards or compliance team will manage the human rights and environmental standards they are expecting the factory to meet.

The problem is that all of these departments or staff members often do not work with each other. The trade department, when working with

the manufacturer, is usually concerned only with the price, regardless of the requirements of the technical department and the merchandise department. Similarly, the technical department and the merchandise department work with the manufacturer without paying attention to the price.

**This flawed order placement practice leads to inconsistency among price, technical standards and delivery time, making it difficult for factories. On top of this, the lack of communication and coordination with the ethical sourcing manager means that orders and order changes are often made without consideration of the people who will have to work in the factory to deliver the order.**



## TOO STRICT “PUNISHMENTS” FROM BRANDS

The quality control process of the factories is quite strict. Products are controlled through three check systems before delivery: at the factory, by the buyer’s agent and then by the brands. Every step of the product must be inspected to ensure that no mistakes are made at any stage of the production process. It is interesting to note that the same level of care and expectation of high standards in production is not applied to the labour process.

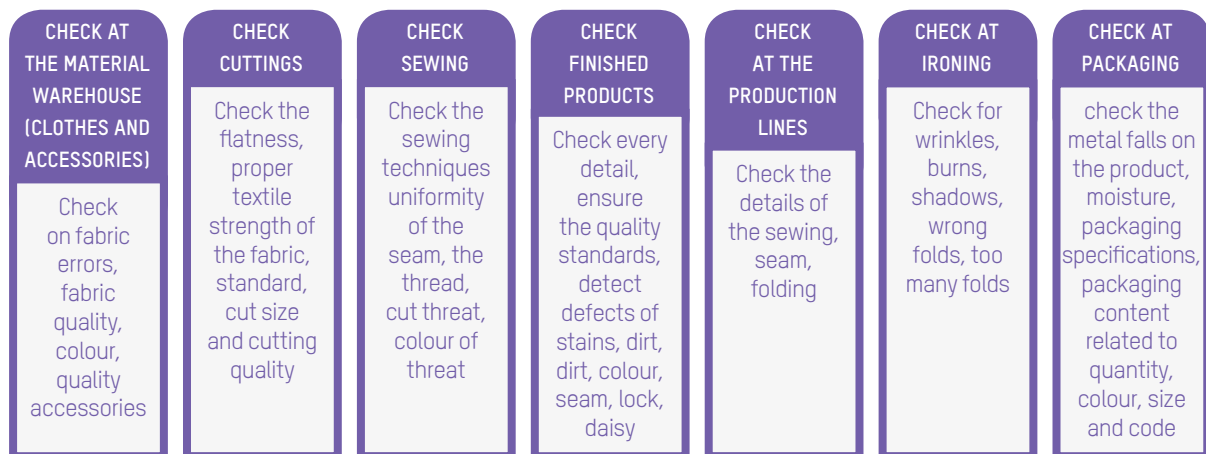
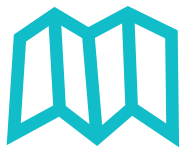


FIGURE 11: QUALITY CHECK CYCLE OF A GARMENT FACTORY

Brands’ requirements on quality standards are very strict. Any violations are subject to punishment, including fines and a loss of repeat business. “Buyers punish without sympathy,” said a company in Hai Duong. Late delivery may also be punishable, so companies pressurise workers to complete the order, even if it means

they must work more hours of overtime than is legally allowed. The buyers don’t care about the cause of the error. The fines affect the company’s ability to pay for workers’ wages and mean they can’t guarantee they will be able to pay workers in future if they don’t have new orders.





## TOO MANY CSR ASSESSMENTS AFFECT FACTORY COSTS

The concept of corporate social responsibility (CSR) is generally understood to mean that corporations have a degree of responsibility not only for the economic consequences of their activities, but also for the social and environmental implications<sup>30</sup>. Each buyer requires a separate CSR assessment to be

completed by the factory which means each year, companies must do between 20 and 30 evaluations. According to the companies under survey, 85 per cent of the CSR content is the same and they feel that too many CSR assessments is too labour-intensive, time consuming and costly for them.



## CARING ONLY ABOUT PRODUCTS, NOT ABOUT WORKERS' WAGES

**Buyers are primarily concerned with product-related factors. Our interviews with the companies showed that they never heard of buyers talking about wages and buyers never mentioned living wages. The companies themselves do not understand the concept of living wage in the right sense. Moreover, they receive orders from intermediary companies and the intermediary suppliers usually only pay attention to low prices, quality standards and delivery times.**

Our interviews with the directors and deputy directors of garment factories showed that while most buyers make strong commitments to the safety and rights of workers in their ethical standards, the story can be different when they deal with factories. Buyers were reported to require the installation of air conditioners for rooms where their finished clothing was being stored, without ever mentioning installation of air conditioning on the factory floor, where the workers are. The factory floor is much hotter

due to a large volume of machines and workers, but the workers often have to work without air conditioning.

Some Vietnamese managers reported that buyers required the installation of automatic fire extinguishers for the rooms where finished clothing was stored, but do not require the same installation of fire extinguishers for the sewing floors, where workers work every day. It's true that large volumes of clothing can be very flammable, so it makes sense to require fire extinguishers for these rooms. But hot machines can also be very flammable, so extinguishers should also be required in work rooms. There is a clear mismatch between the value placed on people and the value placed on products, despite the claims made by the CSR codes of conduct of the buyers. This needs to change. As one deputy director of a garment factory told us: "[Buyers] do not need to know and do not care about the working conditions of the workers".

Another point we noticed when interviewing workers is that the results of CSR evaluations often don't reflect the real situation. Many workers said they were told what answers to provide by the company before the evaluation took place.

30. Australian Human Rights Commission, 2018, *Corporate social responsibility and human rights*, <https://www.humanrights.gov.au/publications/corporate-social-responsibility-human-rights>



# 5. BARRIERS FROM INSIDE THE COUNTRY

The most effective way to ensure that workers are not exploited, and that they are able to raise their voices to call for higher wages, is to ensure that workers are able to organise together and are represented by strong, independent unions. However, there are barriers within Vietnamese laws, systems and culture that prevents workers from speaking out for their rights.



## LAW REVISIONS COULD PUT WORKERS IN MORE DANGER

Vietnam is participating in the new generation of trade and investment agreements, including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the EU-Vietnam Free Trade Agreement (EVFTA), with commitments to implement International Labour Organisation (ILO) core labour standards. However, the labour and human rights section in these FTAs are unclear with no sanctions for enforcement.

Along with Vietnam's international integration of labour policies, Vietnam has been in the process of amending the labour law to move towards a market system. This means that the law will allow parties to negotiate, creating a more flexible space for parties to negotiate and agree on collective bargaining agreements. However,

this process lacks enforcement mechanisms for guaranteeing freedom of association, the right to strike and collective bargaining rights. This implies greater vulnerability to workers, while the barriers for their self-organisation and bargaining have not been resolved in the law.

This could mean that wages of workers, which are already incredibly low, may be difficult to increase when workers and their representative organizations are still not able to negotiate about wages. Such a process of law revision will make it difficult for workers to achieve a living wage, as their ability to build their strength at both the enterprise and the industry level is limited. In this context, brands making a commitment to pay a living wage through the whole chain is important.



## WEAK LABOUR INSPECTIONS, CONCILIATION AND ARBITRATION

Labour inspections on labour law violations in the garment industry have not met the requirements. While violations are quite common, the number of labour inspectors nation-wide is too low to prevent labour violations from happening or prosecute those who commit them.

In one province where we surveyed, the labour inspectorate has only 15 people, of which only 10 inspectors have authority to inspect enterprises. With great efforts, one labour inspector can perform inspections on about 200 enterprises per year — out of 29,100 enterprises in the province. At a company we surveyed in this province, the most recent inspection to the company was in 2009 and since then, it has not been re-examined.

Although this company does not violate minimum wages, there are many points that show the status of wage theft such as low unit prices, high production norms, low social insurance rates, poor quality lunches, reduced periodic health checks and labour safety cost cuts.

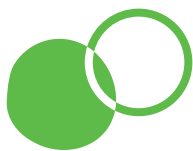
In addition, labour inspectors, mediators and arbitrators are mainly responsible for dealing with law-abiding cases and have little role in supporting negotiating parties to improve their wages and working conditions in line with the profit of the enterprise. Labour inspection, conciliation and arbitration in Vietnam mainly focus on the implementation of the law, rather than issues of industrial relations.



## LIMITED PERCEPTION ON LIVING WAGE

Limited perception on living wages is a barrier to achieving a living wage in Vietnam. Living wages in Vietnam are not yet understood as a wage to ensure a person or family lives a dignified life, with guaranteed human rights and enjoyment of life. A living wage is considered a luxury when industrial relations actors negotiate the statutory minimum wages in Vietnam in the National Wage Council, as well as at enterprise level.

On the employers' side, companies never thought of living wages when they develop their wage policy. The wage policy of the enterprise is based on the minimum wage in accordance with the law. Based on that, the enterprise calculates and determines the wage unit price and production norm. They do not negotiate with workers and trade unions. Companies only adjust wages when there is a strong reaction from workers, for example, spontaneous strikes.



## CALCULATING MINIMUM WAGE IS INAPPROPRIATE AND LACKS TRANSPARENCY

The negotiation of annual increases in the minimum wage at present is done by the members of the National Wage Council using a voting mechanism. The minimum wage is set for a period of 10 years, which is too long to reflect the changing in consumption patterns. The current minimum wage level was fixed in 2012 based on

the survey results of 2010, then it is annually adjusted based on inflation, socio-economic development, GDP, productivity and other factors. The wage formula and method for adjustment is not made public for wider consultation, which limits workers' participation in the decision-making process.

# 6. CONCLUSION

**Our survey shows that the majority of garment workers in Vietnam do not earn a living wage. They must live frugally and rarely spend money on anything other than necessities. Entertainment, social activities and travel to visit family and friends are considered luxuries that few can afford.**

Our survey shows that the majority of garment workers in Vietnam do not earn a living wage. They must live frugally and rarely spend money on anything other than necessities. Entertainment, social activities and travel to visit family and friends are considered luxuries that few can afford.

Some workers' wages can reach 10–12 million VND per month, but these workers are usually exhausted and have pushed themselves to the absolute limit. It is not enough to compensate for lost health, lost social life and risk to future health in their old age. A decent living wage in normal working conditions with standard working hours and appropriate working speed should be the expectation of all workers in the garment industry.

Increasing the statutory minimum wage to a living wage is not easy. The current concern is that the minimum wage is increasing faster than productivity growth and business growth, which will hurt the profitability of the enterprises. The current revision of the wage decree is being carried out by negotiations, while the bargaining power of the union is limited. This is predicted to make wage increases difficult in the coming years. Therefore, increases to wages for workers depends largely on the purchasing price of the brands, plus their commitment and supervision in coordination with the unions' role in the producing country.

A living wage will mean workers will have enough money to care for their families and their health, and make sure their children can get a better education and not end up working in difficult conditions themselves as adults. They will not have to work overtime, meaning their work and life will be more balanced, and they will work in a more relaxed mood and love their life more.

According to Oxfam research, on average, just four per cent of the price of a piece of clothing sold in Australia goes to workers' wages in Asian garment factories. Deloitte Access Economics estimates that even if big companies passed the entire cost of paying living wages to all workers on to consumers, this would increase the price of a piece of clothing sold in Australia by just one per cent. That is just 10 cents extra for a \$10 T-shirt. In other words, paying a living wage would mean that instead of just four per cent on average going to the wages of the workers who make our clothes, brands would need to ensure five per cent of the retail price of an item of clothing reaches the factory workers/goes to factory workers. And, if brands absorbed the cost of paying living wages themselves within their supply chains, rather than passing the whole cost on, it would cost brands on average less than one per cent of the retail price of each piece of clothing. This can happen because of the many different parties in the supply chain, each of whom takes a profit. If the manufacturer, wholesaler and retailer each absorb some of the additional cost of paying living wages, as well as finding other savings in their costs of doing businesses (such as their transport or advertising costs) it will have a limited impact on their profit margins. And they will be more decent in doing business and will be able to implement the provisions of the United Nations Guiding Principles on Business and Human Rights (UNGP).

31. [https://whatsmakes.oxfam.org.au/wp-content/uploads/2017/10/Living-Wage-Media-Report\\_WEB.pdf](https://whatsmakes.oxfam.org.au/wp-content/uploads/2017/10/Living-Wage-Media-Report_WEB.pdf)

32. [https://whatsmakes.oxfam.org.au/wp-content/uploads/2017/10/A-Living-Wage-in-Australias-Clothing-Supply-Chain\\_Deloitte.pdf](https://whatsmakes.oxfam.org.au/wp-content/uploads/2017/10/A-Living-Wage-in-Australias-Clothing-Supply-Chain_Deloitte.pdf).

# 7. RECOMMENDATIONS

Based on the survey results, we make the following recommendations:

- to buyers and brands
- to garment companies in Vietnam
- to the Vietnamese Government
- to Vietnamese labour unions
- to consumers



# TO BUYERS AND BRANDS

Buyers and Brands should:

## 1. GET THE BASICS RIGHT ON HUMAN RIGHTS

- Be transparent — publicly disclose their factory list and update it regularly.
- Fairly deal with human rights abuses — support factories to establish effective grievance mechanisms.
- Allow workers to organise — adopt a positive and proactive freedom of association policy.
- Consult with unions and workers' representatives — ensure that workers are able to have a representative say in their working conditions in all factories and are a meaningful part of all wage negotiations.
- Empower women workers — adopt a positive and proactive gender policy and gender-sensitive targets.

## 2. MAKE A CREDIBLE COMMITMENT TO LIVING WAGES

Publicly commit to respecting the right to a living wage and work towards the implementation of living wages in the company supply chain. This must include a timeframe by which the brand will achieve key milestones, such as publishing a living wage roadmap or undertaking a living wage pilot programme.

## 3. DEVELOP AND PUBLISH A LIVING WAGE ROADMAP

- Adopt an existing living wage benchmark or calculate a living wage using established methodology. Brands should ensure — and,

if necessary, facilitate — meaningful and transparent discussion and negotiation between workers, unions and management to determine steps to living wages and agree on plans to achieve them.

- Recognise that purchasing practices and pricing policies have an impact on wages (and working conditions) and commit time and resources to calculate the labour costs of merchandise to ensure that prices facilitate payment of a living wage at the very least. This means that the Freight on Board (FOB) price should cover a living wage labour cost<sup>33</sup>.

## 4. IMPLEMENT AND MONITOR LIVING WAGES IN THE SUPPLY CHAIN

- Conduct living wage pilots as appropriate to the supply chain and adjust the living wage roadmap based on lessons learned. Pilots should be done in collaboration with other brands wherever possible and support systemic change to adopt living wages through collaboration, coordination and dialogue among brands, factories, employers' organisations, unions and governments.
- Clearly indicate the commitment to stay in a sourcing country when wages increase and actively engage, advocate and support governments, industry associations and civil society to increase minimum wages to match living wages.
- Supply regular public reports on the living wage programs, roadmap to a living wage, and the progress being made (or lack thereof).

33. Clean Clothes Campaign, "Road map to a living wage", Amsterdam, 2 July 2013, viewed 20 September 2017, <https://cleanclothes.org/livingwage/road-map-to-a-living-wage>





## TO GARMENT COMPANIES IN VIETNAM

### WORK WITH STAKEHOLDERS ON LIVING WAGES FOR WORKERS

Actively and directly work with brands to raise worker wages to living wages for all workers. Companies should negotiate an order price that allows for living wages and to do so, the company needs to:

- commit to paying workers a living wage;
- announce their commitments to the brands when negotiating the price; and
- actively work with unions and workers to negotiate to lift wages to living wage levels, including negotiation on production norms and piece rates.

### TRANSPARENCY OF ORDERS, CALCULATION OF UNIT PRICES AND PRODUCTION NORMS. GUARANTEE SUITABLE PRODUCTION NORMS SUSTAINABLY DEVELOPED

- Companies should be transparent about how to calculate unit prices and production norms with workers, including real involvement from workers and unions in calculating unit prices and product norms during standard working hours, at normal working speed (allowing for breaks) to ensure that workers are not exhausted. This would then be the basis for companies' negotiations with buyers on prices.
- The practice of wage support should only be applied as intended, to entry-level workers. Wage support should not be used as a mechanism to keep the unit price for all workers low, and production norm high, to take advantage of this practice which has been designed to ensure that entry-level workers earn at least the minimum wage.

### FIXED WAGE COMPONENT AND COMMIT TO PREVENT THE RACE TO THE BOTTOM

- The garment owners' associations should work with factories to calculate and set the wage component to pay a living wage and keep the wage component fixed when negotiating price. While negotiating price, the factory management should calculate the average amount of time it takes to produce that product. Then use that figure to calculate the number of products that can be reasonably produced during a normal eight-hour work day. On that basis, factories should commit not to lower their quotation below the standard price when competing for orders.
- Employers' associations need to speak up and act to prevent unhealthy price competition among garment factories, which leads to the race to the bottom, badly impacting working conditions and workers wages. At the same time, the employers' associations should unite factories to demand the buyer raise their purchasing price, including the improvement of living wage and working conditions for garment workers.



## TO THE VIETNAMESE GOVERNMENT

### DEVELOP A ROADMAP FOR RAISING THE CURRENT MINIMUM WAGE TO LIVING WAGE LEVELS

Set a roadmap to increase the current national minimum wage to living wage levels, in line with the globally accepted definition of living wages. This could happen over time to allow the market to adjust; and the National Wage Council should be empowered to assist in setting the roadmap to achieve this goal.

As an interim step, the Government should ensure that the current legal definition of minimum wages in Vietnam remain that “The minimal salary rate is the lowest rate that is paid to the employee who performs the simplest work in the normal working conditions and that must ensure the minimal living needs of the employees and their families” (Article 91.1. 2012 Labour Code), and should not move away from the concept of meeting the basic needs of workers.

### MAKE MINIMUM WAGE CALCULATIONS MORE TRANSPARENT AND CONSULTATIVE

The period for minimum wage fixing should be shortened to reflect changing consumption patterns. The National Wage Council should make its detailed minimum wage calculations transparent and have public consultation.

### CREATE A BETTER ENABLING ENVIRONMENT FOR UNION EMPOWERMENT AND COLLECTIVE BARGAINING ON WAGES AND CONDITIONS

The government should ratify remaining fundamental international labour conventions, especially the Freedom of Association and Protection of the Right to Organise Convention (C87, 1948) and the Collective Bargaining Convention (C98, 1981).

### PUBLIC RECOGNITION

Public recognition for companies and businesses that are able to provide living wages for their workers.

### GLOBAL COLLABORATION

Work together with other governments from garment-producing countries, global organisations like IndustriALL, global institutions and regional bodies such as the Association of Southeast Asian Nations (ASEAN) to collaborate on lifting wages together, rather than continuing a competitive “race to the bottom” on minimum wages.

### GUARANTEE UNIVERSAL SOCIAL PROTECTION TO BACK UP LIVING WAGE

- Increase the poverty line to be consistent with GDP growth.
- Include domestic migrants in the multi-dimensional poverty assessment so they can access to social assistance policies.
- Inclusive basic social services including health and education that domestic migrants enjoy equal access as local citizens. Currently domestic migrants have to pay higher fee for such social services as electricity, clean water, health care and education.
- Adopt inclusive social protection packages for all workers.



## TO VIETNAMESE LABOUR UNIONS

### ADVOCATE FOR THE MINIMUM WAGE TO BE LIFTED TO A LIVING WAGE LEVEL

Take the lead in advocacy for the Government of Vietnam to develop a roadmap to increase the national minimum wage to living wage levels.

On a national level, the trade union should enter dialogue with key brands sourcing from Vietnam and brand associations, as well as industry associations, on the importance of living wages.

Unions should build capacity to understand the concept and calculation of living wages and educate their members.

### PROMOTE COLLECTIVE BARGAINING ON WAGES AND STRENGTHEN NEGOTIATION CAPACITY

Focus on promoting the strength of collective bargaining, especially related to the determination of production norms and wage unit prices. Trade unions should also focus on educating and ensuring workers in each factory are a part of the process and empowered to contribute to the negotiation process.

Trade unions have a role in being consulted on production norms in Vietnam under the law. Trade unions should actively take a role in negotiating for fair production norms and piece rates in each factory.

### STRENGTHEN MONITORING CAPACITY ON ENFORCEMENT OF LABOUR LAW AND BRAND CODES OF CONDUCT

Strengthen capacity to monitor the enforcement of national labour law in Vietnam.

Trade unions should be active in understanding the Codes of Conduct and Corporate Social Responsibility commitments of the global brands operating in each factory – and help to monitor and ensure they are implemented.

In particular, if an enterprise supplies to a brand that is committed to paying a living wage, the trade union should monitor the behaviour of the employer regarding the wages. The union should inform the brand about the behaviour of the employer and enlist the support of the brand to demand the implementation of living wages. At the same time, the union needs to monitor to ensure that the employer does not use the tactic of “lách luật” (using loopholes) in the process of implementing commitments on living wages or any other standards or commitments.



## 5 TO CONSUMERS

### CONSUMERS EXPECT FASHION BRANDS TO EXERCISE ETHICAL BEHAVIOUR IN THEIR CORPORATE BUSINESS PRACTICES THAT ALIGN WITH CONSUMERS' OWN VALUES AND LIFESTYLE CHOICES.

Oxfam does not advocate boycotts, as this may result in workers losing their jobs. The garment industry is an important part of the economies in many developing countries – and we want this to remain the case. What we're asking for is that the jobs in those industries are fair and safe – and that people are paid a living wage for the work that they do.

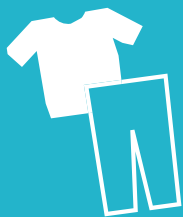
Consumers in importing countries should use their power as customers to tell brands they care about the workers producing their clothing and ask them to commit to paying a living wage. We encourage consumers in importing countries to think about how best to influence the brands they purchase.

History shows that when consumers show they care about the conditions in garment factories around the world, brands listen. Oxfam and others have been focusing on the push for transparency in the clothing industry and bringing factory lists

out of hiding. Australian consumers demanded that brands act through email and social media to express their opinions. In the past two and a half years, 11 of the biggest brands operating in Australia have published most of their factory locations online – keeping them accountable when problems occur. We're now asking for consumers to work with us again – and tell their favourite brands they won't stand for poverty wages in the making of their clothes.

For clothing brands, being ethical by paying a living wage provides them with a big marketing advantage over their competitors. Paying a living wage will increase their profile and reputation.

# ANNEX



## OVERVIEW ON THE GARMENT SECTOR AND METHODS OF WAGE PAYMENT

Vietnam has become a booming place for attracting investment in the garment sector, both from outside and inside the country. The number of garment enterprises has increased continuously in Vietnam — between 2010 and 2015, the number of garment enterprises increased by 149.8 per cent and the number of garment workers increased by 155.7 percent<sup>34</sup>. Garment export turnover from 2013 to 2017 has increased about 143 per cent with 60-65 per cent CMT, 20-25 per cent FOB/OEM and 10 per cent ODM among 5,080 companies and contribution of 10-15 per cent of GDP<sup>35</sup>.

However, the garment workers' wages are low across South East Asia with Cambodia and Vietnam at the lower end of the spectrum<sup>36</sup>. Compared with the other seven countries with the most garment manufacturing activity (2017), the average wage in the Vietnamese garment industry is similar to that of Sri Lanka and Indonesia, higher than Bangladesh, Cambodia and India, and much lower than that of Thailand and China, about 53 per cent of the Anker living wage and 45 per cent

of the Asia Floor Wage<sup>37</sup>. In Vietnam, garment workers earn the lowest wage compared to other workers in labour intensive industries. According to IWTU's research carried out in 23 provinces, where there are big labour forces in industries and services, garment workers earn an average of 4,225,000 VND (without overtime) or 4,776,000 VND (including overtime), while workers in other industries earn from 1-16 per cent more (without overtime) or 5-26 per cent more (including overtime). Garment workers earn 11-5 per cent below the average wage (without and with overtime respectively).

34. Yearly statistics 2015, Statistical Publishing House, 2016.

35. According to Mr. Truong Van Cam, Deputy General Secretary, Vietnam Textile and Apparel Association (VITAS).

36. Michele Ford, Michael Gillan, (2017) *"In search of a living wage in Southeast Asia"*, Employee Relations, Vol. 39 Issue: 6, pp.903-914, <https://doi.org/10.1108/ER-02-2017-0046>

37. *"Foul Play. Sponsors Leave Workers on the Sidelines"*, BASIC for Collectif Éthique sur l'étiquette, June 2018.

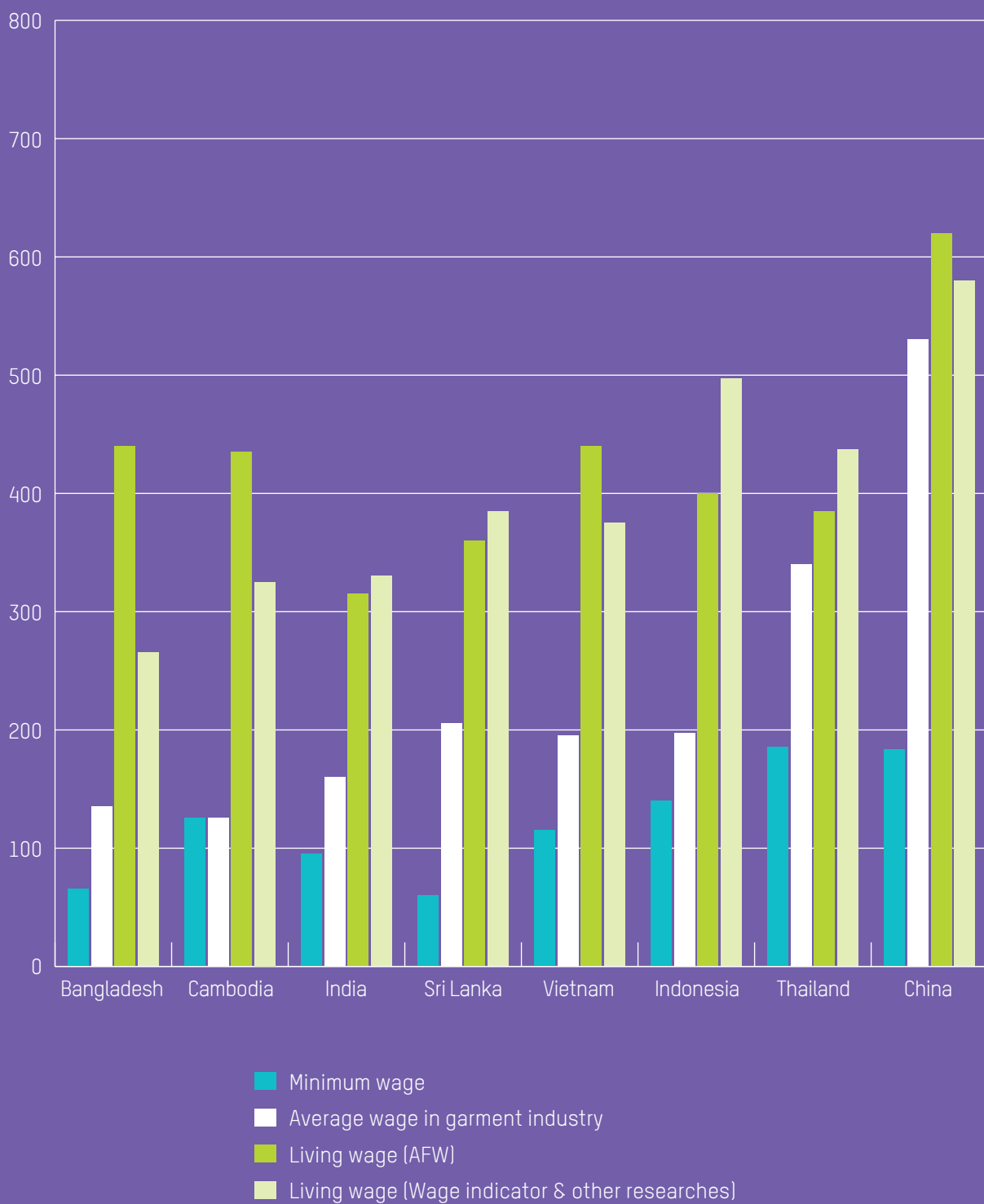


FIGURE 12: MINIMUM, AVERAGE AND LIVING WAGES IN THE MAJOR TEXTILE-PRODUCING COUNTRIES.  
SOURCE: BASIC FOR COLLECTIF ÉTHIQUE SUR L'ÉTIQUETTE, JUNE 2018

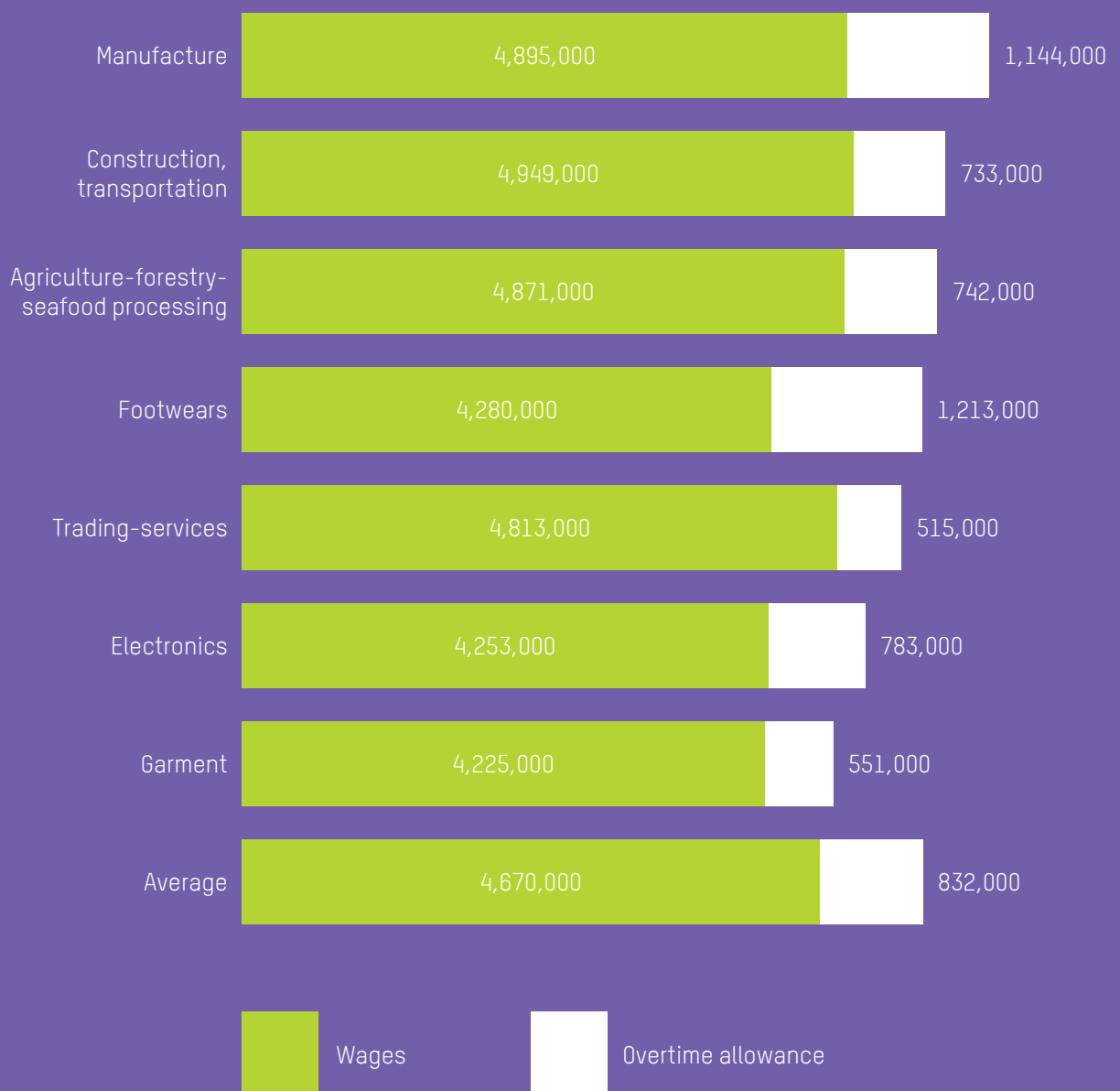


FIGURE 13: GARMENT WORKERS' AVERAGE WAGE COMPARED TO OTHER INDUSTRIES' WORKERS WAGES. IWTU, 2018, SURVEY WITH 3000 WORKERS WORKING IN 7 INDUSTRIES IN 23 PROVINCES

The companies under survey applied three forms of wage calculation for a direct worker — time wage + product wage + wage support. The pay-slips shows a part of the wage calculated as time wage and a part of the wage is calculated as piece rate. If a worker works full time but they do not earn the minimum wage, the company will give a wage support. If the order is not enough for

the workers to work in a month, the company will pay time wage. If workers take leave, or holidays, the company will pay a time wage and for the remaining working days, the company will pay based on piece rate. The method of calculating wages is complex and varies among companies, so it is difficult to determine a standard wage calculation among garment companies.

WAGE TABLE EXAMPLE 1 – WAGE REGION 1

Lương cơ bản		4.472.000
P/c trách nhiệm		-
P/c thâm niên		-
LCB tham gia BHXH		4.472.000
Hỗ trợ đi lại		207.692
Hỗ trợ chuyên cần		200.000
P/c thâm niên		-
Thưởng năng suất		150.000
P/c nặng nhọc độc hại		260.000
Hỗ trợ hành kinh		53.750
Hỗ trợ nhà trẻ		-
Hỗ trợ lương		-
Hỗ trợ khác		-
Tổng giờ công	16,0	
Gửi công thời gian	12,5	268.750
Tăng ca TG 1.5	-	-
Tăng ca TG 2.0	-	-
Tăng ca SP 1.5	2	105.708
Tăng ca SP 2.0	-	-
Số lượng SP	32.991	7.276.222
TT SP giờ HC		7.170.514
BHXH, YT, TN (10,5%)		469.560
Phí công đoàn		39.800
Trừ khác		-
Thuế		-
<b>Thực lĩnh</b>		<b>7.907.000</b>

WAGE TABLE EXAMPLE 2 – WAGE REGION 4

Khoản mục	Số công	Số tiền
<b>Thanh toán:</b>		
Lương sản phẩm	25,72	2.670.792
Lương thời gian		
Bù lương		216.739
Tiền ngày lễ, ngày phép	1,27	141.654
Tiền chế độ nữ		0
Thêm giờ NT hệ số 1	19,50	253.113
Thêm giờ NT hệ số 0.5	19,50	135.938
Thêm giờ CN		
Hỗ trợ trách nhiệm		
Hỗ trợ % đơn hàng		0
Tiền lương bổ sung		0
Phát sinh		0
Tiền hỗ trợ		0
Tiền công nhân nữ/tiền con nhỏ		100.000
Phụ cấp		30.000
Phụ cấp khác		0
<b>Tổng thu nhập: 4.131.497</b>		
<b>Khấu trừ</b>		
Tạm ứng		0
Thuế thu nhập cá nhân		0
BHXH, YT, TN		304.500
Công đoàn phí		15.000
Trừ khác		0
<b>Tổng khấu trừ: 319.500</b>		
<b>Thực lĩnh: 3.811.997</b>		

FIGURE 14: PAYSLEIPS OF SURVEYED WORKERS, WAGE REGION 1 AND WAGE REGION 4



## PIECE RATE

Piece rates are paid to workers based on the number of products they make. The formula for calculating the piece rate below is based on

information from workers, their pay slips and interviews with managers.

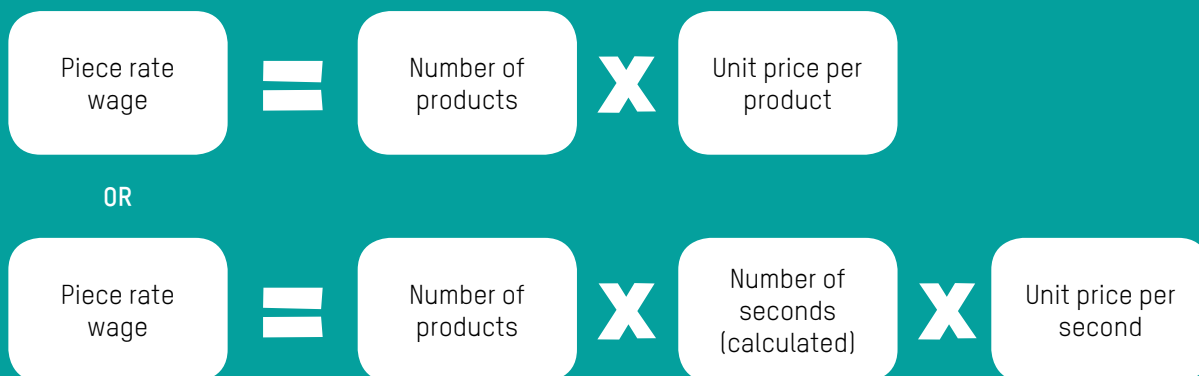


FIGURE 15: FORMULAS FOR DETERMINING A PIECE RATE

The unit price of a product comprises of the unit price of each detail of a product, and each detail of a product has a different unit price calculation. After receiving the order, the company calculates the unit price based on the sample time of sewing

the product in seconds. The selected workers for sample-sewing are medium-skilled workers. The number of seconds is counted for each product detail, and these times are added to calculate the total number of seconds for each product<sup>38</sup>.

## TIME WAGES

Time wages are based on the amount of time a worker does not make products due to objective reasons from the company; for example, when the company does not have orders, materials or inputs, or when the worker is assigned to other support work. Time wages are also paid for sick leave, annual leave, holidays, etc. Time wages

are calculated by dividing the base wage by the standard number of hours worked and multiplied with the number of hours the worker does not use for the piece rate. The below formula for time wages is based on information from workers, their pay slips and interviews with managers:



FIGURE 16: FORMULA FOR TIME WAGE CALCULATION

38. Notes: The concept of product in the wage formula is understood as product details (as workers only make one or several product details, but they do not make the whole product).

## WAGE INCREASES

There are three ways workers can get a wage increase:

1. Minimum wages increase — All workers wish to have their actual wages increased, but when minimum wages increase, it only increases the wage of the group of low-level workers. Because of piece rates, the groups in the middle and upper levels won't see a wage increase, except for increased social insurance premiums, and therefore, increased social insurance benefits such as pensions, unemployment benefits and maternity benefits. The wages of these two groups would increase if the unit price increase, and the unit price increases depending on the order price of the vendors.
2. Raise skill level and get certified — Among six surveyed companies, one company applied a wage system based on rating workers in one of four skill levels: A, B, C, D. Grade D is low skill, low productivity. Grade C is average skill, average productivity. Grade A, B is high skill, high productivity. Most grade D workers are new workers. Every six months, the company organises a test for getting certification that

their skills have improved. However, skill improvement can only help increase the basic wage and social insurance benefits, but not actual wages because the actual wage is based on piece rate. Skill improvement will help workers raise productivity so that they can increase their piece rate wage.

3. Increase the unit price — If workers want to increase wages, workers must make as many products as they can to get the desired wage. Often, they are willing to work extra hours if the company has orders for higher pay. Even so, their wages are still low. Therefore, the way to increase their wages is to increase the unit price.



## METHODOLOGY

The research is based on information provided by companies and workers working in garment export companies in Vietnam (see COMPANIES SURVEYED on the next page).

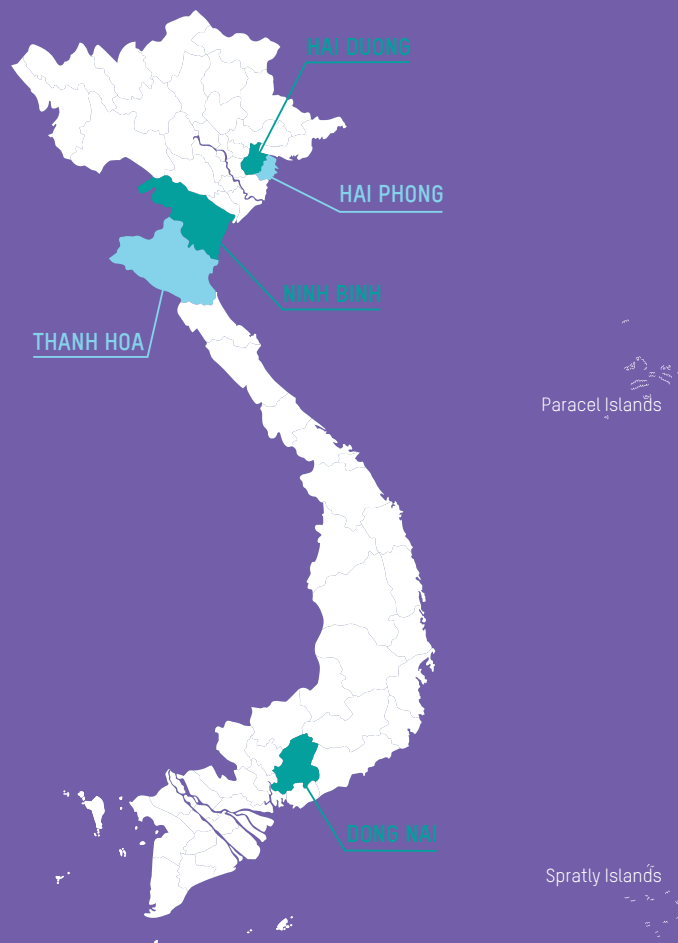
The research methodology included interviews with more than 88 workers using a questionnaire; six focus group discussions with workers; five senior managers and 14 factory supervisors; 14 workers' case studies; and six interviews with provincial Departments of Labour; one with Ministry of Labour, Invalids and Social Affairs (MOLISA); 38 with factory unions, provincial federations of labour and industrial zone unions; and 2 with members of National Wage Council and one with salary expert. Two independent labour researchers (one from Oxfam and one from the Employment Relations Centre) were involved in this research.

The research is based on a combination of qualitative and quantitative surveys. Qualitative methods were used to detect problems and use quantitative methods (small sample) to illustrate qualitative results. Qualitative results are based on the analysis of information obtained from interviews with workers, enterprise union representatives, senior management, personnel managers and staff, production supervisors and team supervisors at enterprises, wage and industrial relations officers of the Departments of Labour, Invalids and Social Affairs (DOLISA) of provinces, union leaders and officers of provincial Federations of Labour.

This research is based on a quantitative sample of six companies with nearly 6,000 workers in the garment sector, which were selected because they all supply Australian brands and other European and North American brands are spread across all four wage regions in Vietnam. This

sample is not representative of the entire garment sector. However, the findings are supported by other research that has been conducted in other garment factories. The problems discovered from the research are taking place in larger companies having more than 200 workers. These enterprises have increased their revenue over the recent years, produce mainly for export, participate in many CSR assessments as required by various buyers, have a good compliance of law, better pay for workers, less overtime hours, better provisions for workers to take leave, full social insurance payments, and relatively good working conditions (clean, with sound and humidity absorption).

In addition to the quantitative findings, the research recorded many stories shared from workers. Every worker's story is an inspiration with different emotions. Only one or two stories are cited for each of the findings in the report, so that readers can visualise the reality of workers' life and the findings of the report. All the workers' names in these stories were changed.



## COMPANIES SURVEYED

The six companies were selected from a list of 11 companies that are supplying to the Australian brands and other European and North American brands from Vietnam. The contacts of the companies were provided by the brand. The research team conducted a screening of all the companies to make sure that they are apparel manufacturers and still exist. The companies were purposely selected to cover the four wage regions as well as the Northern, North-Central and Southern parts of the country.

In addition to Australian brands, the surveyed companies also supply to many other brands of many other developed countries in the world. All surveyed companies/enterprises are cut-make-trim.

The total number of employees of the six factories is about 5,882, of which 85-90 per cent of workers are female. The direct labour force accounts for 70-80 per cent (of whom 55-57 per cent are sewing workers), 15-25 per cent are indirect workers and 2-3 per cent are managerial staff.

In each company, the research team approached the management first to conduct interviews with the managers, unionists, team leaders and FGDs with the workers. After that, the research team went to the living places of the workers and conducted in-depth interviews offsite. The team also used snowball techniques to find other workers for offsite interviews. All interviews were conducted in the workers' houses. The selection of 88 workers was meant to reflect the proportion of male vs. female and local vs. migrant workers in these 6 companies. In particular, female workers accounted for 85 per cent of the total interviews and over 70 per cent were local workers and 78 per cent are married. It should be noted that while most workers in Region 1 are migrants, the majority of workers in Region 2, 3 and 4 are locals.

## LIMITATIONS

The main limitation of this research is its small sample size, which is not representative of all garment factories in Vietnam. The quantitative data collected from the survey were combined with qualitative results, and crosschecked with the literature review.



Photo: Eleanor Farmer/Oxfam



MADE IN  
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## ABOUT OXFAM

Oxfam is a world-wide development organisation that mobilises the strength and voice of people against poverty, inequality and injustice. We are a confederation of 19 Oxfam organisations working together in more than 90 countries. Oxfam works with partner organisations and alongside vulnerable women and men to end injustices.

Oxfam in Vietnam is working to seek transformative changes in policies, practices and beliefs in ways that will fundamentally improve the lives of poor and marginalised women and men, and ensure that all citizens have the same opportunity to enjoy their rights.

## ABOUT THE INSTITUTE FOR WORKERS AND TRADE UNIONS

The Institute for Workers and Trade Unions (IWTU) was established in 1995 by the Vietnam General Confederation of Labour (VGCL). The main function of the IWTU is to do research on workers and trade unionism and conduct capacity-building activities for enhancement and promotion of workers' rights and trade union rights through mass media, public campaigns on law and policy-making, law enforcement and in order to advise the VGCL to claim workers' rights to the level of international labour standards. As a research institute, the IWTU does research on different areas related to human rights for awareness campaigns so as to protect, promote and enforce human rights in the country.





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