

LABOUR RIGHTS IN VIETNAM

Unilever's progress and systemic challenges



A woman cycles to work in Hanoi. Photo credit: Dewald Brand, Miran for Oxfam

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ABBREVIATIONS

AFW	Asia Floor Wage
CB	Collective bargaining
CBA	Collective bargaining agreement
CLA	Cost of Living Allowance
CoBP	Unilever Code of Business Principles
FGD	Focus group discussion
FOL	Federation of Labour
FTA	Free Trade Agreement
FWN	Fair Wage Network
FMCG	Fast moving consumer goods
FOA	Freedom of association
HCMC	Ho Chi Minh City
HR	Human resources
ILO	International Labour Organization
IFC	International Finance Corporation
ILSSA	Institute of Labour Sciences and Social Affairs
IUF	International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations
KPI	Key performance indicator
MNC	Multinational corporation
MOLISA	Ministry of Labour, Invalids and Social Affairs
PPP	Purchasing Power Parity
RSP	Responsible Sourcing Policy
SDGs	Sustainable Development Goals
SEDEX	Supplier Ethical Data Exchange
SOMO	Centre for Research on Multinational Companies
TPP	Trans-Pacific Partnership agreement (signed by Vietnam in 2015)
USLP	Unilever Sustainable Living Plan
UNGPs	UN Guiding Principles on Business and Human Rights
UVN	Unilever Vietnam
VCCI	Vietnam Chamber of Commerce and Industry
VGCL	Vietnam General Confederation of Labour

FOREWORD

Foreword by Oxfam

Two years after publishing the original Oxfam report into labour rights in Unilever's supply chain, with a case study in Vietnam, we were pleased to have the opportunity to return and examine what progress has been made and how the situation has improved for workers. Once again, we welcomed the access Unilever provided to its operations and suppliers in Vietnam as well as the open and robust engagement we have had with the Unilever Vietnam team, the global procurement team and many senior managers, particularly from the Social Impact team.

In the interim, expectations of companies to respect human rights and tackle violations connected with their operations and supply chains have only increased. The Sustainable Development Goals (SDGs), adopted in 2015, set out a clear role for business to help solve sustainable development challenges and include goals on decent work for all and gender equality, both highly relevant to the findings in our report. In Vietnam, the context has also changed, with the signing of the Trans-Pacific Partnership signalling a further opening up to international trade and investment, together with a commitment to a higher minimum wage and greater freedom for workers to join and form independent unions.

The detailed results of Oxfam's review are set out in this report. Overall, we found evidence of significant progress in the company's approach to tackling labour rights issues including the integration of social impact goals in Unilever's Sustainable Living Plan, the adoption of new policies and leadership buy-in and commitment across the business. As expected, there remains much to do to ensure these deliver sustainable positive outcomes for workers; in particular, to ensure women benefit as well as men, to gain the buy-in of suppliers, and to use the company's influence to leverage action with other players including governments, other companies, trade unions and civil society. This is true not just for Unilever but for all multinational companies.

Sadly, labour rights issues remain endemic in global supply chains, as regular media exposés illustrate, and multinational companies have a responsibility to do much more, themselves and with others, to ensure those who work to benefit their businesses derive a greater share of the benefit themselves.

Foreword by Unilever

We operate in a volatile business environment characterized by growing social inequality, political instability and the increasing effects of climate change. This presents huge challenges and a need to do business differently. Unilever has a simple but clear purpose – to make sustainable living commonplace – and our actions are guided by the Unilever Sustainable Living Plan which we launched five years ago. Additionally, the adoption of the UN Sustainable Development Goals (SDGs) in 2015 provides us with a much clearer global framework to address the world's biggest challenges and reinforces the importance of sustainable business models and the need for collaboration and partnership.

Global and local partnerships with other stakeholders who share our commitment to driving transformational change are a vital part of our business model. We have been working with Oxfam on tackling poverty and inequality across the world for many years now, with a clear focus on two key pillars – enhancing livelihoods and health and well-being. Together, we have impacted millions of lives through improved access to safe and affordable water, training for better agricultural practices and nutrition intervention programmes.

We also collaborated with Oxfam on their initial research on labour rights in Vietnam which was published in 2013, and the more recent follow up. We are pleased that this new progress review acknowledges that significant improvements have been made on many of the critical issues raised.

This includes the introduction of our Responsible Sourcing Policy,¹ our commitment to mitigating the casualization of labour within our workforce, the establishment of a new role of Global Vice-President for Social Impact in 2013 and the publication of our human rights report in 2015.

In Vietnam specifically, Oxfam noted improvements in the management approach which has increased levels of trust between workers and managers and the significant efforts made to improve the effectiveness of grievance mechanisms. A higher proportion of workers are directly employed, reducing the ratio of contract labour to permanent employees. Suppliers were also found to be more aware of Unilever's expectations on labour standards and have received guidance on the Responsible Sourcing Policy. At key suppliers, hours worked beyond the legal minimum and excessive use of contract labour are issues that have also been tackled.

We have made good progress but there is still much to do. We recognize there are areas where further improvement is needed and remain committed to addressing the issues raised by Oxfam working in our own operations and with our suppliers and other business partners. As Oxfam acknowledges, the complexity of some of these issues means that they can only be effectively and systematically addressed by engaging with peer companies, civil society, trade unions and governments. We will continue to play our part in both dialogue and driving action to create positive, lasting change for those who play such a key role in the success of our business.

EXECUTIVE SUMMARY

Oxfam has reviewed the progress made by multinational Unilever since its 2011 study into the gap between the company's high-level policies on labour rights and the reality on the ground for workers, with a focus on the case of Vietnam. The review found that the company's overall commitment to respecting human and labour rights has been strengthened as a result of effective leadership across the business. However, some critical implementation challenges remain that will require a systemic approach and effort to address.

Evidence of Unilever's strengthened commitment to respect labour rights includes the introduction of a progressive Responsible Sourcing Policy (RSP); constructive dialogue with trade unions at global level; a commitment to mitigating the casualization of labour within its workforce; the establishment of a new role of Global Vice President for Social Impact; and the publication of a pioneering human rights report.

In cooperating with Oxfam in the 2011 study and this progress review, Unilever has demonstrated exceptional transparency. This was exemplified in September 2015 by the readiness of the company's procurement team to participate in discussions in Vietnam about the initial research findings and how the new RSP can be integrated into its procurement decisions. Unilever also allowed Oxfam to hold focus group discussions with key suppliers without the presence of company personnel, and to conduct worker interviews both on- and off-site.

In Unilever's factory in Vietnam, Oxfam found improvements in the management approach since 2011 which have increased levels of trust between workers and management, including significant efforts to improve the effectiveness of grievance mechanisms. A higher proportion of workers in its manufacturing operations are directly employed, reducing the ratio of indirect to direct employees from 55:45 in 2011 to 31:69 in 2015, with the factory on track to reduce it to zero by 2018.

Suppliers were found to be more aware of Unilever's expectations on labour standards and have received training and guidance on the new policy. In 2015, 70 percent of those surveyed said that they risked losing Unilever as a customer if labour issues were found but not addressed, as against 17 percent in 2011. At key suppliers, hours worked beyond the legal minimum and excessive use of contract labour are issues that have been tackled.

At the same time, the progress review shows that a number of critical challenges remain in translating the company's policy commitments into practice and achieve positive outcomes for more than a small number of workers. There is no question that this is a challenge even for powerful multinational corporations, in the context of global market competition and systemic labour issues.

Oxfam has identified three key issues that need to be tackled for Unilever to move to the next level of social impact and responsible sourcing and for the good intentions of their policies to translate into real impact for the lives of workers throughout their supply chain.

'When we talk to the Board and say why this is important, people get really engaged; they want to be in an organization driven by purpose.'

– J.V. Raman, former Senior Vice-President and Director, Unilever Vietnam)

Unresolved tension between commercial and labour requirements of suppliers

Unilever has committed to ensuring its suppliers go beyond mandatory to good, and in due course, best practice labour standards, and to reward them for this.² However, discussion between Oxfam and key suppliers in Vietnam highlighted that, while they clearly value Unilever's business, they have not yet bought into the business case for the changes the company is seeking. Only 25 percent said that improving labour standards had benefits for their own company and just 12 percent cited benefits for workers. 80 percent of the suppliers consulted in Vietnam perceived that improving standards would incur higher costs, and 45 percent said that overtime could not be avoided due to fluctuations in orders from customers, including Unilever. There is a long journey ahead to achieve its policy intentions with the 76,000 suppliers in its global supply chain.

Unilever has invested in supporting suppliers through training and guidance, and acknowledges that it is on a journey to persuade suppliers that this agenda is desirable and achievable: 'We are now having conversations with suppliers that we didn't previously have,' explains Traci Hampton, Director Supplier Excellence, Procurement. However, commercial and RSP requirements are communicated separately to suppliers, without guidance (either for suppliers or procurement staff) on how to mediate any tensions that arise, and improvements in labour standards are not measured to the same extent that price and delivery are. Unilever needs to recognize and provide guidance for mediating conflicts between commercial and RSP requirements, demonstrate to suppliers that there is a business case and reward continuous improvement.

Fair compensation and women's empowerment

Unilever has taken steps in its own operations on these issues, improving its sourcing policy and the Unilever Sustainable Living Plan, talking publicly about fair wages not being the norm in global supply chains, and commissioning studies of the compensation it pays in its factory sites in 38 countries (2014), and for all its low-paid employees (2015). It has raised wages for the lowest paid globally, strengthened its compensation policy and committed to progress towards living wages in its supply chain.

In Vietnam, Oxfam's study found that guaranteed wages (wages plus wage-related benefits) in Unilever's Cu Chi factory in Ho Chi Minh City have increased significantly in real terms (after inflation) over the four year period studied, by 48 percent on average for semi-skilled workers, 31 percent for skilled workers and 71 percent for third party workers. The main factor was the doubling in value of the minimum wage over the four-year period (67 percent in real terms), but action by Unilever contributed as well.

Despite this, Oxfam found that in Unilever's Vietnam factory, lower skilled workers with dependants would still struggle to make ends meet; in a discussion involving 12 UVN workers, three reported having a second job. In the Vietnam supply chain, Unilever worked with suppliers to ensure compliance with the minimum wage as it increased in real terms. However, at two of the three suppliers studied, it was the companies' profit-sharing schemes that determined workers' satisfaction with pay, rather than Unilever's implementation of its Responsible Sourcing Policy. In the global supply chain of 76,000 suppliers no evidence was presented that the RSP had resulted in wage increases beyond the legal minimum.

Oxfam also found that the welcome commitment to more direct employment in its manufacturing (bringing greater job security and employment benefits) has to date in Vietnam only benefited men. The female workforce as a percentage of those employed in the factory has fallen from a low 19 percent in 2011 to a mere 13 percent in 2015. Taken together with the impact of mechanization (the total number of men and women employed has decreased by 10 percent

since 2011), the employment related to its Vietnam manufacturing is delivering less positive social impact for women than in 2011.

These findings show that the company has not yet addressed the barriers to decent work in its employment, let alone found a blueprint to do so in its supply chain of 76,000 suppliers. Unilever acknowledges that further work is needed to improve incomes and gender diversity. It remains a key challenge for multinational companies and their investors to ensure that business models and practices do not perpetuate in-work poverty and gender inequalities.

Time to look at the system, not the suppliers

Systemic issues, including child labour, slavery and gender-based violence, as well as the labour issues covered in this report, are determined by political, social and economic factors that affect entire sectors, as Unilever acknowledges in its human rights report³. The company understands this and has committed to tackle the root causes of negative human rights impacts and to report its progress publicly.

Business models maximize returns to the owners of business over the well-being of those who labour to generate those returns. As a key informant to the study explained, 'Mainstream companies have been financialized and geared entirely to maximizing short-term returns to shareholders rather than focusing on running a company for a broader purpose' (Ron Oswald, General Secretary, International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Association). Unilever has highlighted the damaging effective of quarterly reporting on long-term sustainable value creation.⁴

For good labour standards to become universal operating conditions, multinationals need to start scrutinizing the workplaces in their supply chain within a framework of the wider system which determines what suppliers can do to improve standards. This includes governance and regulation, sector wage bargaining, and whether corporate structure and purpose facilitate good standards and a fair share of value in the value chain.

1 INTRODUCTION



Unilever's factory at Cu Chi near Ho Chi Minh City. Photo: UVN

Oxfam's corporate relationship with Unilever spans more than a decade and includes an ongoing dialogue on smallholder agriculture and poverty reduction, following a joint Poverty Footprint study in 2004.⁵ In 2009, Oxfam initiated a dialogue on labour rights and in 2010 proposed that Unilever should facilitate a study of the reality for workers in its operations and supply chain in one developing country. Unilever responded positively to the challenge and the outcome was a study in Vietnam that led to an independent Oxfam report, published in February 2013 in English⁶ and Vietnamese.⁷

The 2011 study looked at the gap between the company's high-level policies and the reality on the ground for workers. It focused on four labour issues that are important for workers but hard for companies to measure and manage. The first was freedom of association and collective bargaining, looking at the extent to which workers could exercise these rights despite the legal limitations in Vietnam, and whether Unilever facilitated this. The second was wages, including the concept of a 'living wage', assessing their adequacy in relation to recognized wage and poverty benchmarks. Thirdly, the study looked at working hours, including where and why there were instances of excessive overtime. Finally, it looked at contract labour, a precarious form of employment, analysing why jobs are contracted in this way and the impact on workers' well-being.

To ensure that the study had wider relevance, for Unilever and for other companies, Oxfam placed the research in the context of international frameworks relevant to labour rights – in particular, the UN Guiding Principles on Business and Human Rights (UNGPs), which Unilever had endorsed just before the study was designed. Four principles, relating to the corporate duty to respect human rights, were chosen for the assessment, covering commitment, integration in the business and implementation with suppliers, due diligence tools and processes, and grievance mechanisms. One further objective was to develop a set of principles and measures to guide Unilever and other companies to meet their social responsibilities.

This progress report is the outcome of a joint commitment by Oxfam and Unilever to review progress two years after the first report was published (February 2013), which is nearly four years after the original fieldwork in Vietnam (July 2011). Again, the study was structured around

the four selected UNGPs and the four focus labour issues. Oxfam looked at what had changed between July 2011 and July 2015, at a global level and in Unilever's Vietnam operations and supply chain. Conclusions were drawn, and a traffic light assessment (see page 24) made based on Oxfam's recommendations and Unilever's commitments following the original study. Lastly, further recommendations are offered as to how Unilever (and other companies) could progress on labour rights in its operations and supply chain, globally and in Vietnam.

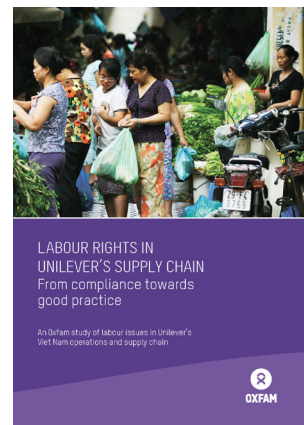
This progress review has provided a rare opportunity for a development NGO to take a close look at what happens when a multinational company such as Unilever makes significant commitments and then sets about implementing them at global and national levels. For both Unilever and for Vietnam, it is a moment which could herald significant change.

SUMMARY OF FINDINGS FROM THE 2011 STUDY

At the global level, Unilever was found to have made a commitment to social responsibility, for instance by adopting the UNGP. However, the study found that human and labour rights were 'conspicuous by their absence' from the corporate sustainability plan. The company's risk management system was not sensitive to the vulnerability of workers and hotlines were not used. The policy was in need of updating and lacked a commitment to a living wage. The company was found to be open to stakeholder engagement on human and labour rights at a global level, but less so in Vietnam, though staff helped Oxfam to conduct the study.

At Unilever's factory in Cu Chi, a suburban district of Ho Chi Minh City (HCMC), which manufactures personal care, home care and food products, the study found that wages paid were higher than the minimum wage (and therefore compliant with national law) but insufficient to meet the basic needs of employees and their families. Workers were found not to have any trusted avenues to raise concerns with management and had no opportunity for collective bargaining. Just over half the workers in the factory were found to be sub-contracted through a labour provider, rather than being directly employed. These workers had lower wages and benefits than regular employees: above the legal minimum wage and the international poverty line, but less than half of Oxfam's estimate of what was needed to cover average expenses. Some sub-contracted workers also expressed concern about unfair treatment and repeat temporary contracts.

At the supply chain level, of 48 suppliers surveyed by phone, just over half said that they were asked to commit to Unilever's Supplier Code, but suppliers' awareness about what this entailed was low. A 'deep-dive' study was made into three suppliers of packaging and home products (one privately owned, one foreign-owned and one state-owned, each with more than 50 workers including contract workers); the identities of the suppliers were not disclosed to Unilever. At two of these suppliers, Oxfam found wages just above the minimum, while one had seriously excessive hours and another had a high ratio of temporary labour. The third supplier had good labour practices, but there was no evidence that this was the result of Unilever's processes.



Box 1: Summary of Oxfam's recommendations based on the 2011 study

- Adjust policies and business model to deliver better-quality jobs, including a commitment to a living wage and a reduction in precarious work.
- Better align procurement and business processes with policy by training buyers on labour standards and incentivizing suppliers to raise them.
- Strengthen the due diligence process to take more account of people's vulnerability in speaking out, and track effectiveness.
- Work with other parties to promote scalable ways to realize rights and increase collective leverage, including advocacy to governments.
- Address Vietnam-specific concerns at the Unilever factory and with suppliers.
- Integrate into the Sustainable Living Plan and/or public reporting process measurable targets for labour rights and job quality.

Summary of Unilever's commitments based on the 2011 study

Global level

- Ensure that it promotes sustainable livelihoods for all its workers and those in its value chain, including conducting a market-by-market 'sustainable living' review in the 180 countries in which it operates.⁸
- Mitigate the 'casualization' of labour within its workforce wherever possible.
- Invest in ensuring that the Supplier Code is understood and acknowledged by all Tier 1 suppliers.
- Ensure that it meets the same standards (in its own operations) as it expects of suppliers.
- Partner with others to mainstream the integration of human and labour rights by business.
- Set key performance indicators (KPIs) on human and labour rights and report progress on an annual basis.

Vietnam level

- Organize human and labour rights training workshops for internal business stakeholders, including the factory leadership in Cu Chi and key suppliers, to promote best practice.
- Work with its 80 top suppliers to address non-compliance issues with the Supplier Code.
- Review the worker grievance mechanisms for permanent and temporary workers to ensure they are more accessible, predictable and transparent.

2 METHODOLOGY OF THE PROGRESS REVIEW

The research team comprised the same Oxfam employees and researchers who took part in the 2011 study (see section 7.1). A wide range of complementary methods was employed to assess the changes since 2011 and the enabling conditions for these changes (Figure 1).

Figure 1: Methodology for the Progress Review

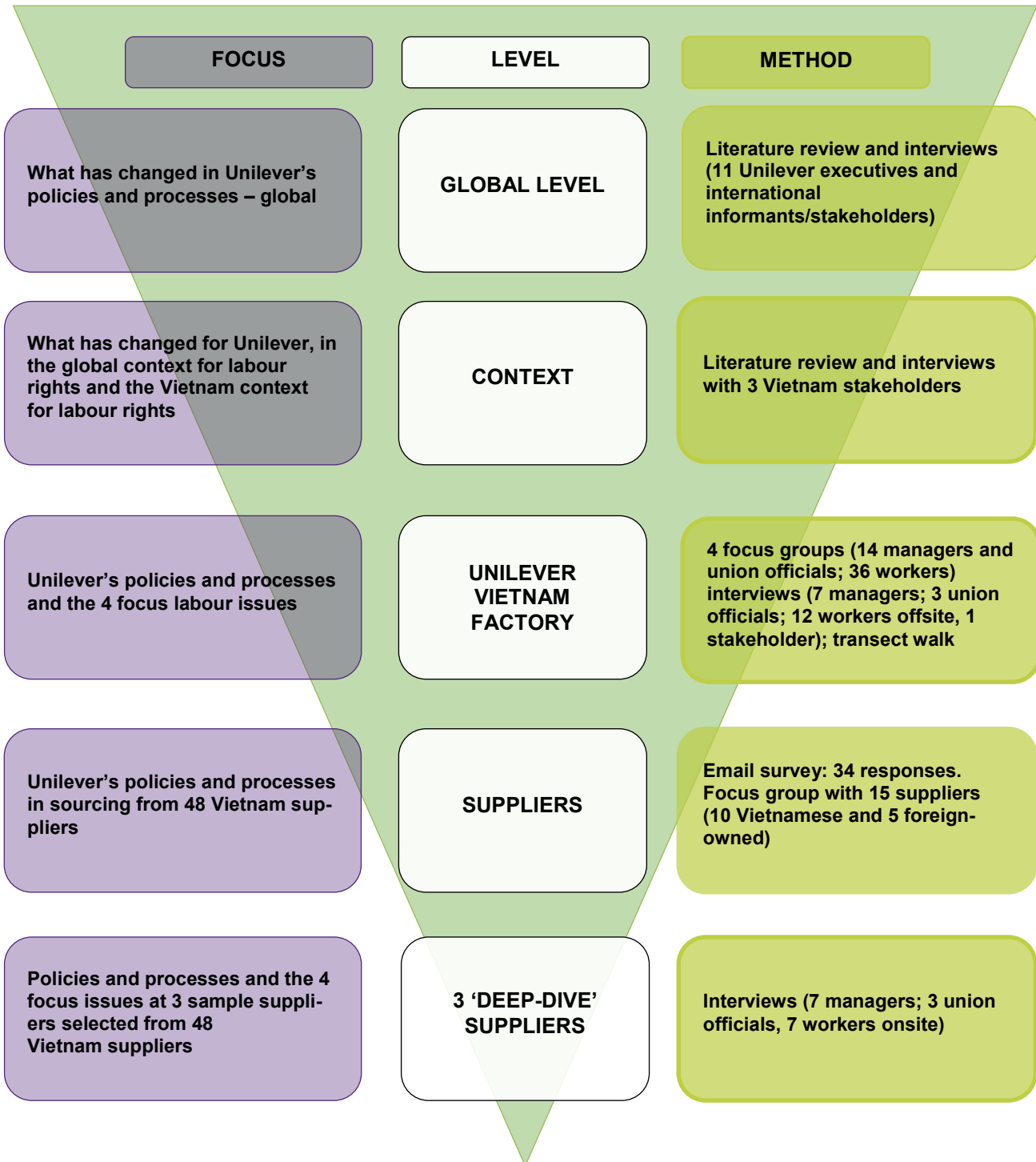
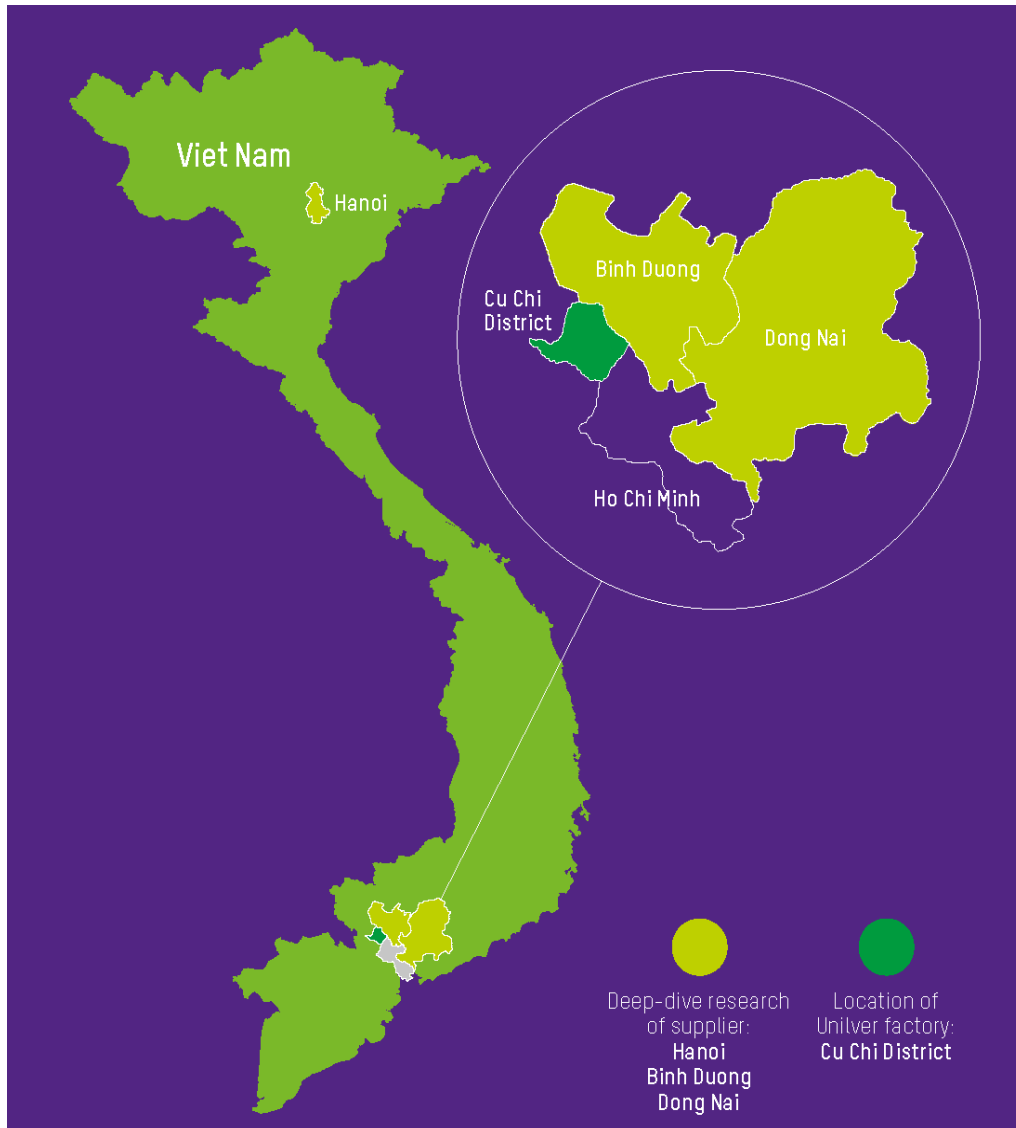


Figure 2: Location of Unilever's Cu Chi factory and 3 'deep-dive' suppliers



Source: *Labour Rights in Unilever's Supply Chain: From compliance towards good practice*⁹

The study employed the following methods:

1. Literature review

A literature review was conducted at all levels. This included relevant national legislation; studies, reports and articles in the public domain; internal Unilever documents, such as minutes of labour management meetings and supply chain information; a Unilever-commissioned third-party report on labour standards at Unilever Vietnam (UVN); and wage statistics.

2. Semi-structured interviews

The Oxfam team conducted semi-structured interviews with a total of 52 key informants, including 11 Unilever global managers and international informants, five Vietnam informants, 10 UVN managers, 12 workers (off-site) and 14 'deep-dive' informants.

Table 1: Semi-structured interviews

Interviews and no. of participants	Interviewees and selection criteria	Issues covered in interviews
Global level: 11		
<i>Unilever management:</i> 8	Procurement Director, Supplier Excellence; President, Unilever Vietnam; Chief Procurement Officer; Global Vice President, Human Resources; President, ASEAN ANZ; Global Vice President, Social Impact; Global Senior Manager for Social Impact; Senior Vice President, Supply Chain Asia.	Changes in Unilever’s approach to labour rights, including policy and its implementation; changes relating to UNGPs and four labour issues; factors for the changes; challenges; examples of good practice.
<i>International informants:</i> 3	General Secretary, IUF (the international trade union federation representing the majority of Unilever’s unionized workforce world-wide); Chief, International Labour Organization/International Finance Corporation (ILO/IFC) Better Work Programme; Senior Researcher, SOMO (The Center for Research on Multinational Corporations).	
Vietnam context: 5		
<i>National policy makers:</i> 1	Ministry of Labour, Invalids and Social Affairs (MOLISA)	Changes – national context
<i>Provincial policy makers:</i> 4	Chairperson, Cu Chi district Federation of Labour (FOL); Deputy Director of the Legal Affairs Department of MOLISA; Chief of Wage Division, Institute of Labour Sciences and Social Affairs (ILSSA); Deputy Director, Institute of Workers and Unions.	Changes – national context
Unilever Vietnam level: 22		
<i>UVN:</i> 10	Chairperson; Vice President of Human Resource Management; Vice President of Supply Chain; General Manager of Cu Chi factory; Human Resource Business Partner (HRBP) Manager; HRBP Officer; Khang Nguyen (third party) manager; union Chairperson; Vice Chairperson; Personal Care Liquid shop steward.	Changes – four labour issues
<i>Workers:</i> 12	Off-site interviews. Selection criteria: representative of age, gender, number of years working with Unilever, resident status, marriage status. Selection reflected willingness to participate in the study	Changes – four labour issues
‘Deep-dive’ supplier level: 14		
<i>Managers:</i> 7	Two managers at each of the three suppliers including the Human Resources Manager, union representative.	Changes – four labour issues
<i>Workers:</i> 7	2–3 workers at each of the three suppliers.	Changes – four labour issues
Total number of interviewees: 52		

3. Focus group discussions

Focus group discussions (FGDs) were conducted at both UVN/Cu Chi factory level¹⁰ and with key suppliers; with managers and union leaders; and with workers (a mix of workers at the Cu Chi factory in 2011, those joining since 2011 and those employed by a third party), with a balance of age, gender, role and situation. In total, 65 people participated in the FGDs.



Focus group discussion. Photo: Oxfam in Vietnam

Table 2: Focus group discussions

FGD and no. of participants	Selection criteria	Issues covered in FGDs
<i>Unilever Vietnam (UVN) management and union leaders: 14</i>	Representatives from all departments and units	Strengths; weaknesses; opportunities; threats of UVN policy; practice and management with regards to the four labour standards (working hours, contracted labour, freedom of association and collective bargaining, and wages). Prioritization of the issues that need to be urgently addressed and what, how, when and by whom.
<i>UVN workers who worked at Cu Chi factory in 2011: 12</i>	Balance by age; gender (six male and six female); marital status (single, married and divorced); grade in UVN (1A, 1B and 1C); migrant vs. non-migrant; different factory plants; different position in the production line.	
<i>UVN workers who started working at Cu Chi factory after 2011: 12</i>		
<i>Khang Nguyen (third party) workers: 12</i>		
<i>Suppliers: 15 (10 Vietnamese and 5 foreign-owned)</i>	Representation of business size; relationship with UVN; working history with UVN; ownership types (international vs. national); geographical location; willingness to participate. Of these 15, 11 were strategic suppliers, four were not; 10 were Vietnamese-owned, five foreign-owned. The FGD was held at the UVN offices but without Unilever personnel present during the discussion.	Strengths, weaknesses, opportunities, threats in doing business with Unilever. Priority issues for improvement to maintain the long-term partnership and conditions for achieving this. Self-assessment of strengths, weaknesses, opportunities, threats in complying with Unilever's policy and requirements on four focus labour issues, and the implications for suppliers. Prioritization of issues that need to be addressed urgently and what, how, when and by whom
Total participants in FGDs: 65		

4. Email survey

The research team designed a web-based questionnaire that covered similar questions to the phone survey conducted in 2011. The questionnaire was sent via the UVN Supply Chain Department to all suppliers in Vietnam. Of 55 suppliers requested to complete the survey, 34 did so in the time available. Some participated in the original phone survey, while some were new to Unilever. By enterprise ownership, 50 percent of the respondents were private domestic companies (private-owned enterprises – POEs), 31 percent were foreign-owned (FOEs) and 13 percent were state-owned (SOEs). Workforce size ranged from 5,000 to just 10 workers; the average was 513 overall (780 for FOEs compared with 295 for local suppliers).

5. 'Deep-dive' case studies of three suppliers based in Vietnam

After the email survey, the research team visited three suppliers to conduct the deep-dive study. Two were the same as in 2011; one was different but was selected using the same criteria, i.e. being in a labour-intensive industry, having over 50 workers, using temporary or sub-contracted labour and having a union but with a limited role. All deep-dive suppliers regarded Unilever as their most important client, as it accounted for more than 20 percent of their turnover. One was foreign-owned, one privately owned and one state-owned. One provides plastic packaging, one paper packaging, and one manufactures home products. Two were based in the South and one in the North of Vietnam. The research team interviewed in total seven managers, three union leaders and seven workers at the three deep-dive suppliers. The average age of workers in suppliers B and C was 35–40 years old and in Supplier A around 25.

6. Consultative events and regular feedback loops

The research team communicated frequently with Unilever at both global and Vietnam levels during the progress review to obtain feedback on its design and preliminary research findings. Two workshops were organized with Unilever: one with UVN managers after collection of the Vietnam level data, and one with UVN managers, procurement and social impact personnel in September 2015 to share and discuss the overall preliminary findings.



Some of the 55 workers employed by Unilever and its suppliers interviewed by Oxfam in July 2015.

3 CONTEXT: WHAT HAS CHANGED SINCE 2011?

3.1 WHAT HAS CHANGED IN UNILEVER?

Unilever provided the following summary:

'The global economic slowdown, coupled with geopolitical instability and natural, climate-related disasters, has created a more complex and volatile business operating environment. Despite this, Unilever's business has continued to grow, guided by the Unilever Sustainable Living Plan.'

In Southeast Asia, and Vietnam specifically, Unilever has led the process of setting up an ASEAN Food and Beverage alliance, aimed at harmonizing standards and building industry best practice in the food industry in Southeast Asia. Unilever's Vietnam business continues to grow from strength to strength. In 2015, Unilever celebrated the 20th anniversary of its business in Vietnam, reaching a new milestone with more than 35 million Vietnamese people using one or more Unilever products every day. The business has expanded its partnerships with local small and medium enterprises (SMEs), working with almost 2,000 SMEs in its value chain, as well as reaching more than 300,000 small retail outlets nation-wide.'



The food plant at Unilever's Cu Chi factory, on the outskirts of Ho Chi Minh city, which employs 1249 people. The plant also manufactures home care and personal care products. Photo: UVN

3.2 WHAT HAS CHANGED IN THE GLOBAL CONTEXT FOR LABOUR RIGHTS?

Since Oxfam undertook its first study in 2011, a number of trends and initiatives have emerged that are highly relevant in terms of progress on labour rights issues.

In 2010, as the original Oxfam study on labour rights was being planned, the issue of extreme inequality had yet to achieve broad public awareness. That year, 388 individuals in the world owned the same amount of wealth as the bottom half of humanity. By 2016, when Oxfam published its report *An Economy for the 1%*¹¹ and this progress report, just 62 individuals had the same wealth as the bottom half of humanity – 3.6 billion people.

A key trend underlying this huge and growing concentration of wealth and incomes is the increasing return to capital versus labour.¹² In almost all rich countries and in most developing ones, the share of national income going to labour incomes has been falling,¹³ while returns for the owners of capital have grown at a faster rate than general economic growth. This means that workers are capturing less and less of the gains from growth. The OECD has highlighted the risk that this poses for social cohesion and the rate of recovery in the global economy.¹⁴ Latin America is the only region resisting this trend, with some countries experiencing an increasing wage share.¹⁵ In Brazil the biggest factor in reducing poverty and inequality has been raising the minimum wage.¹⁶ Ecuador has followed suit, closing the gap between minimum and living wages over a seven-year period to 2015.¹⁷

The 2016 Oxfam report *An Economy for the 1%* showed that, across all countries, women carry out the majority of unpaid domestic and care work, on average 2.5 times the amount that men do.¹⁸ This greater ‘time poverty’ makes it even more important that in their paid employment they earn a living wage in predictable working hours. And as Unilever’s CEO himself has argued:

‘When we empower women, society benefits, grows and thrives. According to the UN Foundation, women reinvest 90 percent of their income back into their families, while men reinvest only 30–40 percent.’¹⁹

The Global Goals, adopted by the United Nations in September 2015, include Goal 8 to ‘promote inclusive and sustainable economic growth, employment and decent work for all’. Unless the root causes of widening inequalities are tackled, achieving this will be a huge challenge in the context of a growing labour force and increased mechanization; the International Labour Organization (ILO) estimates that 600 million new jobs will be needed by 2030.²⁰ A recent study suggests that the coming ‘robot revolution’ could displace 35 percent of workers in the UK and 47 percent in the US over the next 20 years.²¹

Most multinational companies rely heavily on certification schemes to assure consumers about the social and environmental benefits of their products. Since 2011, questions have been raised about whether these schemes are fit for purpose to address systemic human rights issues, with four exposés in the tea industry alone, a strategic commodity for Unilever.²²

The collapse of the Rana Plaza factory in Bangladesh in 2013 and the introduction of the Modern Slavery Act in the UK in 2015, with its requirement to report publicly on steps to prevent abuses, have highlighted the materiality of serious labour rights issues for business.

34 nations are now estimated to present an ‘extreme’ risk of human rights violations – a 70 percent increase since 2009.²³

These examples demonstrate that tackling the root causes of these issues is beyond the scope of companies’ narrow-focus compliance programmes, and indeed beyond the influence of any individual company acting alone, however powerful. Given the known flaws in commercial social

audits,²⁴ these need to be supplemented by other methods of assuring standards, such as through worker surveys, supplier self-reporting and impact tracking.

As the UN Guiding Principles on Business and Human Rights (the UNGPs) set out in 2011, government has a key role to play in creating an enabling environment for companies to be able to fulfil their responsibility to respect human and labour rights. When companies recognize and support effective regulation, the narrative can change, placing back on governments the responsibility for protecting human rights and enforcing national labour law. As an informant to this study explained:

'It's time for business to demand better governance. Business has been picking up the tab for bad governance and it's time to look for solutions to that.' (Dan Rees, Director, ILO/IFC Better Work Programme)

For businesses, entering public policy debates can bring charges of political interference by vested interests but there can be a benign role, when companies, including Unilever, share an agenda with civil society organizations, for instance on climate change and the Global Goals. Positive examples of industry influencing on labour rights policy include multi-stakeholder advocacy towards the governments of Cambodia and Myanmar on minimum wage levels for garment workers, and towards the UK government on the scope of the Modern Slavery Act.²⁵

A huge 'elephant in the room' remains the distribution of value in the value chain, in a context where the imperative to ensure returns to shareholders can conflict with social sustainability commitments. The continuous pressure to bring costs down has an impact on employment conditions which is rarely acknowledged by companies. In the 1970s, 10 percent of every £100 of profit was paid in dividends to shareholders; today that figure is 70 percent, according to the Bank of England's Chief Economist.²⁶ Ways need to be found for workers, farmers and communities to get a fairer share of the value that business generates, as Oxfam's Behind the Brands campaign has highlighted.²⁷ Current concepts such as 'inclusive business', 'shared value' and 'impact investing',²⁸ which have gained a higher profile in recent years, are as silent on this issue as they are on negative human rights impacts and widening inequalities. As one of the key informants in the study explained:

'Mainstream companies have been financialized rather than focusing on running a company for a broader purpose.' (Ron Oswald, IUF)

It is time for that to change.

3.3 WHAT HAS CHANGED IN THE VIETNAM CONTEXT FOR LABOUR RIGHTS?

Vietnam may be on the threshold of major reforms in both economic and labour terms over the next five years as a result of signing the Free Trade Agreement (FTA) with the European Union and the Trans-Pacific Partnership (TPP) agreement, although this has yet to be ratified by all participating states. These reforms include ratification of conventions on workers' right to join or form a union, and a requirement to prove that products are produced in compliance with international labour and environmental standards.

Key changes between 2011 and 2015 include:

- A long period of economic slowdown, including in the FMCG industry, which impacted domestic companies in particular, though with a recovery towards the end of 2014.
- Limitations to freedom of association (FOA) and collective bargaining (CB) persist, but it has become compulsory for employers to organize regular dialogues with workers' representatives.²⁹

- Minimum wages are now fixed based on negotiations between the Ministry of Labour, Invalids and Social Affairs (MOLISA), the Vietnam General Confederation of Labour (VGCL) union organization and the Vietnam Chamber of Commerce and Industry (VCCI) employers' organization within the framework of the National Tripartite Wage Council. However, they remain inadequate to meet minimum living needs, covering only 70 percent, according to the VGCL.
- The act of labour sub-leasing (labour out-sourcing) was legalized by the 2012 Labour Code; however, only 17 occupations are eligible, and packaging or portering jobs are not among them.

Freedom of association and the right to collective bargaining

The legislative context for FOA and CB in Vietnam remains largely the same as in 2011, but with important new initiatives. The VGCL is still the only officially recognized trade union organization. Important labour rights such as the right to organize and to strike, the right to bargain collectively and the right to be consulted by employers on employment decisions (such as dismissal, promotion and discipline) can only be exercised by the VGCL union leadership.

The 2012 Labour Code recognized the importance of social dialogue in the workplace and introduced a new provision for compulsory and regular meetings between labour and management (at least quarterly). Worker representatives include both enterprise union officials and those elected by workers at the team level, and collective bargaining agreements (CBAs) must provide for better-than-law provisions, rather than replicating the Labour Code.

The VGCL has attempted to reform its traditional 'top-down' approach by encouraging the regional federations of labour (FOLs) to approach workers to organize new unions (a 'bottom-up' approach); however, this has as yet gained limited traction because of a range of structural and capacity-related barriers. A few sectoral CBAs have been concluded since 2011, most notably in the garment sector covering 130 enterprises and over 100,000 workers. Until now, based on 2014 research by the ILO/IFC Better Work Programme, only 16 of 121 employers in the garment sector have consulted with the trade union and only three CBAs include provisions that are better than the law.³⁰

Wages and the debate on a living wage

The minimum wage in Vietnam is defined as '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'.³¹ It is a stated objective of the government to increase the minimum wage to the 'minimum living needs' level by 2018.³² In interviews, VGCL and MOLISA informants agreed that the current minimum wage meets approximately only 70 percent of minimum living needs, based on a VGCL survey.

Figure 3: Vietnam's private sector minimum wages, 2008–15 and estimated 2016–20 (VND/month)

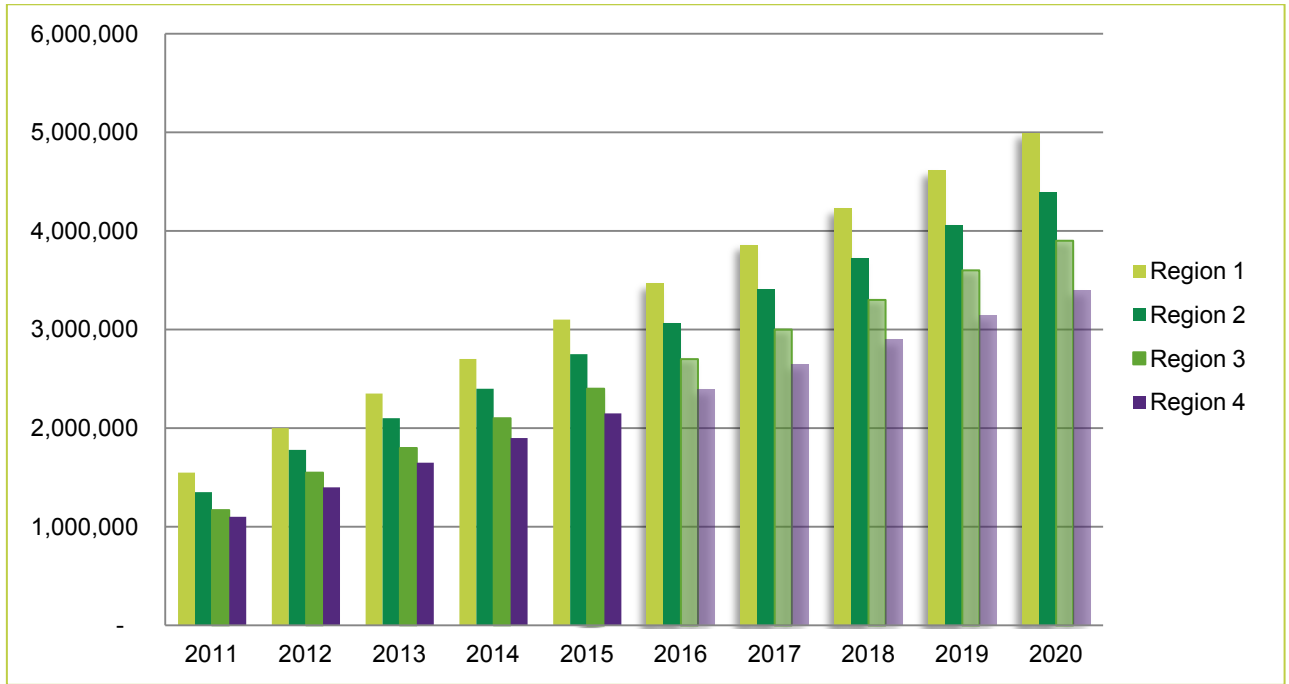
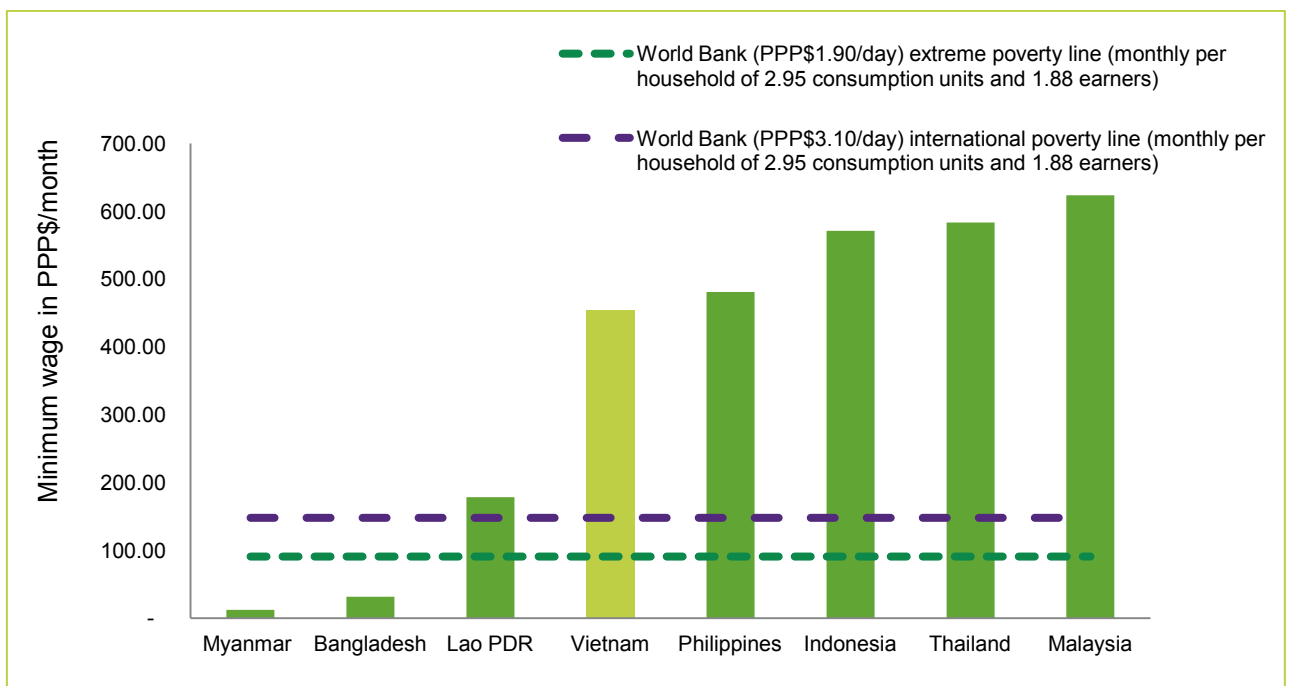


Figure 4: Monthly minimum wages for manufacturing in PPP\$: selected Asian economies



There is no agreed definition or formula for a living wage among the parties to the National Wage Council (MOLISA, the VGCL and employers' organizations); all use different methodologies to estimate the minimum living needs of workers in the country's four geographical wage regions. In 2015 the VGCL claimed the living wage to be VND 4.78m/person/month for Region 1, while MOLISA estimated minimum living needs at VND 4.13m/person/month. The minimum wage was increased in 2015 from VND 3.1m to VND 3.5m for Region 1, including HCMC and environs and Hanoi, an increase of 12.4 percent compared with the 2015 inflation rate of 6.3 percent (the lowest inflation rate in 15 years).

Contract labour

The 2012 Labour Code (Article 54) legalizes the act of labour sub-leasing³³, under a strict definition. Whether or not the provision of labour falls under this definition is determined by whether labour management is carried out by the labour-using company or by the labour sub-leasing company. Labour sub-leasing is restricted to 17 occupations, but packaging and portering, for which contract labour is used by Unilever, are not included.³⁴ In the case of temporary labour that falls outside the category of labour sub-leasing, companies must show that workers are managed primarily by the labour-providing company.³⁵

3.4 CHANGES ANTICIPATED IN THE PERIOD TO 2020

Vietnam can expect major reforms in both economic and labour terms over the next five years. The most prominent changes with implications for labour rights include:

Reform of the union system

Vietnam has concluded negotiations for the FTA with the EU and the Trans-Pacific Partnership (TPP). Both agreements include labour chapters which require all member states to comply fully with the ILO core conventions, including Convention 87 on Freedom of Association and Convention 98 on the Right to Collective Bargaining. In particular, a Vietnam–USA bilateral side agreement to the TPP requires the Vietnamese government to reform the union system to enable workers to establish enterprise unions of their choice and elect their own representatives. Unions that are led by management ('yellow unions') will not be acceptable. Workers and their unions will have the right to collective bargaining, which means that CBAs must result from genuine negotiations rather than copying the labour law. The extent to which these commitments will lead to actual changes in labour practices remains unclear, particularly as ratification of the TPP by other member states is uncertain.

Proof of legality of product sourcing

Companies exporting to Europe or TPP member countries will have to prove that their products are produced in working conditions that comply with international labour (and environmental) standards. This requirement applies to the whole supply chain, not only first-tier suppliers.

Upcoming ratification of Conventions 87 and 98

The Government of Vietnam has committed to ratify these two core ILO conventions after concluding the TPP negotiations. This will entail a major revision of the legislative framework for labour rights in Vietnam, especially in the areas of union representation, collective bargaining and unfair labour practices.

4 UNILEVER'S POLICIES AND PROCESSES COMPARED WITH THE UN GUIDING PRINCIPLES

The UN Guiding Principles on Business and Human Rights (the UNGPs) have become an authoritative global reference point since their publication in March 2011. They apply to all states and business enterprises, regardless of size, sector, location, ownership or structure.

Table 3: The UN Guiding Principles on Business and Human Rights

Government: duty to protect	Companies: responsibility to respect	Victims: access to remedy
The state's duty to protect against human rights abuses by third parties, including business enterprises, through appropriate policies, regulation and adjudication.	The corporate responsibility to respect human rights, where business enterprises should act with due diligence to avoid infringing on the rights of others and to address adverse impacts with which they are involved.	The need for greater access by victims to effective remedy, both judicial and non-judicial.

Unilever contributed to the development of the guidelines. It was one of the first companies to commit to follow them and the first multinational to report progress publicly using the UNGPs Reporting Framework.³⁶

This section reviews progress since 2011 in relation to how Unilever has implemented the UNGPs at global and Vietnam levels, focusing on four key principles: commitment; integration in the business and implementation with suppliers; tools and processes for due diligence; and grievance mechanisms. The research team looked at what had changed between July 2011 and July 2015 and assessed how far the gap had been closed between Unilever's policies and practices and international standards, summarizing this using a traffic light rating system.

4.1 PRINCIPLE 1: COMMITMENT – WHAT HAS CHANGED SINCE 2011?

This principle relates to a company's expressed commitment to respect human rights, including labour rights, through a public statement that is endorsed by senior management, preferably informed by experts, and that stipulates the expectations of personnel, business partners and other parties directly linked to the company's operations, products or services.

Table 4: Traffic light rating system

Gap Analysis – Rating Key	
Major gap between Unilever's policies and practices and international standards	
Gap between Unilever's policies and practices and international standards	
Slight gap between Unilever's policies and practices and international standards	
Good match between Unilever's policies and practices and international standards	

Table 5: Findings on commitment to human rights

PRINCIPLE 1: COMMITMENT	UNILEVER IN 2011		UNILEVER IN 2015	
<i>A company should express its commitment to respect human rights, including labour rights, through a public statement.</i>	Code of Business Principles and Supplier Code expressed publicly. Gaps including discrimination, regular employment and a living wage.		Responsible Sourcing Policy (RSP) developed and published which sets out mandatory and good practice and best practice standards for all elements. Achieving good practice standards requires a living wage to be paid.	
	Policies endorsed by global executive board.		Policies endorsed by global executive board.	
	No known consultation.		Some consultation of external experts.	
	Expectations not clearly stipulated.		Stipulates expectations of personnel and business partners, but not incentives. Social impact measures in need of further development.	

Finding 1: Unilever’s commitment has been strengthened since 2011 and has a more robust foundation. The company has created a Social Impact team, improved its policies and sustainability plan, published a good human rights report and created a more open culture to discuss challenging issues.

As Oxfam was preparing to publish its report in February 2013, Unilever established a new role of Global Vice President for Social Impact to lead the implementation of the UN Framework on Business and Human Rights and ensure alignment with the Unilever Sustainable Living Plan (USLP). In 2014 the company’s Supplier Code was replaced with a new Responsible Sourcing Policy (RSP), which represents ‘a move away from focusing on compliance to a focus on what good looks like, and a recognition that this means taking a journey’ (Marcela Manubens, Global VP for Social Impact). The policy sets out more clearly mandatory minimum standards and what good and best practices look like across all code elements.

‘Safe working conditions, freedom of association, fair wages, protection from forced labour, and freedom from harassment and discrimination: these must become universal operating conditions. Today they are not.’

– (Paul Polman, CEO, Unilever)

Unilever’s CEO Paul Polman has set out a compass mission ‘to double the size of the business, whilst reducing our environmental footprint and increasing our positive social impact’.³⁷ Human and labour rights have been integrated into the USLP and made more explicit. The corporate plan includes commitments to implement the UNGPs, source 100 percent of procurement spend in line with the RSP, create a Framework for Fair Compensation,³⁸ improve employee health, nutrition and well-being, and reduce workplace injuries and accidents. Other policies have been updated.

The changes to policy and the corporate plan are significant and signal an ambition to move from an approach of ‘do no harm’ to one of ‘do good’. This is a very different corporate narrative from 2011; then labour rights were considered to be more about compliance the company’s human rights report,³⁹ published in 2015, paints a picture of systemic issues to be tackled.

Finding 2: Unilever’s commitment to permanent employment in its own manufacturing operations by 2020 is rare in the context of a global trend towards precarious work.

Precarious work is rapidly becoming the biggest obstacle to respect for workers’ rights, according to the former UN Special Representative for Business and Human Rights John Ruggie.⁴⁰ The Unilever human rights report included a new global commitment which says that ‘if a person is working in a Unilever factory year-round and involved in the production of a

Unilever product, that role should be permanent and not relegated to contract status, unless the role is temporary, due to seasonality or mechanization, or is only for a defined period of time'.⁴¹

Ron Oswald of the IUF, the international trade union federation representing the majority of Unilever's unionized workforce world-wide interviewed for this study, outlined the journey that Unilever has had in leading towards these commitments on permanent employment:

'Unilever was historically seen as a paternalistic company that took the attitude it would take care of people from the cradle to the grave... IUF workers changed over time from being generally happy with Unilever as an employer to feeling Unilever was starting to treat them worse as the pressures of globalization put downward pressure on wages and working conditions... The IUF actively supported its affiliates in a number of conflicts arising from the erosion of basic rights at Unilever workplaces, including the expansion of precarious work at the expense of permanent jobs. Ultimately we were able to resolve those conflicts on the basis of Unilever's recognition of the IUF and of the importance of addressing these issues within a human rights-based framework.

Unilever's human rights report was impressive in its statement about the nature of employment and that people should have permanent jobs... Product safety is necessarily a top priority for Unilever since it is necessary to maintain the value of their brands. Unilever had come to recognize that they face the same issue with product risks, related to health and safety and the use of precarious work, as they face in terms of their negative impact on human rights.'

Finding 3: Unilever's commitment to social impact is clear, but more work is needed on measures of progress and public reporting.

Unilever's Sustainable Living Plan⁴² states that the company aims to 'increase its positive social impact'. 'Social impact' is defined as covering 'inclusive business models that bring a larger share of livelihoods, respect for human rights and women's economic empowerment' (Marcela Manubens, Global VP Social Impact). Its elements are articulated by the Enhancing Livelihoods goals of the USLP.

In the company's operations, social impact relates primarily to the quality and quantity of employment it provides, with 25–35 new factories in developing countries opened in the past four years: 'Unilever is a good employer, it has a positive multiplier effect and a significant impact on local communities.' (Nick Dalton, Global VP Human Resources)

Identifying progress and impact measures remains a work in progress. One informant interviewed felt that Unilever was punching below its weight by not highlighting labour market failures and calling for governments to address systemic issues:

'Unilever see themselves as an actor in the development process like no other business I've ever dealt with, but I still think they lack the ambition that they're showing in other areas...The business still seems uncomfortable to really assert themselves in the labour rights space. They get much more passionate about water...On labour rights we know what works: smart law that is more effectively implemented.' (Dan Rees, Chief, ILO/IFC Better Work Programme)

4.2 PRINCIPLE 2: INTEGRATION IN THE BUSINESS AND IMPLEMENTATION WITH SUPPLIERS

This relates to the effective integration of policies in the business, ensuring that they are known and widely supported by management, staff, business partners and suppliers, and embedded in operations, including business incentives and lobbying that could have an impact on human rights.

Table 6: Findings on Principle 2: Integration in the business

PRINCIPLE 2: INTEGRATION	UNILEVER IN 2011		UNILEVER IN 2015	
<i>The policy is reflected in operational policies and processes necessary to embed it throughout the business enterprise</i>	<ul style="list-style-type: none"> • Policy known to staff but not well embedded in the business. Procurement had little active involvement. • Workers were not fully aware of their rights. 		<ul style="list-style-type: none"> • Significant efforts to embed revised policies in the business and integrate into the corporate plan and human rights reporting. • Workers in UVN factory much more aware of their rights. 	
	<ul style="list-style-type: none"> • No clear expectation of continuous improvement. 		<ul style="list-style-type: none"> • Lines of accountability are clear and relevant functions receive training and support. • Leadership style allows open discussion of challenges. 	
	<ul style="list-style-type: none"> • Suppliers not aware of the consequences of non-compliance. 		<ul style="list-style-type: none"> • Suppliers much more aware of the RSP and its importance than they were of the Supplier Code. • Suppliers' commercial performance prioritised over raising labour standards from 'mandatory' to 'good practice' or 'best practice' and lack of incentives for suppliers to show continuous improvement. 	
	<ul style="list-style-type: none"> • Contract terms covered mandatory standards only. 		<ul style="list-style-type: none"> • Contract terms cover 'mandatory' standards, but not good or best practice. 	

Finding 1: Unilever employees showed a consistently high awareness of, and positive attitude to, the changes in policy and commitments since 2011.

Unilever employees interviewed showed a consistently high awareness of, and positive attitudes towards, the Responsible Sourcing Policy and associated commitments:

'The RSP brought human rights, workers' rights and land rights onto the table for discussion; previously they were not centre stage.' (Dhaval Buch, Chief Procurement Officer)

'It takes us from the world of compliance to actually making a difference.' (Traci Hampton, Director Supplier Excellence, Procurement)

'When we talk to the Board and say why this is important, people get really engaged; they want to be in an organization driven by purpose.' (J.V. Raman, former SVP and General Director, UVN)

In 2015 there is a greater openness to acknowledge difficult issues:

'People can get nervous and defensive when talking about human rights. A critical success factor is leadership from Paul Polman and other leaders. To have a management team that understands the challenges and is prepared to be vocal and speak out about the issues gives a licence to everyone to try and address them.' (Marcela Manubens, Global VP Social Impact, Unilever)

Unilever interviewees highlighted the Oxfam study as a key factor for change as it gave employees insights that they could not easily access in other ways. Findings were taken on board by senior management teams at global, regional and national levels: *'The report was a big deal for us. We were involved throughout and the report was discussed in meetings of the Regional Leadership Team. We wanted to take the results for Vietnam and apply them to the rest of the region.'* (Peter ter Kulve, former President Unilever ASEAN/ANZ)

'We are excited and thankful about Oxfam's study. We want your help to benchmark Unilever with other companies and to learn about best practices from other parts of the world.' (J.V. Raman, former SVP and General Director, Unilever Vietnam)

Finding 2: In 2011, awareness of labour rights in Vietnam was limited and responses to Oxfam's findings defensive, but in 2015 Oxfam found openness and a strong interest in improving practices.

The FGD with the management group in Vietnam demonstrated their improved understanding of labour rights issues. All factory plant managers said that the Oxfam report helped them to adapt practices to ensure they met labour standards, acknowledged constraints and shortcomings in the current system, and expressed a commitment to improve:

'Thanks to Oxfam's report, we have had a better understanding of what labour rights are all about and how we can better address those issues.' (Nguyen Thi Tam Trang, Vice President of HR, UVN)

Discussion has taken place at a range of levels, from the UVN Board to the regional team:

'We are tracking in Vietnam what was recommended in the Oxfam report and acting on that. This is adding enormous value... There is more consideration of people, managers are more open, more committed, and can improve the factory so that there is a virtuous circle.' (David Ingram, SVP Supply Chain Asia)

Unilever has stated that whatever it asks of suppliers must apply to its own operations. It has continued a programme aimed at 'world-class manufacturing', with a leadership development programme, human resources (HR) handbook and dashboard of issues including grievances

and disciplinaries. Worker satisfaction has improved both globally and in Vietnam. An employee survey in Cu Chi factory showed an increase in employee engagement from 73 to 85 percent between 2012 and 2014 and more people agreed with the statement, 'Overall, I am extremely satisfied with Unilever as a place to work'. In Vietnam's '100 Best Places to Work' survey⁴³ (which relates more to office-based than factory employees), Unilever came top in 2015.

The research team identified three factors accounting for the changes: 1. pressure and communication from the global to the country level to enhance labour standards in Vietnam; 2. the positive impact of working with Oxfam on the study; and 3. changes in the HR team.

Finding 3: The RSP has been proactively implemented with staff and suppliers. Efforts have been made to address gaps in Unilever's own factories and with key suppliers.

Unilever recognizes the huge challenge its commitments involve: '76,000 suppliers around the world, with sales in more than 190 countries, each of them with its own cultural norms, social and economic challenges, varying levels of the rule of law and divergent views of what it means to respect human rights. This ecosystem includes parts that we control and parts that we can only influence.' (Marcela Manubens, Unilever human rights report, 2015)

Internally, the RSP has been integrated into a range of functions. It is owned by the Chief Procurement Officer, who wrote to all suppliers informing them of the changes. Procurement and other personnel have been trained on the policy. The Supplier Excellence team sets the strategy and provides the tools, in consultation with the Social Impact team, but implementation is managed by portfolio managers who own the sourcing relationship in the 'countries and clusters'. The process is championed and backed up by targets in a way that was absent in 2011.

Table 7: Responsible Sourcing Policy global targets 2015–2017

180 Partner to Win suppliers (cover 1,000+ sites globally)	Target to achieve mandatory standards by end of 2015 and good practice standards by end of 2016
1,000 strategic suppliers (cover 10,000 sites globally, 80% of products and 50% of services by spend)	Target to achieve mandatory standards by end of March 2016 and good practice standards by end of 2017
75,000 other suppliers	Traditional compliance approach based on mandatory standards.

Source: Unilever procurement team

Externally, trainings had been run for suppliers in six countries by the time of the study: Brazil, China, India, Costa Rica, Vietnam and Turkey (higher-risk countries with a large supply base). All suppliers must now answer self-assessment questions on the Unilever website before formally committing to the policy. The company then identifies higher-risk suppliers for an audit which covers both mandatory and good practice standards. Progress is tracked quarterly using internal software.

'The RSP brought human rights, workers and land rights onto the table for discussion, so we had to evaluate ourselves. It notched the discussion up to a more formal level, resulting in more review mechanisms against the policies. [This has led to] a genuine feeling on the ground that this is what you have to do to compete internationally. The conversation in companies is changing, with more focus on impact on the ground.' (Dhaval Buch, Chief Procurement Officer)

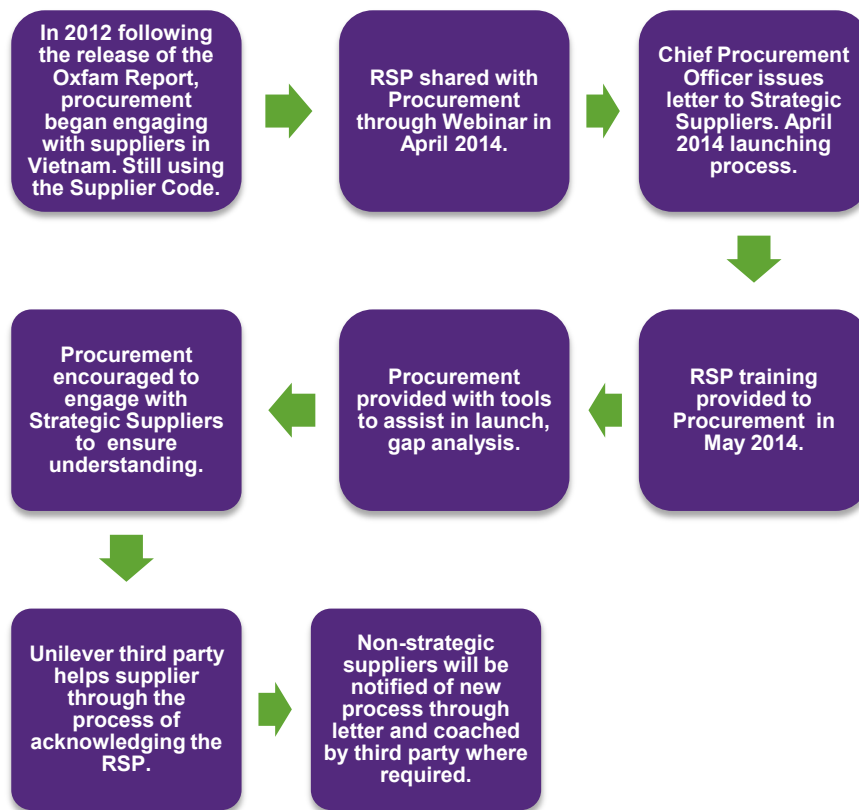
'The conversation in companies is changing, with more focus on impact on the ground.'

– Dhaval Buch, Chief Procurement Officer)

In Vietnam, UVN has organized a range of trainings for managers and employees since 2013, including workers at Cu Chi: on the Oxfam report; on international human and labour rights; for managers and workers on the new grievance-handling procedures; and for managers on HR and industrial relations (HR/IR) skills.

In 2014, 100 key suppliers in Vietnam were invited to a workshop on the new RSP.⁴⁴ This included a Q&A session, a perspective from a supplier and inputs from Oxfam. Afterwards, suppliers were asked to sign a letter of commitment to the RSP.

Figure 5: The process of integrating the RSP into the Unilever supply chain



Source: Unilever Procurement Team, July 2015

It is clear that the company is going to some lengths to engage suppliers on what it recognizes is a journey. There is a readiness to be flexible:

'It requires a lot of one-on-one interaction with suppliers, and where the pushbacks made sense we've made changes. But we're having conversations with suppliers that we didn't previously have with them.' (Traci Hampton, Procurement Director, Supplier Excellence)

From the perspective of the Social Impact team:

'It's a lot more embedded in the business than the previous Supplier Code was, with all the internal capacity building that has taken place.' (Rachel Cowburn-Walden, Global Senior Manager for Social Impact)

The former SVP and General Director of UVN, J.V. Raman, reflected on the challenges of implementing the RSP:

'This is a change programme, and willingness to get involved is key. Change takes time...It is a challenge in Vietnam and elsewhere, raising

'...we're having conversations with suppliers that we didn't previously have with them.'

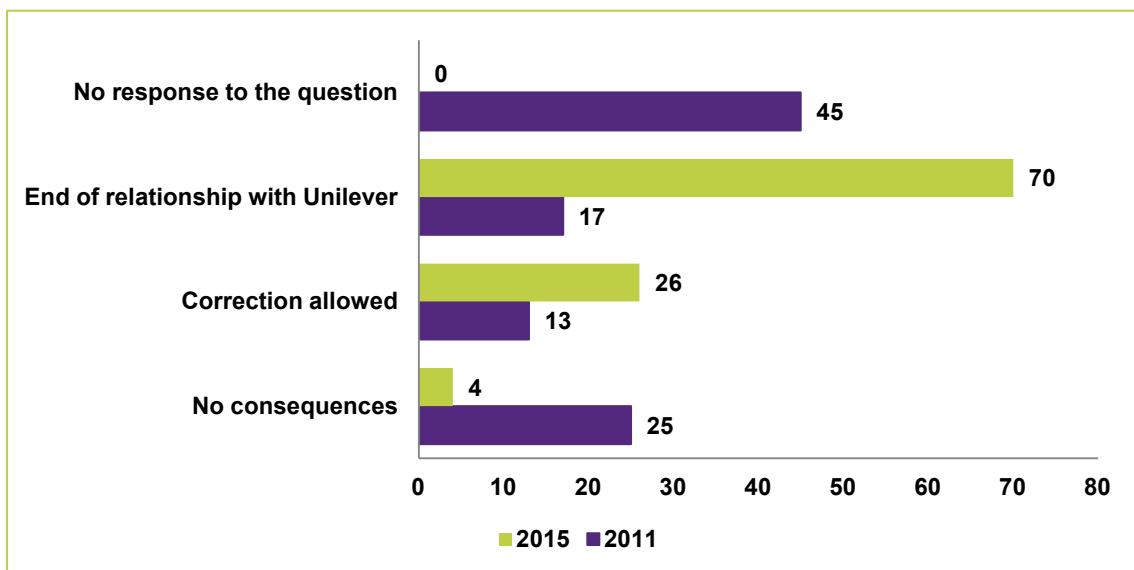
– (Traci Hampton, Procurement Director, Supplier Excellence)

the bar. We explain to the suppliers that it goes beyond compliance with local regulations. So suppliers naturally say, "I am already complying with the laws of Vietnam, why are you asking me to do more?" We need to encourage them to do better than the law...'

Finding 4: Suppliers now know that the RSP is a priority for Unilever, with 70 percent saying that they risk losing its business if issues of non-compliance are found but not addressed, compared with 17 percent in 2011. However, improvements are not factored into negotiations and the business case is not clear to them.

The supplier survey asked about the consequences of not complying with Unilever's requirements, and very different findings emerged in 2015 compared with 2011. In 2011, 17 percent of surveyed suppliers thought that there would be no consequences if an issue of non-compliance was found; in 2015, 70 percent said that they risked losing Unilever as a customer if such issues were found and not addressed.

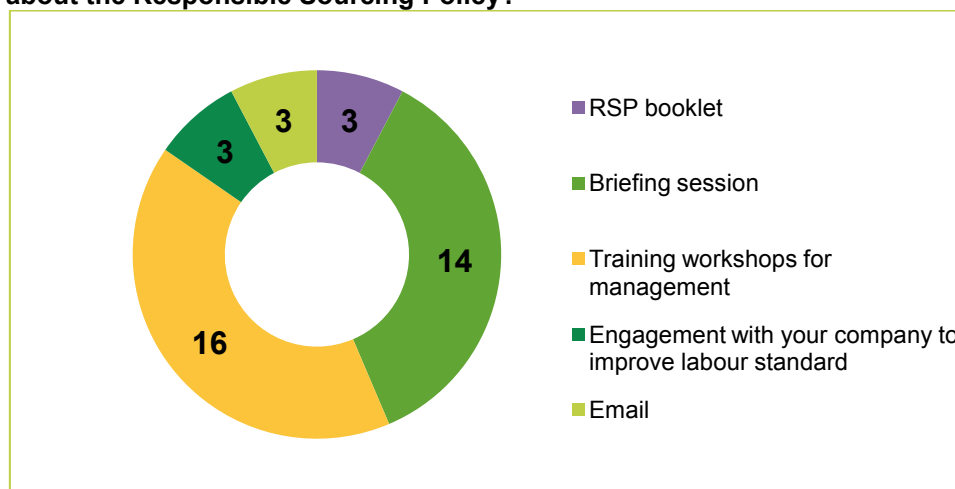
Figure 6: Supplier responses to the question in 2011 and 2015: What do you think the consequences are of not complying with the code?



Source: Findings from email survey conducted in 2015 and phone survey conducted in 2011

27 of the 34 suppliers who answered this question in the email survey confirmed their awareness of the RSP: 16 cited a training workshop organized by Unilever for supplier management; 14 cited a briefing session; three cited an RSP booklet; three, engagement with the company to improve labour standards; and three, email exchanges.

Figure 7: Supplier responses to the question 'How did UVN communicate with you about the Responsible Sourcing Policy?'



Asked about their motivation to improve labour standards, nearly half of suppliers said that it was because of Unilever's requirements. Only a quarter said that improving labour standards had benefits for their own company and 12 percent cited benefits for workers, with six percent citing pressure from workers and six percent pressure from the authorities. There were differences between international and local suppliers: 70 percent of respondents from international suppliers regarded compliance as beneficial, against only 27 percent of local suppliers. The international suppliers often have codes with standards close to the RSP requirements and experience of the impacts on their business. This is new for most Vietnamese suppliers.

As part of the progress review, Unilever facilitated an FGD between the Oxfam research team and 15 key suppliers, which took place at the HCMC office without Unilever personnel present. Suppliers were asked to capture the strengths, weaknesses, opportunities and threats of doing business with Unilever (see Methodology section).

Strengths cited included Unilever's brand reputation, the size of the business, attractive propositions, stable orders, punctual payments, research and development, professional staff, standardized procedures and good quality control. Several suppliers also cited an opportunity to learn about labour standards and to work in partnership with Unilever.

In relation to the RSP, suppliers said that the training workshop did not convey the scale and implications of the changes it represented. Nor did the workshops succeed in making them feel ownership of the changes it is seeking to promote; they described them as 'Unilever's event'. Many suppliers expressed concern about the impact of the RSP on their business relationship with Unilever. A key concern was unclear communication, which was seen as being overly complicated and time-consuming, with sometimes differing perspectives coming from people in different parts of the company, as well as external auditors. Addressing this was seen as a high priority for improving the business relationship. The other clear priority for many suppliers was for Unilever to provide a clear roadmap to help them meet expectations under the RSP, especially in areas where there are gaps⁴⁵ between national labour law and the international labour standards contained in the RSP.

A key issue is whether suppliers are rewarded for providing better standards than competitors, and for continuously improving labour standards, in line with the commitment in the company's human rights report to 'move towards an incentive-based system for our suppliers'.

In 2011 Unilever launched 'Partner to Win' – a strategic programme focused on building partnership relationships with key suppliers to achieve mutual growth. As the Chief Supply Chain Officer Marc Engel explained:

'Strong partnerships with suppliers that share Unilever's sustainable growth ambitions are critical to continuing success.'

Partner to Win applies to all areas of procurement including packaging, chemicals, commodities and services. The cornerstone of the scheme is a Joint Business Development Plan which covers commitments of both parties to profitability, innovation and waste reduction. The joint plan may include an expectation that suppliers take costs down year on year: *'With some suppliers, we are working with them to take the total cost down'* (Dhaval Buch, Chief Procurement Officer). But Unilever emphasized that *'negotiations are never about reducing price or lead time at the cost of any tenet mentioned in the Responsible Sourcing Policy.'*

The 180 Partner to Win suppliers (covering 1,000 sites) have been set targets to achieve mandatory RSP standards by end of 2015 and good practice standards by end of 2016. But currently the progress is not measured in the same way as suppliers' commercial performance.

'We don't give incentives or rewards. We do spread awareness, education and workshops.' (J.V. Raman, former SVP and General Director, UVN)

Many suppliers in Vietnam reported challenges in complying with legal overtime limits, now that Unilever is looking for stricter compliance with the law on working hours (which allows only 200 hours of overtime a year). In principle this is good for labour standards. However, there can be unintended consequences of requiring compliance in a context where exceeding legal working limits is the norm rather than the exception. Many workers, especially migrant workers, want to work long hours to send money home, so if this option is removed, workers may leave for another employer that allows them to do this, leading to an increase in the supplier's labour turnover.

In relation to business practices, Oxfam found a number of barriers. Four out of five suppliers surveyed perceive that raising labour standards would cost them more. All suppliers participating in the FGD agreed that negotiations were not balanced and that the cost of higher labour standards was not factored in. Most said that Unilever passed responsibility onto them without any consideration of its own role in addressing these issues.

One supplier participating in the FGD asked:

'Is Unilever willing to provide any support if the production costs are expected to reduce by 3–5 percent every year?'

Another said:

'Unilever's contract is based on minimum wage. We could pay higher wages if Unilever paid more.'

Supplier A (during the deep-dive visit) said:

'The biggest costs involved are improving the factory health and safety, upgrading our infrastructure for workers' interests, such as canteen, parking areas, prevention of heat. We also need to match the market...to retain the best workers. All these extra costs are not included nor negotiated in our contracts with the clients.'

Supplier B (during the deep-dive visit) highlighted a lack of reciprocal treatment and unequal bargaining:

'It is our responsibility to uphold the labour standards for our workers, but Unilever is paying the lowest among all of our clients, even though they are the biggest client we have. Also, they only pay us after 120 days (after delivery) while we have to pay our own suppliers and pay for fuel and electricity within 45 days. They also required us to build storage so they can do "just-in-time" and do not need to build storage themselves; they are pushing the costs to our side.'

A particular barrier to embedding the policy in internal processes is that, while compliance is part of the contract terms and conditions, progressing to good and best practice is not:

'Compliance is part of the contract. Good and best practice will not be done contractually.'
(Dhaval Buch, Chief Procurement Officer).

The reason given was that 'the contract needs to be measurable'.

Oxfam recognizes that by inviting inputs from suppliers it is likely that many will take the opportunity to highlight the challenges rather than the benefits of doing business with Unilever. But these interactions raised questions about whether the sharing of costs and benefits is given sufficient weight and whether it allows suppliers room to change their practices. Good suppliers who meet Unilever's expectations under the RSP risk being dropped if they are not also able to meet demanding commercial targets. As an informant interviewed commented:

'It is clear that it won't work if incentives are not set up right, e.g. bonuses that only focus on financial performance and not on wider processes, including of human rights issues, safe workplaces, etc.' (Ron Oswald, IUF)

One other area where a gap was found in integrating corporate policy and goals into the business relates to the quantity and quality of jobs provided to women in relation to men.

Finding 5: The UVN workforce has seen a decline in the proportion of female employees since 2011, from an already low 19 percent to a mere 13 percent; and all 87 workers recruited as part of the plan to phase out contract labour were male.

Oxfam found that, based on UVN data, the percentage of women employed directly by the company has reduced from 119 in 2011 (19 percent) to 89 in 2015 (13 percent). Women make up a much higher percentage (67 percent) of those employed by the third party provider Khang Nguyen, but these jobs have lower wages and benefits. Overall, the percentage of women employed at the Cu Chi factory has fallen from 59 percent to 28 percent over the period.

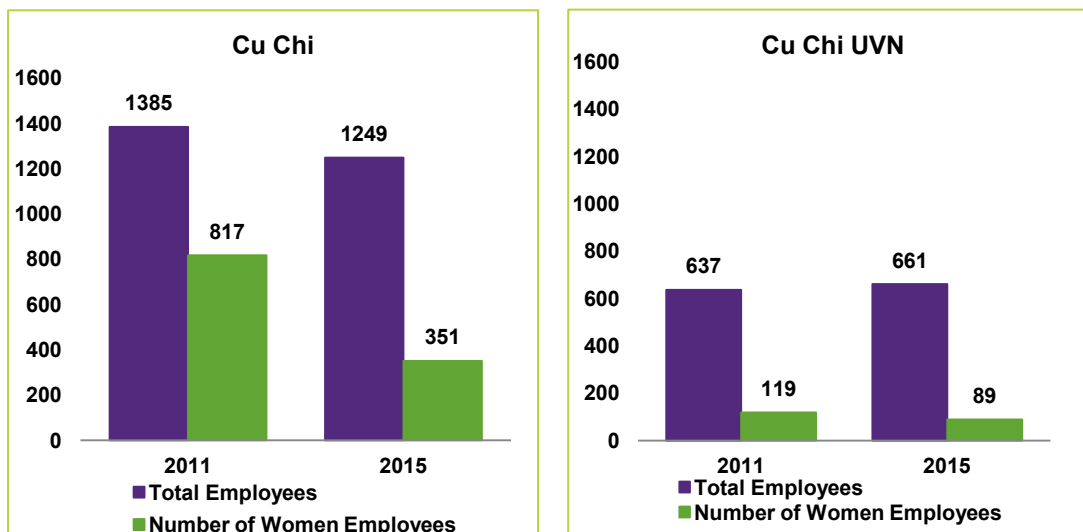
In interviews, a UVN factory manager, line manager and workers said that male workers were more likely to be promoted. The reasons for this were unclear, however: is it associated with increased use of high-technology equipment, work intensity, inflexible shift patterns, women's greater care burden,⁴⁶ indirect discrimination, attitudinal norms, or a combination of these factors?

An obvious opportunity to enhance the gender balance, in both quality and quantity of jobs, is to ensure a very good process by which workers are selected from the labour provider Khang Nguyen as jobs are taken in-house. It was therefore of particular concern to learn from UVN that all 87 people recruited from the labour provider in Vietnam in 2014/15 were male.



Training for migrant workers in Hanoi, as part of an Oxfam-funded programme designed to empower workers to claim their rights from their employer or local authority. Photo: Oxfam in Vietnam

Figure 8: Total employees and female employees, 2015 vs 2011 in UVN Cu Chi factory compared with those employed directly by Unilever



Source: UVN

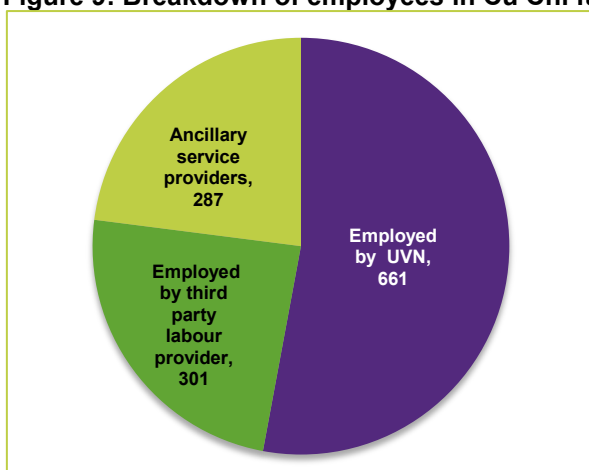
Table 8: Gender breakdown of UVN employees and third party workers, July 2011

Number of employees	UVN 'home base' (offices)	Cu Chi total	Employed by UVN	Employed by third party labour provider	Ancillary service providers
<i>Total</i>	1,539	1,385	637	748	Data not available
<i>Men</i>	875	568	518	Data not available	Data not available
<i>Women</i>	664 (43%)	817 (59%)	119 (19%)	available	available

Table 9: Gender breakdown of UVN employees and third party workers, July 2015

Employees	UVN home base	Cu Chi total	Cu Chi employed by UVN	Cu Chi employed by third party labour provider Khang Nguyen	Cu Chi employed by ancillary service providers
<i>Total</i>	1,539	1,249	661	301 (+/-5-50 seasonal)	287
<i>Men</i>	992	898	572	100	235
<i>Women</i>	547 (36%)	351 (28%)	89 (13%)	201 (67%)	52 (18%)

Figure 9: Breakdown of employees in Cu Chi factory by employer, 2015



Source (tables and pie chart): Unilever

UVN management acknowledged the problem in its manufacturing operations, while noting that at management level there are more women than men. Of the 100 people who applied for the 87 vacant roles, all were male, so only men were recruited. Asked for more detail, UVN disclosed that 15 percent of female employees left the Cu Chi factory between 2011 and 2015; 59 percent of vacancies were not filled due to automation and other changes, 27 percent were filled by female employees and 14 percent by male employees. UVN sees the challenges in female recruitment as ‘a national issue’, as fewer than one percent of women apply to technical vocational institutions, while there is a perception that roles at Cu Chi involve intensive work that requires physical strength.

The Senior Vice-President for the Asia Supply Chain said that Unilever was working to improve the gender balance in its factories: ‘We continue to work towards making our factories more conducive for women to work in – for instance, working hours, child support and a reduction in manual work are critical issues. In China, we find female operatives of advanced kit are generally better than men, so we need a really good process to ensure we have a good understanding. Women may need greater flexibility if we are to achieve a more appropriate gender balance.’ (David Ingram, SVP Supply Chain Asia)

Worker story: Lê Thu Huyền, a third party worker in Cu Chi factory

Lê Thu Huyền started working in Cu Chi industrial zone in 2005 and worked at various companies before moving to Thang Loi in 2007. She was transferred to Khang Nguyen in May 2015, two months before Oxfam’s visit.

‘Currently, my income is around 5m VND, depending on the overtime. I’m still single so I have enough time to work overtime. To be honest, I really want to be offered the chance to work overtime. I can work much harder. But once I get married, I don’t know. Each year our salary increases around 5%. But since we moved to Khang Nguyen, we’re not sure about the policy of the new company. No one tells us anything. The salary cannot compete with other companies in the same industrial zone, but the working environment is quite good. My work is not so hard. I can save 1.5–2m VND per month. As I am here with my parents and we have a small garden, we don’t spend much money on food. We have some chickens, pigs and vegetables so it’s more or less enough. And most importantly, it’s safe.’

Huyen would like to be promoted to be a UVN worker:

‘The benefits of working for UVN are much better than Thang Loi or Khang Nguyen. Unilever offers Unikhoe which is far more advanced than state insurance which we’re offered. I want to be promoted to become a UVN worker but it’s not that easy. Male workers have more chance than female workers. The vacancies often require mechanical working skills, so there’s not much opportunity for us. We have to wait once someone leaves her job and new vacancy is informed. But we have to submit a letter and wait. However, I don’t know much about the recruitment procedure. Maybe that’s the job of HR.’

Huyen’s most immediate concern is her contract with Khang Nguyen:

‘No one from Khang Nguyen informs us whether we can continue to work here. No workers know that we can sign the next contract or if yes, when the contract is prepared. What we really need is someone to tell us about what they want to do next.’

Worker story: Trần Anh Đào, a third party worker at Cu Chi factory

Trần Anh Đào is a migrant worker, who moved from the North to the South to study in 2002:

'I started work in 2005 after graduating, and worked at many enterprises. I started at Unilever as a contracted worker in 2011. I am now 31 years old but still single, living in a small rent room nearby Unilever factory.'

Her basic wage is around 3.2m VND/month and her total income is around 4.5m VND, or 5.5m if there is a third shift.

Early in 2016, Khang Nguyen offered Dao an annual pay increase of around 200,000 VND which she says is very limited compared with her cost of living. She has two wishes. First, she is hoping for a higher wage,

'so that I could send some remittance to help my mother still living in the countryside of the North, she still faces the hardship in her life, but I cannot support her as expected since my income is so little'.

Second, she really wants to be recruited by Unilever to get a more stable job and benefits, especially Unikhoe.

Asked why she likes Unikhoe and wants to be a Unilever worker, rather than a third party worker, Dao said that the medical care a worker gets due to Unilever's health insurance is much better than that of Khang Nguyen's, in both quantity and quality. But she thinks it is not easy to get recruited:

'I heard the recruitment policy of Unilever, that if a 3P worker wants to be a Unilever worker, she or he must be ranked as at the top of the best workers and must have technical skills as a good technician, but as you know, most female are low-skilled and doing simple work tasks.'

She would like to suggest that Unilever have a better policy in labour recruitment toward contracted workers, by providing more technical training courses, flexible selection and more gender-sensitive priorities.

4.3 PRINCIPLE 3 TOOLS AND PROCESSES FOR DUE DILIGENCE

Table 10: Findings on due diligence

PRINCIPLE 3: DUE DILIGENCE	UNILEVER IN 2011		UNILEVER IN 2015	
<p><i>Impact assessment</i> Companies need to identify and assess the nature of actual and potential impact on the rights of people either by their own activities or as a result of their business relationships.</p>	<ul style="list-style-type: none"> No assessment of the nature of actual and potential impacts on the rights of people. Risk management system based on risks for the business rather than for people. 'Tick-box' audit approach with no evidence of benefits for workers. 		<ul style="list-style-type: none"> Audits enhanced with more worker interviews, additional areas covered and suppliers involved in self-assessment. Workers still do not play an active role in identifying priorities or monitoring improvements. No meaningful consultation with suppliers about due diligence tools and processes and no confidential feedback mechanism. 	
<p><i>Acting on findings: preventing, mitigating and remediating impact</i> The company uses findings internally to adapt policies and processes to prevent or mitigate potential impact. The company acts upon the findings of actual impact which it has caused or contributed to.</p>	<ul style="list-style-type: none"> Time allowed to suppliers to rectify problems when found, but this was not well understood. 		<ul style="list-style-type: none"> Unilever has worked with suppliers to resolve excessive overtime and inappropriate use of contract labour. Insufficient steer from top on how competing priorities should be reconciled. Functions appear thinly resourced in relation to the scope of the challenge. Unilever could work more strategically with others including governments, civil society and competitors to address the root causes of negative impact. 	
<p><i>Tracking effectiveness</i> The company should track the effectiveness of their response to address adverse human rights impacts.</p>	<ul style="list-style-type: none"> No tracking of effectiveness. 		<ul style="list-style-type: none"> Self-assessment and auditing known to have limited effectiveness in addressing systemic human rights issues. A 'beyond audit' approach is needed. 	
<p><i>Transparency</i> A company should communicate externally how impacts are addressed.</p>	<ul style="list-style-type: none"> Exceptionally transparent to allow Oxfam to do the initial study. Reports placed on the website on settlement of disputes and other information for stakeholders. 		<ul style="list-style-type: none"> This progress review leading to an independent Oxfam report again shows unusual transparency. Human and labour rights better incorporated into corporate plan and credible human rights report published. Reporting against quantitative measures is recognized as a work in progress. 	
<p><i>Stakeholder engagement</i> A company should identify and consult stakeholders.</p>	<ul style="list-style-type: none"> Stakeholders not identified or listed. Some consultation on human rights at global level. 		<ul style="list-style-type: none"> Active engagement with trade unions at global level and with Oxfam at global and Vietnam level. Consultation could be wider and more systematic. Engaging with unions at regional and national levels needed. 	

Finding 6: Unilever has enhanced its audit process and actively implements it but reliance on audits perpetuates passive roles for suppliers in managing improvements and workers in monitoring them.

With the adoption of the RSP, the scope of the audit programme is broader than before. For any direct material supplier to move to good practice – including multinational companies in ‘low risk’ countries – they will have to have all their sites supplying Unilever audited. In 2014 the audit process was enhanced with new questions on wages, working hours and land rights, and more time allowed for individual and group worker interviews. It covers both mandatory and good practice standards (best practice standards are currently aspirational). When audits have happened Unilever works with sites on implementation of their corrective actions and follow up to ensure the issue is addressed.

In Vietnam, the HR department meets with the third party labour provider Khang Nguyen (packaging) manager weekly to check on their compliance with national labour standards, labour arrangements and performance indicators, and annual audits are conducted with all the third party companies (including portering, cleaning, transport and security). No reports on violations of national labour standards were identified.

Unilever identifies human rights risks through unions, its own data and audits based on Unilever’s methodology.⁴⁷

‘Awareness is much higher than when we spoke before [2011] because of the factory experiences Unilever had and the commitments it made. People are now aware that things do not end at their own border, they have learnt that horizons need to be broader.’
(Nick Dalton, Global VP Human Resources)

The two most common ways of risk assessment are auditing (50 percent) and self-reporting (24percent).

In Vietnam there are 65–85 suppliers and 200–300 non-compliances have been identified over the last four years. Many instances of non-compliance have now been ‘closed out’ but a number of changes are yet to be made. Unilever reported having exited some suppliers based on the RSP and quality grounds. Cognizant of growing audit fatigue, Unilever has asked other MNCs sourcing from common suppliers if they will adopt and share its process to avoid duplication; some have agreed, while others have not.

The fundamental question of whether auditing is a fit for purpose due diligence tool for human and labour rights has not been given sufficient attention. The Social Impact and HR teams are well aware of its limitations:

‘We know auditing only scratches the surface but it is the minimum, it shows a basic level of compliance, and we will then follow up.’ (Nick Dalton, Global VP Human Resources)

But to date, little investment has been made by Unilever – or other companies – in alternative approaches to addressing salient issues, such as giving workers’ representatives an active role in identifying priorities and monitoring progress, or by rewarding suppliers who proactively manage a responsible sourcing programme:

‘Companies are taking an issue by issue approach. Due diligence is also about prioritizing the most salient issues. Companies should be aware that issues don’t happen in isolation. There have been some good developments in companies getting to the bottom and acknowledging problems, but they are generally still rather reactive.’ (Sanne van der Wal, Senior Researcher, SOMO)

In Oxfam’s experience, audits can help ensure compliance with mandatory standards based on national law, such as working hours, contract terms and compliance with minimum wages, as long as suppliers are cooperative. They are not effective for rights-based issues (since workers

do not talk openly to auditors) or where endemic issues lead suppliers to hide issues, nor do they take into account whether business practices enable improvements that would increase labour costs. To be credible, they need to be supplemented by other methods of assuring standards, such as through worker surveys, supplier self-reporting and impact tracking.

4.4 PRINCIPLE 4 REMEDIATION BY GRIEVANCE MECHANISMS

Table 11: Findings on grievance mechanisms

PRINCIPLE 4: GRIEVANCE MECHANISMS	UNILEVER IN 2011		UNILEVER IN 2015
<p><i>The company ensures remediation through legitimate processes, such as effective grievance mechanisms to identify impact and to address grievances</i></p>	<ul style="list-style-type: none"> Unilever had 2 hotlines, one global (in English, managed from HQ) and one local. No cases were reported of either having been used by workers to raise a grievance. UVN HR had some poor, un-transparent practices. 1 in 8 suppliers said workers do not have any grievances and a mechanism was not needed. One supplier was an example of good practice with multiple channels trusted and used by workers, but Unilever was not aware of this. 		<ul style="list-style-type: none"> Management in UVN has reviewed and strengthened grievance mechanisms. Workers appreciated efforts but many said they are still not comfortable using the channels provided. Complaints at Cu Chi relating to work safety and environment are promptly resolved but some issues are not coming through if workers judge them too sensitive or unlikely to be addressed. Collective grievances and bargaining are hindered by limitations in worker representation and lack of opportunity for them to discuss concerns without management present. In the supply chain, suppliers are more aware of importance of managing worker grievances, but line management is still the main channel.

Grievance mechanisms were included in the UNGPs to facilitate remedy for negative human rights impacts, in a timely way, as close as possible to the location of the grievance arising (in the case of workers, with the employer). Based on learning shared at a recent international forum,⁴⁸ they should not belong to a company but be jointly ‘owned’ with the rights-holders, who may have a range of preferences regarding the process. Resolving grievances requires commitment and leverage, recognition of the power imbalance between the parties, and negotiation. Mechanisms can be preventive as well as reactive.

Finding 7: Unilever has strengthened its grievance mechanisms globally. In Vietnam, Oxfam found grievances about the work environment to be promptly addressed but some workers hold back from raising ‘burning’ issues.

Since 2011 Unilever has reviewed and strengthened its grievance mechanisms across all countries of operation.

'Every country has been asked to have a grievance mechanism in place, we didn't have this four years ago. If a factory is not reporting any grievances then it doesn't appear credible. The more grievances we get the better it will be.' (Nick Dalton, Global VP Human Resources)

A driver for Unilever in improving its grievance mechanisms is to prevent serious abuses such as the gender-based violence identified at its tea estate in Kenya in 2013. Sanne van der Wal, Senior Researcher at Dutch NGO SOMO and an informant to this study, said in an interview that 'the fundamental issue at the plantation was the lack of trust.' SOMO reported allegations over a number of years:

'Workers felt they could not go to the union – and we found evidence that they were right not to trust the union – and they couldn't talk to their superiors, and they didn't trust the authorities either. Of course this situation is not unique, but any real solution needs to start with tackling this issue of mistrust.'

Unilever management in Vietnam reviewed the grievance mechanisms, seeking to make them more accessible, predictable and transparent. A worker survey on preferred channels was conducted in 2015. The range of channels offered has been extended. It includes face-to-face discussion with a grievance committee, a suggestion box, emails and hotlines (a local one in Vietnamese hosted by HR, and an international one in English and Vietnamese hosted by a third party). Managers, supervisors and workers were trained on the process and information posted on noticeboards. Grievances received and their outcomes are now communicated and it has been made clearer that all workers can use these procedures, not just Unilever employees. This is a significant change from 2011, when management asked informants, such as canteen workers, to listen in on workers' conversations and report what they were talking about.

A new channel called 'Chat with Management' was initiated in 2013, in which workers sit down in an informal environment with a plant manager (who rotates) once a month. UVN management tried hard to ensure this was responsive to workers' feedback, first conducting a worker survey on people's preferences, and then convening a focus group in April to understand what management should improve. One worker, who joined in 2011, talked appreciatively of Chat with Management:

'The most effective communication channel for me is to talk to the managers. When they passed by, I can talk to them briefly while working. But I prefer the Chat with Management where 10 workers sit on the floor talking to the manager.'



A 'Chat with Management' meeting at Cu Chi in 2015. Photo: UVN

A barrier to participation is that workers can only join if they are not needed on the production line. Management said that the team leader would arrange a replacement, but if this is the case, workers are not sufficiently aware of it.

A worker who has been at the factory more than 10 years said that ‘some managers are very difficult to approach, others are quite open and cheerful so we trust them and share our thoughts with them.’ Four out of six third party workers said that their team leaders are quite open so they can talk with them without hesitation, but the other two said they do not want to raise anything as they are afraid of losing their jobs.

Management reported that all complaints had been resolved either by accepting a request, explaining to ensure understanding, or refusing the request giving a clear reason. 15–30 calls to the local hotline are dealt with daily. Questions at the Chat with Management are normally replied to immediately; otherwise, management will respond in writing after the meeting. 50 complaints were raised in 2014.⁴⁹ An example was given where semi-skilled (1A) workers asked that the performance bonus be based on individual performance, as with 1B workers, rather than at a flat rate; the HR department discussed it with workers and then accepted their request. Other examples provided by UVN of grievances resolved included changes to health and maternity benefits, travel allowances and the provision of helmets to promote road safety.

Oxfam’s study found different perspectives on the effectiveness of the grievance channels between managers and workers, and different preferences between workers. Asked to talk about effective grievance handling channels (on-site FGD and off-site interviews), the UVN union was not mentioned by workers. More confident workers like the Chat with Management, but more vulnerable ones would not use it. Younger workers like email but older workers do not. Most workers identified text message as the most comfortable channel. This is not offered as an official channel. However, one plant manager said he received 50–60 texts over a two-month period, often from female third party workers, although in many cases workers did not disclose their identity.

‘We can raise issues like arrangement of rest days or annual leave, safety, or management treatment but not about wages.’

– FGD with UVN workers

The research team found that complaints related to the working environment and individual queries were promptly dealt with, but workers consulted on-site and off-site said that they did not think their voice would be taken into account on wage issues:

‘We can raise issues like arrangement of rest days or annual leave, safety, or management treatment but not about wages. I never attended a collective bargaining meeting, usually the team leaders and union officials would go. Then the collective agreement is posted on the notice board.’ (FGD with UVN workers)

‘We don’t want to talk about wage issues because we know that wage increasing process is not the thing that we can influence.’

‘It is still a concern for us to raise all issues directly to managers. We only raised general issues while other burning issues are not touched.’

Table 12: Assessment by UVN management and workers (offsite interviewed and FGDs) of the grievance-handling channels at UVN factory, July 2015

Grievance-handling channels	2011	2015	Management feedback	Worker feedback (UVN and third party Khang Nguyen)
Talking to Human Resources officers	√	√	Effective	Used by workers mostly for questions relating to labour arrangements and annual leave.
Talking to line managers	√	√	Effective	4 out of 6 third party workers said they would approach their team leaders but the other 2 would not as they are afraid of losing their jobs.
Chat with Management (monthly) <i>10–20 workers meet with a management representative, after registering to join voluntarily.</i>	X	√	Shows commitment to two-way communication. HR reported that 50 grievances were raised and answered. If workers volunteer for the chat session, a replacement will be arranged.	Some workers liked this channel, while others did not. It is generally used to raise issues about working conditions. Some workers said they can only participate if they are not needed on the production line.
Labour-management dialogue (quarterly) and Annual Labour Conference. <i>See section on freedom of association.</i>	X	√	Shows commitment to two-way communication.	Asked about effective grievance mechanisms, talking to union leaders was not cited as one of them. Workers said they rarely had the opportunity to participate in labour–management dialogues or annual workers’ congresses.
Suggestion boxes	√	√	Used for issues relating to the canteen (200 requests in 2015).	Rarely used for grievances as workers don’t want to reveal their names.
UVN hotline x2700 <i>Managed by UVN HR department.</i>	√	√	HR reported 15–30 calls daily in 2015 with grievances relating to contracts, payments, working time records and social security.	Some workers use this, but it was not cited as a preferred channel because they do not get answers straight away.
Global hotline <i>In English and Vietnamese, managed by a third party.</i>	√	√	Linked to the global Code of Business Principles. Used for issues relating to business ethics such as fraud.	Not mentioned.
Text/SMS to factory director	X	X	Not offered. But one plant manager said he received 50–60 texts over a two-month period. Most were from female workers, especially third party.	Most workers identified this as the most comfortable channel but it is not currently offered by management.
Email system	X	√	2 email addresses provided, one local, one global.	Preferred by younger workers who want to communicate about things in writing. Less popular with older workers and not accessible to all.

The new Chat with Management has the potential to be an effective grievance channel, depending on the manager’s rapport with workers, workers’ confidence, their ability to leave the production line and the type of grievance. Overall increased efforts by management demonstrate a growing level of trust between workers and management but there is a clear need for further improvement. The grievances of those who have burning issues but do not call because they are afraid remain invisible. UVN management acknowledged that 45 percent of workers know about the grievance mechanism and 95 percent have never used it.

A fundamental problem with all the mechanisms is that they are predicated on individual workers raising concerns directly with someone in a position of greater power. UVN management say more issues are being raised collectively. But unless the grievance process is mediated by an elected representative, or a trusted, independent party, individual workers are in a very vulnerable position. At global level Unilever understands this well:

'Where there are free and fair independent trade unions, collective grievances come through. However, in some countries, particularly in Asia, raising individual grievances is something that is just not done. For example, people are concerned about losing face.'
(Nick Dalton, Global VP, Human Resources).

In Vietnam, worker representation remains extremely limited, shown by the fact that many workers in Unilever's factory and key suppliers do not know who their representatives are, that Oxfam needed to arrange on and off-site interviews and FGDs to hear workers' concerns, rather than talking to representatives elected by them. Moving towards good practice would involve workers being able to meet and discuss areas of common concern without management present, and the election of representatives, who hear grievances at unit and sub-team level and raise them up with management on behalf of individual workers.

Case study: Learning from other sectors: worker elections facilitated by Better Work Vietnam⁵⁰

In Vietnam there is an ongoing process of reform of labour law, including on trade unions and occupational health and safety. Better Work Vietnam, a programme of ILO and IFC in the garment and footwear sector, engages with the government on these and is taking advantage of this gradual opening up of space to test new models of worker representation. It is facilitating steps towards fair and free elections in factories supplying member companies:

'We use that as the basis for training workers, providing them and their managers with negotiation skills. We've been very consistent and tough about management interference in the union, which is a big issue, and calling factories out that are not complying with that principle. That's been a positive experience in terms of seeing how workers step up and grow in confidence... The government has now committed to the ratification of [ILO] conventions 87 and 98 so we expect to see movement towards freedom of association and the right to collective bargaining.' (Dan Rees, Chief, ILO/IFC Better Work programme).

Better Work Vietnam is also publishing a list of factories with critical non-compliances, and is starting to publish the names of brands sourcing from them.



Workers in a garment factory in Ha Dang. Photo: Respect Vietnam

5 UNILEVER'S MANAGEMENT OF THE FOUR FOCUS LABOUR ISSUES



Workers participate in a game on company benefits. Photo: UVN

5.1 FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING

Finding 8: Unilever has established regular constructive dialogue with global unions.

Unilever now has a recognition agreement with global union federation the IUF and collaborates with the IUF on a range of issues. There are formal meetings twice a year, involving senior personnel for Unilever and representatives from IUF and IndustriALL.

'A few years ago Unilever would have dealt with these things once they had become an issue but now it deals with them pre-emptively. We meet twice a year. We have a positive relationship, challenging but respectful, as it should be...it's a bit like going to the dentist, afterwards you're glad you did it. (Nick Dalton, Global VP Human Resources, Unilever)

'Initially Unilever was resistant to engaging with the union but it has now expressed some appreciation for having issues raised with them and for what's been achieved as a result, especially on the issue of precarious employment with the restrictive impact this has on the free exercise of many basic rights...In recent years, IUF has managed to resolve most rights issues with Unilever via dialogue. This doesn't mean Unilever has no issues in its business – all companies have them – the question is how they deal with them. So what we can say is that Unilever is a company that is willing to engage to attempt to resolve rights issues. In recognizing the IUF Unilever acknowledges that addressing human rights at the workplace needs an engagement with the IUF as the organization representing and accountable to Unilever's food and food-related unionized workers and agricultural workers in their supply chain.' (Ron Oswald, General Secretary, IUF)

A joint working group on 'contingent labour' has been set up with IUF, a definition of 'temporary labour' agreed, and factory-level data shared in the beverage and ice cream categories.

Issues with suppliers that cannot be resolved get escalated to the Unilever Procurement Code Committee, formed in 2015.

Finding 9: The Unilever branch of the national VGCL union is more active but the increase in workers' collective voice is very limited, with only two elected representatives so far.

There was agreement by managers and workers that the VGCL union has been more active since 2011 in collecting workers' feedback and communicating concerns to the management. The current shop stewards were elected in 2012 following the former selection policy. However, from January 2015, the election policy was changed to encourage self-nominations and recommendations from trade union members. Two vacancies in Cu Chi became available and filled by the new election process, one via nomination by trade union members and one self-nominated.

In May 2015, 112 workers participated in the annual Worker Conference, with four union leaders and six members of management, to discuss policies, wages and benefits. At the conference, three representatives (one from the headquarters and two from Cu Chi factory) were elected to participate in the 2015 quarterly labour-management dialogues, together with three union leaders and three members of management.

Workers said union officials still cannot represent their concerns as the majority were selected by the management. The union's visibility among workers remains low, with some workers unaware who their shop stewards were. A shop steward in the Personal Care Liquid plant, a skilled (1B) worker, admitted she found it difficult to talk to 1A workers in her plant. A union leader acknowledged that:

'Our approach to workers remained passive rather than proactive. We wait for workers to come to us and raise their questions.'

One union leader said that 1A workers had repeatedly raised a concern about salaries being too low. However, management said no formal complaint had been received. The fact that workers' concerns about basic wages and allowances, reported readily to Oxfam, have not been raised with management via the labour union at team and sub-team level is symptomatic of the limited role of the union in Cu Chi. During the wage-setting process, union officials were asked by management to contribute to the wage-fixing policy, but after it was approved, decisions were made by the management without consultation or negotiation with the union or workers. The union compared the wages with those of neighboring companies but did not survey workers themselves, so the collective bargaining agreement was not based on evidence of needs, and did not result from genuine negotiation.

Feedback from third party workers was similar to UVN employees. One said:

'The union plays no important role. I guess the union only cares for welfare benefits such as gifts on special days and entertainment for workers rather than more serious issues like wages or benefits.' (Contract worker, off-site interview)

In the supply chain, line management is the main channel for grievances, as in 2011, but Oxfam did find some signs of increased social dialogue. In 2011, two deep-dive suppliers did not have effective grievance channels or see this as important. In 2015, all three were keen to identify and address them to prevent disputes. Union leaders are still managers, however, and some workers could not say who their union leaders are, citing the shop steward who collects their dues. Supplier B and C were found to give higher priority to worker dialogue than Supplier A, a foreign-owned enterprise where there is a language barrier with the workers.

5.2 WAGES

There are two recognized principles for wages, based on international instruments, as outlined in the 2011 report: 1. wages meet basic needs, i.e. are sufficient to meet the basic needs of the worker and his or her family,⁵¹ and 2. wages are determined by collective bargaining,⁵² i.e. employees' authorized representatives can negotiate on the wage level and labour-management relations.

The right of workers to a living wage is established in the constitution of the International Labour Organization, but there is no internationally agreed definition. The term is used to talk about the adequacy of wages for 'decent work'⁵³ because 1. the level of legal minimum wages so often falls short of what they are designed to achieve ('sufficient to meet the basic needs of the worker and his or her family'); 2. collective bargaining is rare in global supply chains; and 3. global competition makes it extremely difficult for employers at factory or farm level to pay more than they are legally required to. For these reasons, campaigners including Oxfam⁵⁴ ask that companies disclose sufficient information to assess their adequacy and whether workers are able to bargain collectively; this includes defining terms, comparing wages paid with the minimum wage, poverty lines and, where available, credible benchmarks of a living wage, as well as showing how they will tackle low wages over which they have influence.

The Fair Wage Network, with which Unilever has partnered to help it develop a Fair Compensation Framework, looks at 12 dimensions of a Fair Wage⁵⁵ in employers' practices. This includes the following dimensions:

- Workers are paid regularly and in full.
- Minimum wage regulations are respected.
- Wages reflect skills and performance and are in proportion with the wages of other employees.
- Overtime is rewarded.
- There is a written contract and clear pay slip.
- Wages are regularly adjusted according to inflation and business performance.
- There is social dialogue in place between management and workers.

One of these 12 dimensions is that wages are a 'living wage' based on the definition that they 'ensure minimum acceptable living standards to the workers and their families.' MNCs are extremely reluctant to make measurable commitments relating to a living wage in their supply chain because of the implications for competitiveness. Yet the issue has become a live one as progressive MNCs weigh up the drivers and barriers for progress on this agenda. This was illustrated in an interview for this study with the President of Unilever ASEAN/ANZ, who on the one hand recognized that:

'The wage floor is too low' [in some markets in the ASEAN region] and that [the economy] 'needs lots of people who can make a decent living, get a reward and use parts of their reward to buy goods and services such as those offered by Unilever.'

On the other hand, a business case must be made:

'We cannot just pay more...we are not in the subsidy business. Only productivity increases lead to sustainable, real wage increases. We need to make system interventions to drive productivity, not charity interventions.'

Box 2: Notes on data in this section

Wages comprise different elements. There is general agreement that a living wage should be earned in normal working hours, without overtime, that it should support an average number of dependants as well as the worker him or herself, and that only guaranteed forms of income should be included.

In Unilever's factory, Oxfam assessed what changed between July 2011 and July 2015, based on Unilever data, for workers at different grades in relation to the basic wage (without benefits), to guaranteed pay (including wage-related benefits), and to non-wage benefits such as pension and medical insurance (these can be greatly valued by workers but do not help them meet their day to day expenses so do not help with assessing adequacy of wages). We then show what changed in the guaranteed pay when the effect of inflation was taken into account (real wages). When comparing the wages in UVN's factory with those received at the three suppliers studied (for which Oxfam did not have wage data), we show the impact of profit sharing on workers' typical take home pay but make clear this is approximate and not guaranteed.

In 2013, Unilever introduced a factory reward strategy which stated that the fixed (guaranteed) pay elements of a worker's income should always be 'fair, decent, market based and competitive' and enable employees to meet 'more than basic needs'. In 2014 the Responsible Sourcing Policy included as a mandatory requirement that 'All workers are paid fair wages.'⁵⁶ This represents progress from the Supplier Code, which was limited to the legal minimum wage. The RSP goes further in its 'good practice' standards, which require that:

'There is a living wage approach to fair compensation which encompasses a system to periodically assess that wages are sufficient to meet the basic needs of the worker and to provide some discretionary income.'

Oxfam welcomes this additional commitment relating to suppliers.

In 2014 Unilever agreed to partner with Fair Wage Network (FWN), and commissioned a survey in 38 countries, including Vietnam.⁵⁷ It compared the lowest fixed cash amounts paid in its factories against available living wage benchmarks, and resolved the issues found in a handful of factories in Africa, India and Dubai. Available living wage benchmarks were found to vary widely from sector to sector, hindering development of a global approach. FWN therefore calculated the average of the available benchmarks for a standard family unit based on a household of 4 persons, equalized (i.e. assuming two adults and two children, each requiring half the consumption of an adult), and adjusted for price increases to June 2015. In 2015 this work was extended to look at the lowest fixed earning levels of all Unilever employees.

A Unilever Framework for Fair Compensation was approved in late 2015 to provide a structured way to deliver fair compensation across all operations, not just factories, and cascaded to country HR teams. Unilever has set a target of achieving full compliance by 2020 and each country team will report their progress annually. In the supply chain, Unilever's 180 Partner to Win suppliers are expected to reach 'good practice standards' by the end of 2016. Wages must therefore meet an average of credible living wage benchmarks across 1,000-plus sites globally, a significant undertaking.

The research team in Vietnam found that, of the four labour issues studied, wages and benefits received the highest level of interest/concern in discussions with UVN management and union officials; freedom of association/collective bargaining and working hours received about the same level of interest/concern, and contracted workers the least.

Finding 10: Basic wages in Unilever’s factory have increased in real terms since 2011. Factors include action by Unilever management and government increases in the minimum wage.

Figure 10: Trend in basic wages (excluding wage-related benefits) at UVN factory, July 2011–July 2015 compared with the minimum wage (qualified workers)

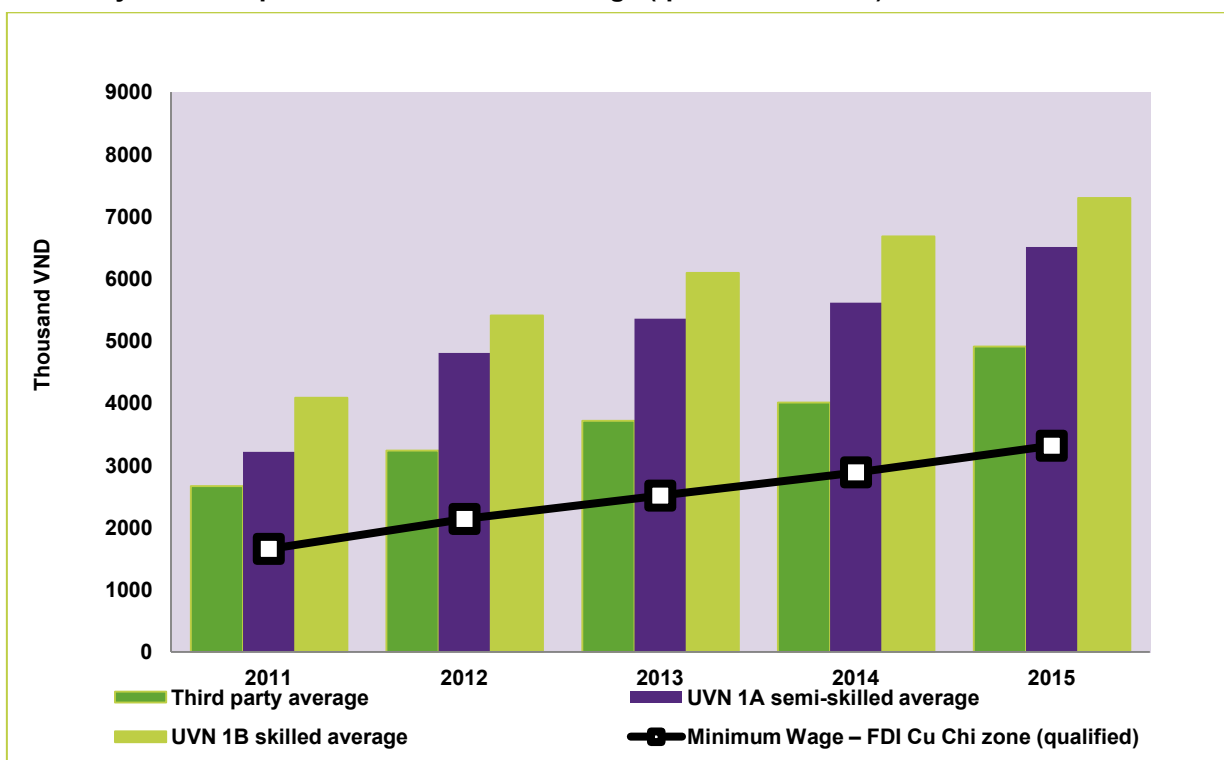


Table 13: basic wages (excluding wage-related benefits) at UVN factory July 2011–July 2015 compared with the minimum wage (qualified workers)

Basic wage (VND monthly, net)	2011	2012	2013	2014	2015
<i>Minimum Wage – FDI Cu Chi zone (qualified)</i>	1,659	2,140	2,515	2,889	3,317
<i>Third party, average wage</i>	2,666,548	3,239,858	3,719,643	4,010,543	4,912,375
<i>UVN employee – 1A semi-skilled, average wage</i>	3,216,225	4,808,309	5,361,480	5,617,995	6,510,165
<i>UVN employee – 1B skilled, average wage</i>	4,090,265	5,410,074	6,093,305	6,682,774	7,295,617

Oxfam identified several factors for the increases in wages in Unilever’s factory. One is that the Government of Vietnam raised the minimum wage ahead of inflation as a matter of national policy. Another is action by the company itself. It has introduced a new skills-based grading and reward system and UVN management have, in their budget allocation, given priority to the remuneration of blue collar workers (1A and 1B) over white collar workers:

‘Every year when we reviewed wages for all employees, we always put top priority to the workers, especially the 1A workers.’ (Ms Nguyen Tam Trang, UVN Vice President of HRM)

In the case of skilled workers, local market conditions are an additional factor: a plant manager at Cu Chi said such workers are in high demand and UVN must pay competitive rates.

The perspective of management and workers on wages was found to differ. UVN management highlighted that average wages of semi-skilled workers exceed the Fair Wage Network benchmark of a living wage of VND 5.24m as of June 2015 but were slightly below for third party workers. A UVN-commissioned labour market survey found that salary packages compare favourably with comparable local employers.

However, union leaders and workers (both UVN and third party) reported that the wages of these workers do *not* compare that favourably with local employers (Table 3). One worker said:

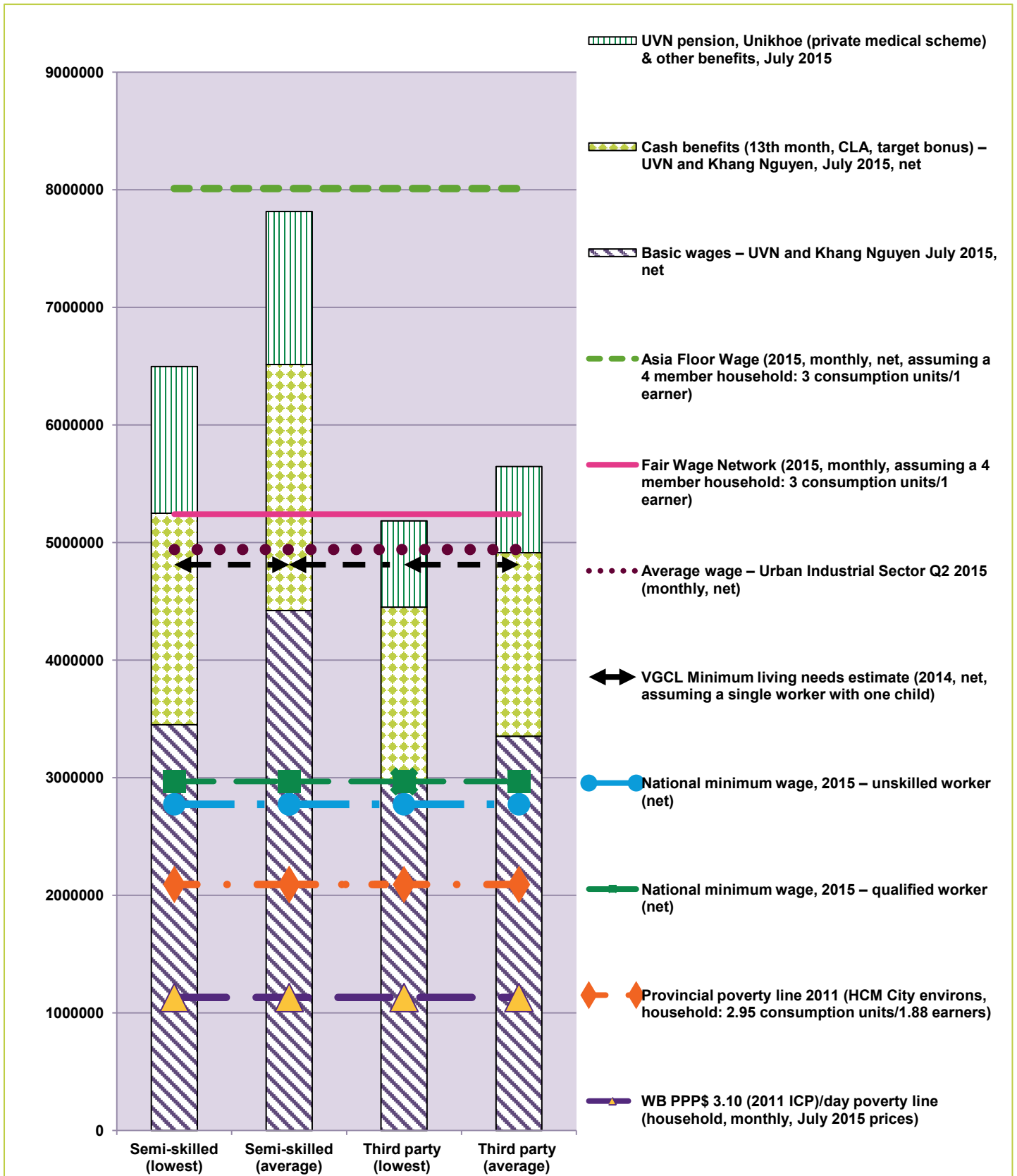
'The salary from UVN is not high compared with other companies in the same industry zone. We are staying not because of the salary but because UVN has a very high health and safety requirements and benefit package (Unikhoe etc...) are good.' (UVN FGD)

Skilled workers (level 1B) were generally satisfied with their income, whereas semi-skilled and third party workers were not.

Table 14: Wage ladder benchmarks

Benchmark	VND/ month	Explanation
Asia Floor Wage (2015, net ⁵⁸)	8,949,153	A Purchasing Power Parity \$ based estimate for East and Southeast Asian countries applicable to manufacturing industries (based on a 3000 kcal diet for a household of 4: 2 adults and 2 children consuming the equivalent of 3 adults, with a single earner). It is based on PPP\$ 1021 in 2015.
Average earnings for Urban 'Industrial Sector' Q2 2015 (net)	5,380,000	A better comparator for wages in a manufacturing context than urban average income.
Fair Wage Network (2015, net, unpublished)	5,240,000	Calculated by the Fair Wage Network as the adjusted mean of living wage benchmarks for Region 1 (assumes a household of 4: 2 adults and 2 children consuming the equivalent of 3 adults, with a single earner)
VGCL Minimum living needs estimate (2015, net)	4,811,877	Estimate for Region 1 (includes Cu Chi district ⁵⁹)
National minimum wage, Region 1, qualified worker (2015, net)	2,968,715	
National minimum wage, Region 1, unskilled (2015, net)	2,774,500	
Provincial poverty line (2015, Ho Chi Minh city environs, household/1.88 earners)	2,092,198	Poverty benchmarks have been adjusted to take into account typical Vietnam household size (3.8 or 2.95 adult-equivalent consumption units) and average number of earners (1.88) based on the Population and Housing Census 2009, 2012 household survey and 2014 Labour Force Survey. The poverty line of Ho Chi Minh city (both urban and rural areas) in 2015 was 16 million VND/year/earner. Therefore this has been multiplied by the average number of consumption units (2.95) and divided by the average number of earners (1.88).
National Urban Poverty Line (household/1.88 earners)	1,550,280	

Figure 11: Wage ladder: wages and benefits at Unilever factory in HCM City with wage and poverty benchmarks (VND monthly)



Source: UVN (wage data), Oxfam and Ergon Associates (benchmarks). Note that the value of the pension, medical and other benefits has been included for completeness but as these do not help workers meet their living expenses they should not be seen as part of a living wage.

Table 15: Nominal basic wages, wage-related benefits and non-wage benefits of Unilever Semi-Skilled (1A) and Third Party workers at Cu Chi Factory (VND, monthly), July 2011 vs July 2015⁶⁰

	Gross		Employee social security contribution		Employee income tax due after social security and personal allowance		Monthly net income	
	2011	2015	2011 (9.5%)	2015 (10.5%)	2011 (5%)	2015 (5%)	2011	2015
WAGES								
<i>1A basic wage (lowest)</i>	2,204,000	3,855,500	209,380	404,827	0	0	1,994,620	3,450,673
<i>1A basic wage (average)</i>	2,566,266	4,940,531	243,795	518,756	0	0	2,322,471	4,421,775
<i>Third party basic wage (lowest)</i>	1,824,000	3,317,000	173,280	348,285	0	0	1,650,720	2,968,715
<i>Third party basic wage (average)</i>	2,032,619	3,745,635	193,099	393,292	0	0	1,839,520	3,352,343
WAGE-RELATED BENEFITS (regular guaranteed income)								
<i>Cash benefits (13th month, CLA, Target bonus), 1A (lowest)</i>	1,221,605	1,799,318	0	0	0	0	1,221,605	1,799,318
<i>Cash benefits (13th month, CLA, Target bonus), 1A (average)</i>	1,285,698	2,092,276	0	0	0	0	1,285,698	2,092,276
<i>Cash benefits (13th month, CLA, Target bonus), third party (lowest)</i>	789,923	1,481,450	0	0	0	0	789,923	1,481,450
<i>Cash benefits (13th month, CLA, Target bonus), third party (average)</i>	821,146	1,560,032	0	0	0	0	821,146	1,560,032
NON-WAGE BENEFITS (included for completeness but not part of a living wage as they do not help workers meet day-to-day expenses)								
<i>Pension, Unikhoe and other benefits, WL1A (lowest)</i>	838,533	1,247,326	0	0	0	0	838,533	1,247,326
<i>Pension, Unikhoe and other benefits, WL1A (average)</i>	856,647	1,301,579	0	0	0	0	856,647	1,301,579
<i>Pension, Unikhoe and other benefits, third party (lowest)</i>	0	733,834	0	0	0	0	0	733,834
<i>Pension, Unikhoe and other benefits, third party (average)</i>	0	733,834	0	0	0	0	0	733,834

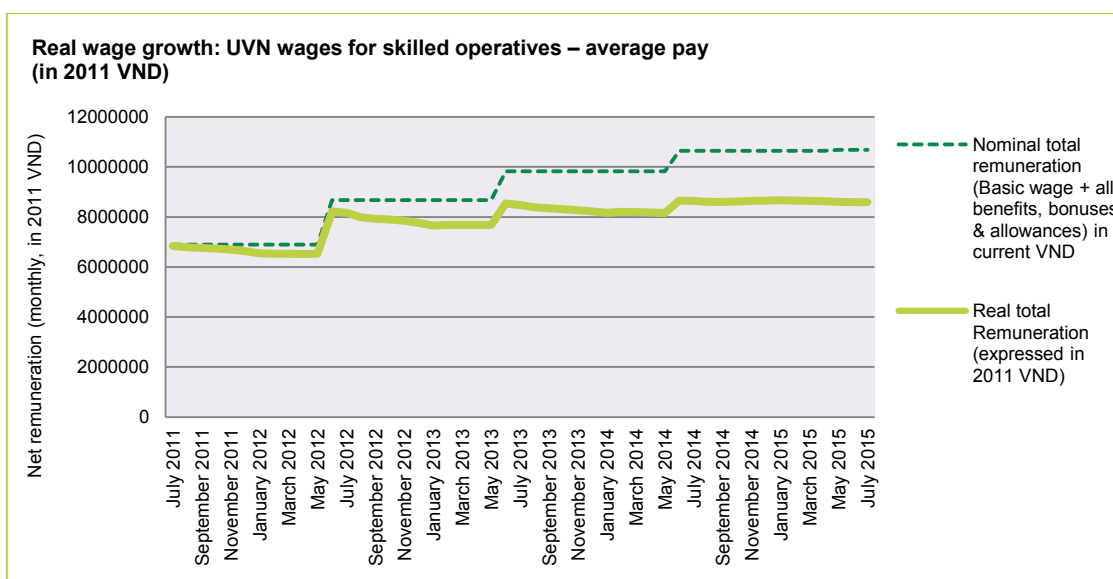
Source: UVN

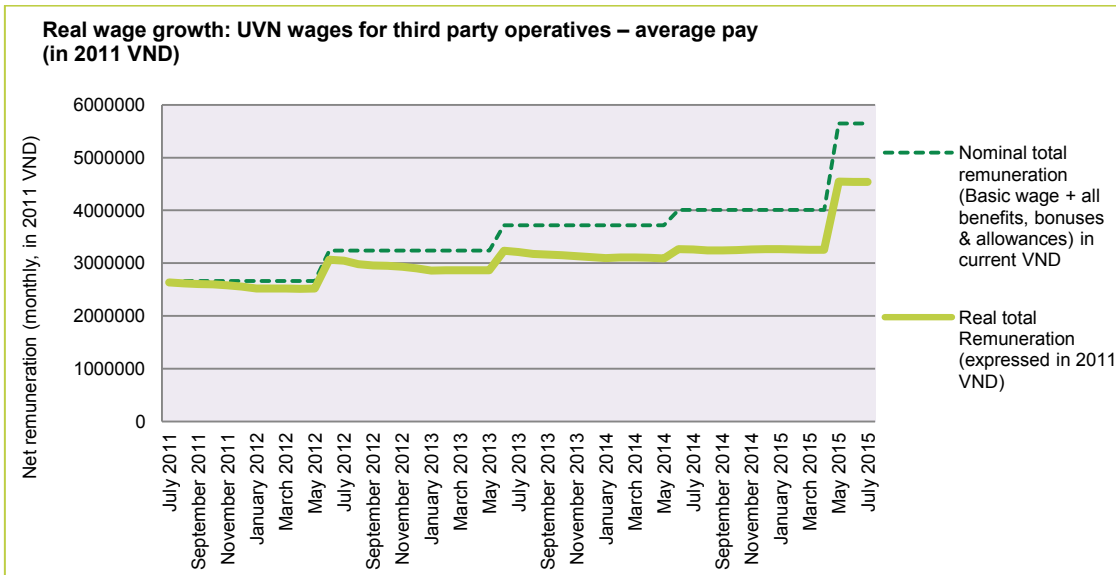
Table 16: Guaranteed income of semi-skilled (1A) and third party workers at Cu Chi factory 2011-2015 (basic wage and wage-related benefits, VND monthly, net)

Worker level	Basic wages plus wage-related benefits (VND monthly, net)				
	2011	2012	2013	2014	2015
1A (lowest)	3,216,225	4,007,632	4539459	4765457	5,249,991
1A (average)	3,716337	4808309	5361480	5617995	6,514,051
3 rd party (lowest)	2,440643	2930243	3311203	3649552	4,450,165
3 rd party (average)	2,666,548	3239858	3719643	4010543	4,912,375

Source: UVN. Wage related benefits include guaranteed Night Shift Allowance, Birthday Allowance, Tet Festival bonus, 13th Month Payment and Cost of Living Allowance (CLA).

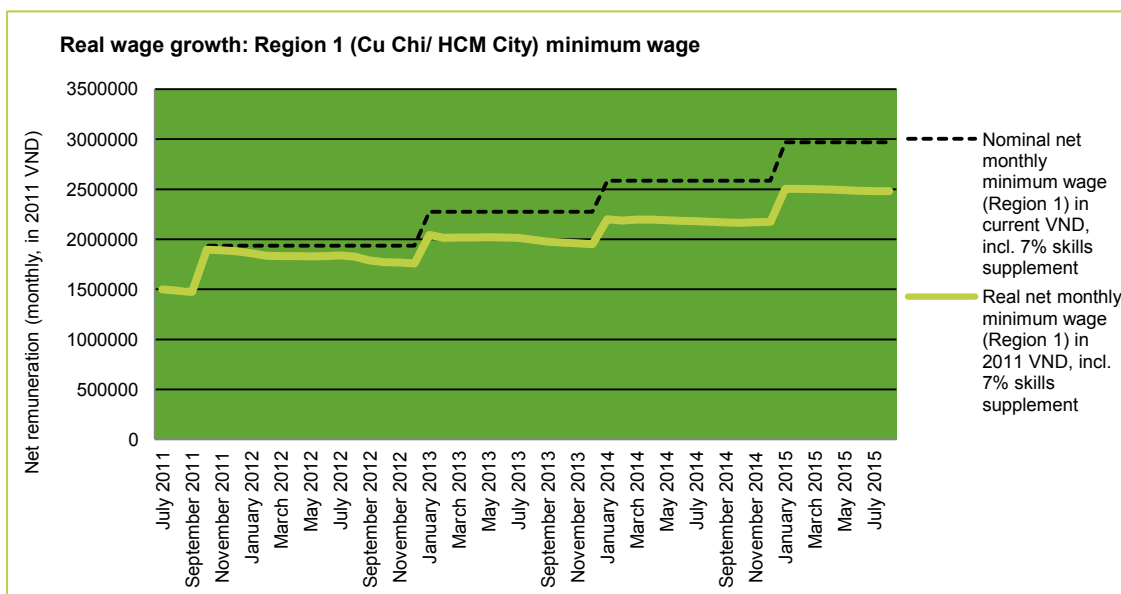
Figure 12: Charts showing change in real wages (after inflation), July 2011-July 2015 for semi-skilled, skilled and third party workers at Cu Chi factory.





Source (all three graphs): Ergon Associates, based on UVN data.

Figure 13: Growth in the minimum wage for Region 1



Source: Ergon Associates

The graphs show that real total remuneration (guaranteed wages) over the four-year period July 2011–July 2015 increased as follows:

- Semi-skilled 1A lowest: 35 percent; average: 48 percent
- Skilled 1B lowest: 26 percent; average: 31 percent
- Third party lowest: 70 percent; average: 71 percent

However, it should be noted that during this period, the minimum wage doubled in value in nominal terms, 67 percent in real terms. This appears to be the main factor in the increase in UVN workers' wages in the factory. As the wage ladder (Figure 11) shows, wages are significantly above the minimum wage in 2015 as in 2011, but UVN wages increased slightly less over the four-year period than the minimum wage in real terms.

Worker story: Đỗ Anh Văn, a semi-skilled Unilever worker at Cu Chi Factory

Đỗ Anh Văn started working for Unilever in 2011 under the labour contract of the third party Thang Loi. He was officially recruited by Cu Chi factory (level 1A) in 2013 due to his good performance in mixing materials for the Oral Unit and being reliable on workplace safety. Van told Oxfam's research team that his take home pay – approximately 4.5m VND – was not sufficient for his family's living needs, especially if his son stayed on at school to secondary level, or if they had a second child. If there was a third shift, he could earn another 1 million VND, but this is rarely an option, not available regularly as he expected.

In January 2016, Oxfam heard that Van had received a promotion to level 1B and his wages had increased to 7m VND. He is now much less anxious about meeting his family's living needs.

Worker story: Nguyễn Hoàng Linh, a semi-skilled Unilever worker at Cu Chi factory

Nguyễn Hoàng Linh – a migrant from Dak Lak, a province in the Central Highland of Vietnam – lives with her husband Trần Quang Dũng, also a migrant from Tien Giang. Both of them are UVN workers (Linh is level 1A, Dung is level 1B, and they met at Cu Chi factory). They rent a small room near the factory, and their son lives with his grandparents.

'We have to leave my child with our parents as both of us have to work from 8am to 5pm. Hiring a nanny is too expensive and he is too small to send to kindergarten. Also, he needs to live in a more decent apartment rather than this small room. Living with our parents is the best option. We can only go back to my home-town to spend time with our child at weekends. We miss him but there is no other choice.'

Currently, the total income of my husband and myself is not bad. He earns 8–9m VND/month and I earn about 5m. We can save a few million VND if we live modestly. We still dream of owning an apartment here. Maybe after several years of saving, we can afford to buy a small apartment. I spent around five years in Thang Loi and was then promoted to UVN. I work in the Quality Control department. The nature of the job is not that hard and as I finish at 5pm I can spend time with my husband.'

Linh says that sometimes she feels scared, because if she finds mistakes and asks workers to correct them, they are unhappy because it will affect their performance.

'Sometimes guys send a text to my phone and ask me to stop finding mistakes on their products. They really threaten me. But this is the nature of work in Quality Control. However, I was glad to be promoted to UVN when a worker quit her job. There are not too many vacancies. I think I was lucky.'

Linh said the fact that Unikhoe can now cover dependants is a big step forward:

'We registered our parents. The state health care insurance is not good. Unikhoe is much better. The total benefits have not increased but it's more flexible.'

Worker story: Phạm Thị Bích, a skilled Unilever worker at Cu Chi factory

Phạm Thị Bích is a skilled Unilever worker in Cu Chi factory. Her family migrated from the North to Dak Lak province in the Central highlands for a better life. They have a small plot of land to grow coffee trees and vegetables and raise livestock. Bích is 30 and has a BA in food processing from Da Nang University. After graduation, she worked for several medium-sized companies before applying to Unilever in 2011, because it offered much better job security and income. She works in the HCL (Home Care Liquid) plant, managing the stock of packaging materials.

Bích started on 4m VND/month but as a skilled worker her income is now 8.1m after social insurance and income tax. She is quite pleased to work for Unilever since

'Unilever has a good working environment, both in human and ecological aspects...I can save some cash for my future study for a master degree, since my monthly income is at 8.1m and my expense is at 5m, so, I can save around 3m VND per month.'

However, she wonders if this is realistic because when she gets back to her rented room in the city she feels too tired to study English or go to a master's degree class.

Bích commented that the wages and bonuses of 1B workers were 'quite fair and reasonable' with the bonus based on a percentage of the salary, but she sympathized with 1A workers who are dissatisfied with their bonus, fixed at 3m VND/year:

'It would be better if the differences were explained, especially for 1A workers. I would also like to suggest a bonus applied for yearly relaxation in form of travelling, for example to the beach, or picnic at some interesting, that most workers wish to get to re-heal their physical and mental health.'

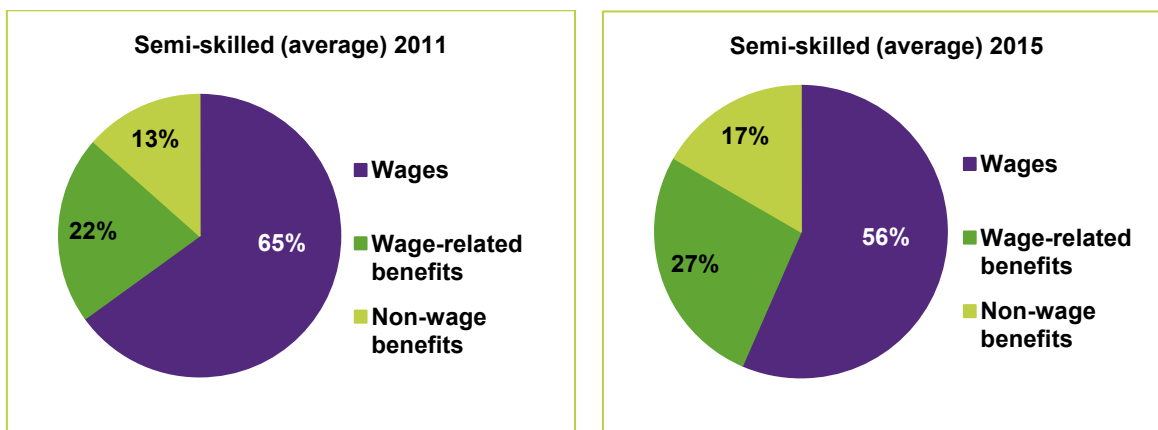
In 2015, the third party labour provider contracted to UVN and operating in Cu Chi factory changed from Thang Loi to Khang Nguyen with some ancillary jobs going to Nhan Luc and Sodexo. UVN worked with the new companies to ensure that overall job security and remuneration were the same, although the reward structure has changed. However, workers now employed by Khang Nguyen said that although the basic salary was maintained, it had become more difficult to get a full bonus due to stricter absence rules, and that with the transition taking place in April 2015, they had not received the wage increase normally received in June. Job security and communications were also cited as concerns: at the time of the study, all third party workers said they were waiting for a communication from managers about contract terms and benefits. They were disappointed the new employer appeared to be unable to explain its policies clearly.

UVN data shows a significant increase in wages at about the time of the Oxfam study, which came just too late to be reflected in workers' feedback in July 2015. A possible factor is the merging of the domestic minimum wage with the FDI minimum wage in the 2012 Labour Code, requiring wages to be raised to comply. Another possible factor is independent action by UVN.

Finding 11: Wage-related benefits have increased as a proportion of take-home pay. Workers greatly value the benefits but reported that they are not always designed as they would wish.

A comparison of wages and benefits between 2011 and 2015 (Figure 13) reveals that non-wage benefits have increased as a proportion of the pay of semi-skilled (1A) workers (from 13 to 17 percent) during this period. Third party workers now receive some non-cash benefits.

Figure 14: Income breakdown for UVN semi-skilled (1A) workers July 2011 vs. July 2015



Note:

- Wages is the monthly net wage after deducting social security contribution and other taxes, if applicable.
- Wage-related benefits include Cost of Living Allowance, night shift allowance, the monthly value of thirteenth month pay, Tet bonus, birthday allowance, and guaranteed bonus.
- Non-wage benefits include monthly value of Unikhoe benefits, shift meals, pension and health checks.

UVN takes pride in the range of 20 benefits offered, which are ‘pioneering, well-known and competitive in the market.’ They are communicated to employees in a range of ways and new joiners are always inducted about their benefit details when joining. In 2014 they introduced a new benefit (proposed by employee representatives) of medical cover for one family member and a 40 percent discount for other members.

The benefit package is a strong credit point for the company in workers’ eyes. At the same time they highlighted areas where benefits are not as accessible as they would like. For instance, in relation to medical care, only 20 percent of the Unikhoe benefits package is allocated to outpatient care, with the rest solely for in-patient care. Some workers said this allocation does not fit with their actual needs:

‘Most of us are young and we do not have to be in patient treatment that much. The benefits seem to be big but not accessible for us. Why cannot the company give us the flexible packages where we can decide how we want to use VND 30m of Unikhoe to tailor our own needs and priorities?’ (FGD with UVN workers)

Workers interviewed reported that dependents covered under the new medical benefit must not be older than 65, based on a change in the law, which creates a challenge for single workers who wish to support their parents. They said other benefits such as CLA allowance and holiday bonus have remained the same or virtually so for 10 years, losing value because of inflation. The holiday bonus, for instance, had increased only 10 percent in 10 years.

UVN gave examples of ways they have improved the design of benefits, based on workers’ feedback. Nevertheless the research team concluded the benefits could be better allocated and utilized if feedback was sought systemically on each one.

Finding 12: Some workers with dependents still struggle to make ends meet, based on workers’ feedback and an Oxfam survey of living expenses and acknowledgement by Unilever in relation to third party workers.

Three out of 12 workers in one discussion group (FGD with UVN workers) reported they have a second job, saying this was necessary to cover their basic living expenses. A rough estimate of the basic living expenses of workers (offsite survey with 12 workers, table 17) suggested those

with dependents would struggle to meet their needs, especially those on a UVN starter wage, third party workers and migrants. While these samples are small, they suggest that making ends meet, especially for those with dependants, is still a challenge. UVN acknowledged that the wages of third party workers was still slightly below the benchmark of a living wage used.

Table 17: Rough estimate of basic living expenses for workers in HCM City (VND million, monthly)

	Single local worker	Single migrant worker	Local worker with 1 dependant⁶¹	Migrant worker with 1 dependant
<i>Food</i>	1.5	1.5	2.5	2.5
<i>Accommodation</i>	0.1–0.3 (gas, electricity and water bills)	0.7–1 (rent, gas, electricity and water bills)	0.1–0.3 (gas, electricity and water bills)	1–1.3 (rent, gas, electricity and water bills)
<i>Clothing</i>	0.1	0.1	0.3	0.3
<i>Education for children</i>	0	0	1–1.5	1–1.5
<i>Medical costs</i>	0	0	0.4	0.4
<i>Social life</i>	0.3–0.7	0.3–0.7	0.3–0.7	0.3–0.7
<i>Petrol and mobile phone</i>	0.4–0.5	0.4–0.5	0.4–0.5	0.4–0.5
<i>Total</i>	2.4–3.1	3–3.8	5–6.2	6–7.2

Source: Offsite interviews with UVN and third party workers, July 2015

Finding 13: In the suppliers studied, basic wages were still close to the minimum wage, with no evidence found that action by Unilever had increased wages. Take-home pay was higher in suppliers with a profit-sharing scheme.

In the supply chain, basic wages at the three deep-dive suppliers were found to be just above the applicable minimum wage (3.1m VND). No evidence was found that wages had increased since 2011 as a result of action by Unilever. Approximate take-home pay was found to vary significantly from 8m to 6m to 4.1m (Figure 14/Table 17). The payment of higher wages by Suppliers B and C is explained by the fact that they are equitized joint venture companies (51 percent state owned) with a policy and culture of profit-sharing. Workers at this supplier reported being generally satisfied with their income as they are able to cover their basic living needs.

Comparing typical take-home pay of semi-skilled UVN workers with that of employees of the deep-dive suppliers shows that UVN pays much higher than Supplier A, a little higher than supplier C but significantly lower than Supplier B, due to Supplier B's profit-sharing scheme.

Figure 15: Approximate average take-home pay (gross) of semi-skilled workers at UVN factory and deep-dive suppliers, VND monthly, showing the impact of profit-sharing.

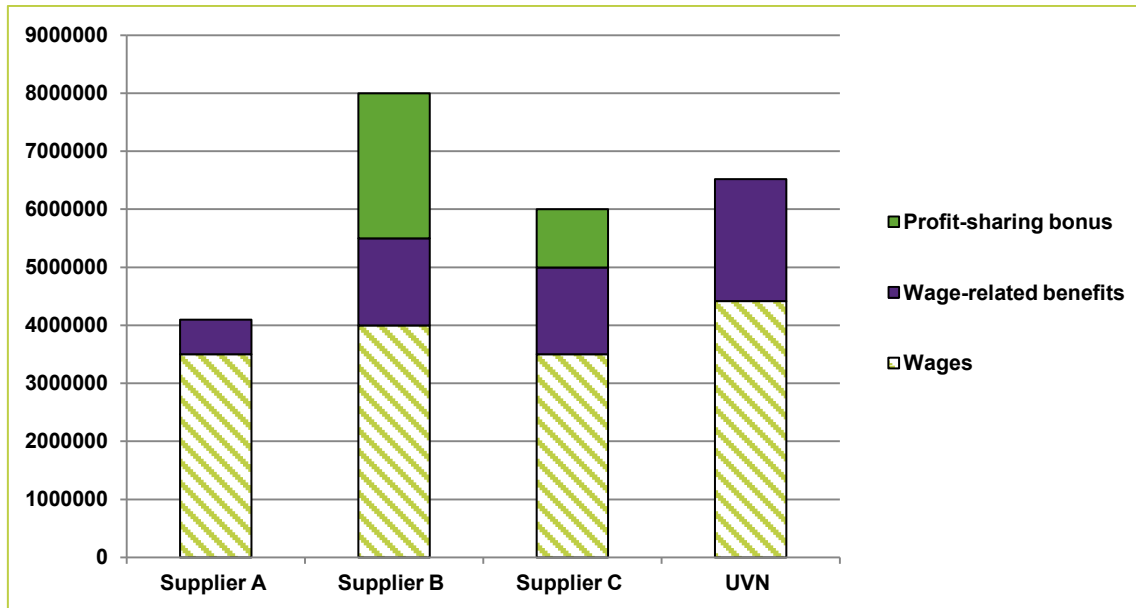


Table 18: Approximate average take-home pay (gross) of semi-skilled workers at UVN factory and deep-dive suppliers, VND monthly, showing the impact of profit-sharing.

Element of take-home pay	Supplier A	Supplier B	Supplier C	UVN
Ave. Basic Salary (VND/month)	3.5m	4m	3.5m	4.42m
Allowances and Performance Bonus	600.000	1.5m	1.5m	2.1m
Profit-sharing Benefit	N/A	2.5m	1m	N/A
Ave. Total Income (VND/month)	4.1m	8m	6m	6.51m

Two migrant workers at Supplier B, married in their late 30s, reported having been able to purchase land and build houses after five to six years' work at the supplier. However, it should be noted that bonuses based on profit-sharing are not guaranteed and would fall outside calculations of a living wage for that reason.

In the supply chain, information from worker interviews and the FGD with suppliers showed that workers expect to have the chance to work overtime to increase their income. 30 percent of supplier FGD participants stated that working overtime is a crucial factor in the labour turnover rate in their companies as working overtime has such a big influence on workers' income.

Unilever's audit process does not yet take into account benchmarks of a living wage:

*'We have not yet asked suppliers to do things (e.g. pay a living wage) that are not fully settled in Unilever. We do ask if workers have expendable income after and we audit wage fairness – i.e. no disparity between migrant or temporary workers and the way full time employees are compensated or treated.'*⁶² (Traci Hampton, Director Supplier Excellence, Procurement)

The research team found no evidence that wages had risen in the supply chain due to changes in commercial terms offered by Unilever linked to the RSP.

The email survey showed that 50 percent of suppliers only informed workers about the new wage rates after the management had made the decision (Figure 6). Local suppliers reported a more active role by workers in the negotiation process (56 percent) than foreign suppliers (28 percent); this is likely to be because local companies have a tradition of workplace consultation prior to wage review. 16 percent reported that they had labour-management negotiations on the new wage rates.

Worker story: Lê Văn Trung, a semi-skilled worker at a key supplier to Unilever

Lê Văn Trung started to work at Vietnam Singapore industrial zone at the age of 18, and got married one year later. He is now 27 and lives with his wife and daughter. His family is a big source of happiness, but comes with big responsibilities too.

'I used to work in a company in which my total income can be about 7m VND/month. But that job required me to spend a lot of time and I cannot spend time for my family. So I moved to the current company. My monthly income is around 5m VND but it has advantages: flexible time and safety in the working environment. The work intensity is not much. My daughter is at second grade in primary school. She is a smart girl and we put a lot of hope in her. The former job paid me better but I did not have time for the dinner with my wife and daughter. A dinner at home is more important than work.'

But Trung expressed the hope that the current company would create chances to increase the income for workers:

'Working in this company allows me to take care of my family. I strongly appreciate the flexible time of the company. But I still do expect that I have a chance to increase my income a little bit. My wife is also a worker and her income is around my income. We have to pay rent for our room, costs for our meals and tuition for my daughter.'

Worker story: Nguyễn Khắc Triệu, supervisor of cardboard manufacture at a key supplier to Unilever

Nguyễn Khắc Triệu is 28, married with two daughters aged 13 and 9; his wife works at another factory. He joined the supplier in 2007 with a BA in business administration. His job involves managing the machinery which makes cardboard for clients including Unilever.

Trieu earns around 6.8m VND a month, which with extra work can become 8m. The last two years have been especially beneficial as the company introduced a profit-sharing scheme in 2012. Because he was voted one of the most outstanding workers he has taken home VND 35m in 2014 and 2015, which has enabled him to build a house.

This supplier has a very low labour turnover: even after the annual Lunar New Year (Tet) holiday, workers return year after year so it is able to retain skilled workers like Trieu.

5.3 WORKING HOURS

Finding 14: Overtime at Cu Chi and in key suppliers is actively managed to ensure compliance with legal limits. Some workers reported concerns about work intensity.

Both UVN managers and workers interviewed in FGDs agreed that UVN strictly complied with the national regulations on working hours. Overtime has been reduced since 2014 and working overtime is voluntary. UVN and third party workers said that getting permission for some unexpected days off or sick leave is quite easy compared with other companies in the same industrial zone.

Both UVN workers and third party workers said that safety in the working environment and compliance with national laws on working hours are important reasons for selecting Unilever as an employer, although the income from UVN is not at the top of the market:

I have old parents and one son at home. So I chose to work here because I can easily take the leave. I just need to report with my supervisor some days prior or find a colleague who is willing to swap the schedule. Moreover, during shift break, I can quickly go home and check if everything is fine. (Offsite interview with a male third party worker, July 2015)

Some workers raised concerns about work intensity. In 2011, each line had one machine operator and two or three assistants. By 2015 the number had been reduced to two per line due to increased automation. The perception of UVN management was that work intensity had reduced, but workers reported feeling under constant pressure to ensure they work at maximum productivity. A male UVN worker said (at an FGD with workers who have worked in Cu Chi since before 2011):

'The number of workers in a line is regularly checked. If managers find that workers have any free time, they will adjust and reduce the number of workers in the line. Our work is more intensive because we have fewer people. I feel more tired when coming home from work.'

The length of breaks was mentioned as a concern by both UVN workers and third party workers, although the length is managed to meet legal requirements. Two out of six third party workers (off-site interview) raised a concern that they only have 30 minutes to eat lunch. This limits access to benefits offered by UVN. At one of the FGDs with workers who started work in Cu Chi after 2011, one female worker with a baby said:

'The milk storage room is far from where I work. Walking there then back will take too much time so female workers here don't use it.'

Another female worker in the same FGD said:

'The dental care takes place once a week but if I have to work during that time, I cannot use the service.'

Nevertheless, UVN reports an increase in usage of the company gym and other facilities before and after work.

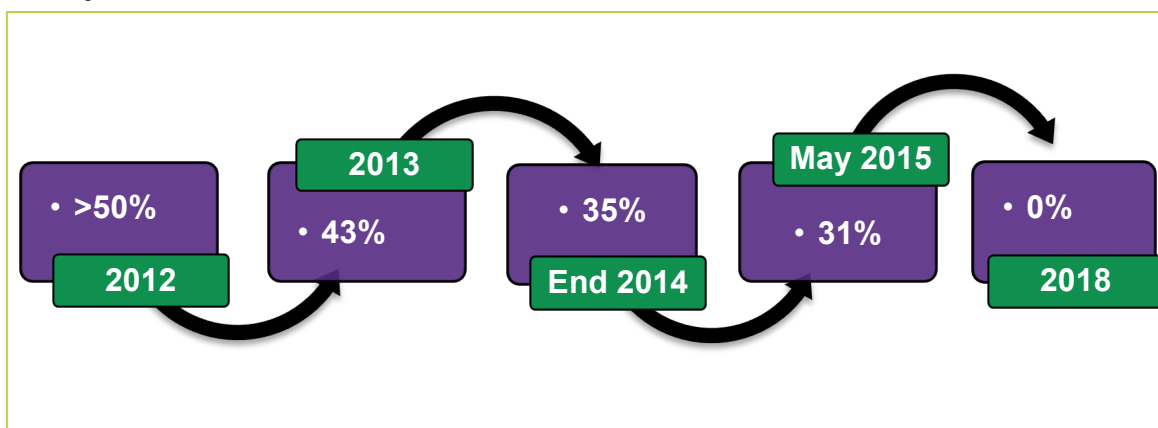
Specific production lines in Cu Chi factory were in operation on 20 out of 52 Sundays in 2015, according to UVN. This seemed surprisingly high to the research team, given this is the one rest day of the week. Workers confirmed that working on a Sunday was voluntary and on 18 of the 20 days they chose to be paid overtime rather than take time off in lieu.

In the supply chain, many suppliers consulted at the FGD reported challenges in complying with legal overtime limits (200 hours per year), in a context where non-compliance is the norm. In 2011, Supplier A was found to have seriously excessive hours. After the study, it was audited annually by Unilever and the problem was finally resolved in 2014.⁶³ In order to control the overtime limit, Supplier A had to recruit enough labour for the factory to run at full production capacity. All three of the deep-dive suppliers were required to make production plans that included working hours and overtime to ensure the legal limit was not exceeded. Worker interviews confirmed that workers are offered a sufficiently flexible schedule for breaks and that annual leave and maternity leave were respected.

5.4 CONTRACT LABOUR

Finding 15: UVN has steadily implemented its commitment to reduce contract labour in its manufacturing to zero by 2018 and use of contract labour has reduced at key suppliers due to the focus on compliance brought by the RSP.

Figure 16: UVN plan to reduce contingent labour in manufacturing roles in Cu Chi Factory



Source: UVN

In July 2015, Thang Loi, which had provided palletizing and cleaning services, ended its contract and was replaced by Khang Nguyen, Nhan Luc and Sodexo. Some workers were therefore being transitioned to new employers. At the same time, Unilever was in the process of implementing its roadmap to reduce contract labour (which Unilever calls 'contingent labour'). 87 jobs were taken in-house in 2014–15. This has reduced the ratio of contract labour to directly employed workers, which was approximately 55:45 in 2011, to 31:69 by 2015, and means the company is on track to reduce contingent labour in its Vietnam manufacturing to zero by 2018.

Third party workers (in FGD and off-site interviews) revealed concerns about job security. At Thang Loi, most had open-ended contracts, which they prefer; at the new company, they were moved into one-year contracts and were not sure if they would be extended or not; at the time of the study they were waiting for a communication.

A finding in 2011 was that there was an unclear work separation between UVN workers and third party workers. In 2015, third party workers reported that they are still sometimes assigned to do the work of UVN workers. UVN management said they were alert to this but acknowledged occasional slips due to inexperience or pressure of work on the production line.

In the supply chain, responses to the email survey suggested only one in four suppliers reported employing temporary and contract labour. However, in the FGD with suppliers, almost all of the Vietnamese suppliers said they have to use this from time to time, which may indicate a higher prevalence of these practices than is normally disclosed to Unilever or to auditors. Half of the suppliers who said they need to hire contract labour put this down to fluctuations in orders and pressure from clients.

Two of the three deep-dive suppliers were found in 2011 to be using contract labour. Since then, these two suppliers have reduced their reliance on contract labour. UVN's procurement team has initiated frequent checks both on the actual number of workers in suppliers' regular employment and to ensure that production can be managed within legal working hours.



Photo: Oxfam in Vietnam

6 SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

6.1 SUMMARY OF FINDINGS

Finding	Type	Indicators of change between 2011 and 2015
Unilever's commitment has been strengthened since 2011 and has a more robust foundation.	UNGP 1 Commitment to respect human rights.	Establishment of a Social Impact team with a remit to raise human rights issues. Policy based on continuous improvement. Human rights incorporated into the Sustainable Living Plan and report published.
Unilever's global commitment to direct employment in its manufacturing by 2020 is rare in the context of a global trend towards precarious work.	UNGP 1 Commitment to respect human rights.	'Their human rights report was impressive in its statement about the nature of employment and that people should have permanent jobs.' (Ron Oswald, IUF)
In 2011, awareness of labour rights in Vietnam was limited and responses to Oxfam's findings defensive, but in 2015 Oxfam found openness and a strong interest in improving practices.	UNGP 1 Commitment to respect human rights.	'We are tracking in Vietnam what was recommended in the Oxfam report and acting on that. This is adding enormous value.' (David Ingram, Unilever)
Unilever's commitment to social impact is clear but more work is needed on measures of progress and public reporting.	UNGP 1 Commitment to respect human rights.	Measures of good practice standards are missing from suppliers' terms and conditions. They could include an expectation that suppliers publish on their website the percentage of directly employed workers, the gender wage gap, how many workers' representatives are elected and whether a CBA has been negotiated that goes beyond national law.

Finding	Type	Indicators of change between 2011 and 2015
<p>The RSP has been proactively implemented with staff and suppliers. Efforts have been made to address gaps in Unilever's own factory and with key suppliers.</p> <p>Suppliers now know the RSP is a priority for Unilever, with 70% saying they risk losing its business if non-compliances are found but not addressed cf. 17% in 2011. However, improvements are not factored into negotiations and the business case is not clear to them.</p>	<p>UNGP 2 Integration in the business</p> <p>UNGP 2 Integration in the business</p>	<p>The ratio of contract labour to employees in UVN's factory has improved from 53:47 in 2011 to 31:69 in 2015 and is planned to reduce to 0% in manufacturing roles by 2018, other than seasonal labour.</p> <p>In 2015, 70% of suppliers surveyed said they risk losing Unilever as a customer if non-compliances are found but not addressed, cf. 17% in 2011. 80% of suppliers believe that raising labour standards would cost more. 45% said overtime could not be avoided due to short notice or order fluctuations from clients including Unilever. Supplier B said that Unilever pays 120 days after delivery, while it must pay its own suppliers within 45 days.</p> <p>'With some suppliers we are working with them to take the total cost down.' (Dhaval Buch)</p>
<p>The Unilever Vietnam workforce has seen a decline in the proportion of female employees since 2011, from an already low 19% to a mere 13%.</p>	<p>UNGP 2 Integration in the business</p>	<p>Women were found to make up two-thirds (67%) of the third party workers in Unilever's factory. However, all 87 of the people recruited in 2014/15 under its strategy to phase out contract labour from manufacturing roles were men.</p>

Finding	Type	Indicators of change between 2011 and 2015
<p>Unilever has enhanced its audit process and actively implements it but reliance on audits perpetuates passive roles for suppliers in managing improvements and workers in monitoring them.</p>	<p>UNGP 3 Due diligence</p>	<p>Unilever acknowledges that it will take time for suppliers to buy into the labour rights agenda but it will also require a different approach including promotion of the business case and incentives to move to good or best practice.</p>

Finding	Type	Indicators of change between 2011 and 2015
<p>Unilever has strengthened its grievance mechanisms globally. In Vietnam, Oxfam found grievances about the work environment to be promptly addressed but some workers hold back from raising 'burning' issues, especially in relation to pay.</p>	<p>UNGP 4 Grievance mechanisms</p>	<p>'We only raised general issues while other burning issues are not touched.' (Cu Chi worker, during discussion on grievance mechanisms and wages).</p> <p>Based on UVN information, 40% of workers are not aware of the grievance process and 95% have never used it.</p>
<p>Unilever has established regular constructive dialogue with global unions.</p>	<p>UNGP 4 Grievance mechanisms</p>	<p>'What we can say is that Unilever is a company that is willing to engage to attempt to resolve rights issues.' (Ron Oswald, IUF)</p>

Finding	Type	Indicators of change between 2011 and 2015
<p>The Unilever branch of the national VGCL union is more active but the increase in workers' collective voice is very limited, with only 2 elected representatives so far.</p>	<p>Freedom of association/ collective bargaining</p>	<p>In 2011 all union leaders were appointed by management; by July 2015, 2 had been elected by workers.</p>

Finding	Type	Indicators of change between 2011 and 2015
Wages in Unilever's factory have increased significantly since 2011. Factors include steps taken by Unilever management and government increases in the minimum wage.	Wages – operations	Guaranteed wages earned in normal working hours increased in real terms between 2011 and 2015: by 48% for semi-skilled workers, 31% for skilled workers and 71% for third party workers (average). The main factor was the real terms increase in the minimum wage of 67%.
Wage-related benefits have increased as a proportion of take-home pay. Workers value them but they are not always designed as they would wish.	Wages – operations	Non-wage benefits have increased as a proportion of the pay of semi-skilled workers between 2011 and 2015 from 13 to 17%. Workers clearly value UVN's benefits package, but asked: 'why cannot the company give us flexible packages we can tailor to our own needs and priorities?'
Some workers still struggle to make ends meet, based on workers' feedback and an Oxfam cost of living assessment.	Wages – operations	A rough cost of living estimate suggested workers with dependants, especially migrant workers, would struggle to make ends meet. 3 out of 12 UVN workers in one discussion group reported having a second job. UVN management acknowledged wages were 'slightly below' where they should be for third party workers.
In the suppliers studied, basic wages were still close to the minimum wage, with no evidence found that action by Unilever had increased wages. Take-home pay was higher in suppliers with a profit-sharing scheme	Wages – supply chain	Semi-skilled workers at one of three 'deep-dive' suppliers were found to take home twice their basic wage due to a profit-related bonus, though this is not guaranteed.

Finding	Type	Indicators of change between 2011 and 2015
Overtime at Cu Chi and in key suppliers is actively managed to ensure compliance with legal limits. Some workers reported concerns about work intensity.	Working hours	Suppliers reported challenges staying within the law on working hours, in a context where non-compliance is the norm.

Finding	Type	Indicators of change between 2011 and 2015
UVN has steadily implemented its commitment to reduce contract labour in its manufacturing to zero by 2018 and is less prevalent at key suppliers due to the RSP.	Contract labour	UVN reported that 87 jobs have been taken in-house during 2014/15 in its manufacturing (not including catering and security roles or seasonal temporary labour). Unilever's focus on implementation of the RSP reduced usage of contract labour at key suppliers.

6.2 CONCLUSIONS

This study has shown that Unilever's commitment on human and labour rights, found to be strong in 2011, is even stronger, with a high level of leadership across the business. The commitment on secure direct employment in its manufacturing, the constructive engagement with trade unions, the pioneering human rights report, and the transparent engagement with Oxfam in the 2011 study followed by this progress review, represent a substantial 'stake in the ground' about what the company stands for.

In Vietnam, the change of management style found in the Human Resources department since 2011 was immediately apparent to the research team and trust has increased between workers and management through improved mechanisms for dialogue and raising grievances. The readiness of Unilever to bring its procurement team to Vietnam to discuss initial findings, and to allow Oxfam to hold a focus group discussion with key suppliers without its personnel present, showed exceptional openness.

A number of improvements have been found impacting on workers in Unilever's factory. A higher proportion of people in Unilever's Vietnam factory are directly employed, although the total number of jobs has gone down with increased automation. Wages and benefits have improved in real terms, despite an economic downturn impacting the sector. Elements of the business case for better wages and job security have emerged: safer products, better worker motivation, greater trust between workers and management, reduced labour turnover.

There has been a significant change in Unilever's approach to supplier management with more open engagement and dialogue with suppliers, who are much more aware of Unilever's expectations regarding labour standards, and have received training and guidance on the Responsible Sourcing Policy. At key suppliers, hours worked beyond the legal minimum and excessive use of contract labour have been tackled.

At the same time, the findings show quite limited improvements in outcomes on the ground for workers, based on their feedback. Where positive change has occurred, this has come partly from Unilever's own actions, and has also been helped by the government's strategy of raising the minimum wage in real terms.

No evidence has come from the study of positive changes for workers in the supply chain nor has Unilever reported measurable improvements here. Due diligence is based primarily on compliance, with little or no engagement with unions beyond the global level. Clearly, improving job quality in the context of global competition and systemic labour issues is challenging. A number of findings point to the need for further improvement, but three key issues need to be confronted for Unilever to demonstrate positive impact for workers.

1. Unresolved tension between commercial and labour requirements of suppliers

Unilever has committed to ensuring its suppliers go beyond what is mandatory to good and best practice labour standards, and to reward them for this.⁶⁴ However, discussion between Oxfam and key suppliers in Vietnam highlighted that, while they clearly value Unilever's business, they have not yet bought into the business case for the changes the company is seeking. Only a quarter said that improving labour standards had benefits for their own company and just 12 percent cited benefits for workers. 80 percent of suppliers perceived that improving standards would incur higher costs, and 45 percent said that overtime could not be avoided due to fluctuations in orders from customers, including Unilever. A root cause of precarious work is precarious sourcing.

Unilever has invested in supporting suppliers through training and guidance, and acknowledges that it is on a journey to persuade suppliers that this agenda is desirable and achievable:

'We are now having conversations with suppliers that we didn't previously have.' (Traci Hampton, Director Supplier Excellence, Procurement).

However, Oxfam found that in Vietnam, commercial and RSP requirements are communicated separately to suppliers, without guidance (for either suppliers or procurement staff) on how to mediate between any tensions that arise, and improvements in labour standards are not measured in the same way that price and delivery are. Unilever needs to recognize and provide guidance for mediating conflicts between commercial and RSP requirements, demonstrate to suppliers that there is a business case and reward continuous improvement.

Unilever insists that adherence to the RSP is mandatory in the same way that price and quality requirements are. However, where there are tensions or conflicts between the two sets of requirements, which are communicated separately, there is no clear guidance on how staff should mediate between these. Continuous improvement towards good practice standards is not incorporated into contract terms and conditions.

The study found much higher awareness by suppliers of Unilever's RSP and its expectations. But in Vietnam many have not yet bought into the business case for the changes involved. If they are also under severe cost pressures they may be reluctant to add to labour costs by providing secure jobs on higher wages, or drive this in their own supply chain, as garment brands who have made such commitments have found.⁶⁵

In effect the business continues to push responsibility onto suppliers rather than accept joint ownership of problems. Any supplier wishing to do business with Unilever must acknowledge alignment with the RSP through contractual language or completion of a Self-Assessment Questionnaire⁶⁶ this does not currently come across as a shared proposition. The issue of the share of value in the value chain, and the impact this has on employment conditions, is not being acknowledged by Unilever (or other companies). The explicit cost pressure on suppliers shows a clear power imbalance: 'with some suppliers we are working with them to take the total cost down', as the Chief Procurement Officer explained whilst clarifying that this is not linked to the RSP. To succeed on this agenda, Unilever has to persuade these companies its agenda is desirable and achievable, that, with Unilever's commitment and support, improving labour standards in its supply chain is a shared responsibility, and suppliers that deliver on its expectations will develop their business with Unilever in consequence.

2. Fair/living wage and gender equality

Compared with 2011 Unilever has made clear progress on the issue of fair compensation. It has strengthened its policy and acknowledged publicly that fair wages are not the norm in global supply chains. It has commissioned a study in 38 countries, raised the lowest wages of employees and set itself a target to ensure 1,000 strategic suppliers achieve good practice standards, which include a living wage, by the end of 2017. In Vietnam, wages have increased in real terms in Unilever's Cu Chi factory. This is a step in the right direction, and more than many other companies are yet doing.

Having said this, the testimony of lower paid workers is that their incomes are still not sufficient to meet their needs, borne out by an Oxfam survey of their expenses. The finding that three out of 12 workers in one group reported having a second job, though a small sample, is a warning that the company has not fully removed the barriers to decent work in its employment, let alone in its supply chain of 76,000 suppliers. At the three deep-dive suppliers, the principal factor determining whether take-home pay closed the gap between a minimum and a living wage was whether the company had a profit-sharing scheme.

The section on wages demonstrates clearly that navigating between different living wage benchmarks is complex, and approaches by brands and retailers to improving worker pay in the supply chain have not generally been successful, pointing to the need for more systematic intervention to promote mature industrial relations and pave the way for sector bargaining.⁶⁷

Oxfam found that while Unilever has a laudable commitment to permanent employment in its manufacturing, the percentage of women it employs in its Vietnam factory has gone down from a low 19 percent in 2011 to a shockingly low 13 percent in 2015, while they continue to make up two-thirds (67 percent) of the third party workers on lower terms and conditions. The absolute numbers of people employed have also decreased as processes are automated (some 10 percent in Vietnam since 2011) so the value to women of employment by the company, a key indicator of social impact, has decreased since the original study. This is a challenge for a company that has committed to increase its social impact and empower women as the business grows.

In Vietnam, the upcoming changes in the labour rights context mean that Unilever and its suppliers will in future need to ensure workers can exercise their rights to elect representatives without intervention from the management.

3. Time to look more at the system and less at the suppliers to address root causes

Systemic labour issues, including child labour, slavery and gender-based violence, as well as the issues covered in this report, are determined by political, social and economic factors that affect entire sectors, as Unilever acknowledges in its human rights report. Business models maximize returns to the owners of business over the well-being of those who labour to generate those returns. As a key informant to the study explained:

'Mainstream companies have been financialized and geared entirely to maximizing short-term returns to shareholders rather than focusing on running a company for a broader purpose.' (Ron Oswald, IUF)

Unilever has highlighted the damaging effect of quarterly reporting on long-term sustainable value creation.⁶⁸ In the 1970s, 10 percent of every £100 of profit was paid in dividends to shareholders; today that figure is 70 percent, according to the Bank of England's Chief Economist.⁶⁹

For good labour standards to become universal operating conditions, MNCs need to start scrutinizing the workplaces in their supply chain within a framework of the wider system which determines what suppliers can do to improve standards. This includes governance and regulation, sector wage bargaining and reviewing whether corporate structure and purpose facilitate improvements.

Unilever, together with a critical mass of like-minded companies, needs to analyse which actors have the power and legitimacy to deliver systemic change, and then advocate for those roles to be played effectively, using its own exceptional convening and influencing power.

GAP ANALYSIS

Table 19: Traffic light rating system

Gap Analysis – Rating Key	
Major gap between policies and practices of all MNCs and international standards	
Gap between Unilever’s policies and practices and international standards	
Slight gap between Unilever’s policies and practices and international standards	
Good match between Unilever’s policies and practices and international standards	

Table 20: Progress since 2011

Summary of Oxfam’s recommendations to Unilever based on the 2011 study/2013 report		Gap analysis based on 2015 study
1.	Adjust policies and business model to deliver better quality jobs, including commitment to a living wage and reduction in precarious work.	Gaps tackled through better policies including on wages and secure employment, helped by leadership.
2.	Better align procurement and business processes with [Responsible Sourcing] policy, training buyers on labour standards and incentivizing suppliers to raise them.	Some gaps tackled through engaging procurement, internal training and engaging suppliers.
		Business practices enabling good labour standards remain a major gap in all MNC supply chains.
3.	Strengthen the due diligence process to take more account of people’s vulnerability preventing them from speaking out, and track effectiveness.	Innovation needed to go ‘beyond audit’.
4.	Work with other parties to promote scalable ways to realize rights and increase collective leverage, including advocacy work with governments.	Some gaps tackled through working with others to increase collective leverage.
		Scalable ways to address systemic issues (e.g. inadequate minimum wages) remain a major gap in all MNC supply chains.
5.	Address the Vietnam-specific concerns at the Unilever factory and with suppliers.	Specific concerns tackled, more needed
6.	Integrate into the Sustainable Living Plan and/or public reporting process, measurable targets for labour rights and job quality.	Unilever acknowledges more needed on measuring and reporting.
Unilever’s commitments based on the 2011 study: global level		
1.	Ensure it promotes sustainable livelihoods for all its workers and those in its value chain, including conducting a ‘market by market ‘sustainable living’ review in the 180 ⁷⁰ countries in which it operates.	Gap tackled on fair compensation for own employees, more implementation needed.
2.	Mitigate the ‘casualization’ of labour within its workforce wherever possible.	Commitment to direct employment in its manufacturing, other than labour that is seasonal or only for a defined time.

3.	Invest in ensuring the Supplier Code is understood and acknowledged by all Tier 1 suppliers.	Suppliers aware of expectations, more implementation needed.
4.	Ensure it meets the same standards (in its own operations) as it expects of suppliers.	Gaps tackled in Vietnam and globally, more implementation needed.
5.	Partner with others to mainstream the integration of human and labour rights by business.	Leadership shown, more needed to mainstream integration (e.g. gender equality, living wages in the supply chain).
6.	Set KPIs on human and labour rights and report progress on an annual basis.	Unilever acknowledges more needed on measuring and reporting progress.
Unilever's commitments based on the 2011 study: Vietnam level		
7.	Organize human and labour rights training workshops for internal business stakeholders, including the factory leadership in Cu Chi and key suppliers, to promote best practice	Staff engaged systematically, more needed to gain buy-in of suppliers.
8.	Work with its 80 top suppliers to address non-compliance issues with the Supplier Code.	Working hours and contract labour tackled but more needed e.g. on grievance mechanisms and living wages.
9.	Review the worker grievance mechanisms for permanent and temporary workers to ensure they are more accessible, predictable and transparent.	Good progress based on active listening to workers, more to do for the most vulnerable.

Table 21: Examples of Unilever good practice

Exceptional transparency in opening up its business for Oxfam to study in 2011, followed by this progress review, while agreeing that Oxfam keep editorial control of the report.	✓
Change in policy from one focused on compliance to one focused on compliance and continuous improvement.	✓
All personnel interviewed motivated to work for a company driven by purpose.	✓
Senior management speak out about human rights issues and encourage difficult issues to be raised internally, and a good human rights report published.	✓
Corporate commitment to direct employment in its manufacturing by 2020, other than seasonal labour.	✓
HR and procurement team actively listening to ways to improve things for workers and suppliers.	✓
Dialogue with IUF and other global union federations enables workers' concerns expressed via their elected representatives to be heard at a senior level.	✓

6.3 RECOMMENDATIONS TO UNILEVER

Vietnam level

1. Build on progress in opening up management-worker dialogue, and in improving grievance mechanisms, so they are trusted by the most vulnerable workers. Track the effectiveness and timeliness of grievance handling. Encourage workers to meet without management present then offer to discuss 'burning issues' that arise.
2. Encourage UVN personnel to share learning from the study on the business benefits of better standards and practices, for example grievance mechanisms, and to seek out good practice examples from other sectors including garments and footwear.
3. Continue progress on wages and benefits, particularly for semi-skilled workers. Train management and suppliers in the benefits of, and good process for, fair and free worker elections, and engage with ILO and VGCL industrial federation on sector-level bargaining.
4. Identify suppliers with a high risk of excessive hours, contract labour and wages close to the minimum, share examples of the business case for improving standards and provide capacity building support.
5. Work with the procurement team to integrate improvements, especially on wages, into commercial negotiations involving Vietnam suppliers.
6. Analyse, and consult female workers on, why female recruitment to skilled jobs at Cu Chi factory is so low, and set targets for a better gender balance.
7. Explore with Oxfam in Vietnam the benefits of a multi-stakeholder platform on labour rights and share these at the global level – based on learning in Vietnam.

Global level – based on learning in Vietnam

1. Build on the high level of motivation of Unilever employees to work for an organization 'driven by purpose'. Set out more clearly what is meant by 'increasing positive social impact': for whom, where, how will it be measured and how progress will be reported.
2. Implement proactively the corporate policy to promote gender equality and opportunities for women across the value chain.
3. Do more to promote the business case with suppliers and provide more capacity building. Integrate expectations of suppliers under the RSP (especially on improving wages and job security) into supplier selection/retention and commercial negotiations, with a confidential feedback mechanism on suppliers' experience of RSP requirements within the business relationship.
4. Build measures of good practice into supplier contract terms, e.g. that suppliers report the percentage of directly employed workers, the gender wage gap and whether a CBA has been negotiated that goes beyond national law.
5. Work with peers, e.g. in AIM-PROGRESS and Sedex, to commission/share research on the prevalence of issues by sector and country; supplement audits with worker satisfaction surveys, supplier self-reporting and impact tracking; ask suppliers to do the same.

6. Deploy Unilever’s exceptional convening and leadership power to influence better governance in relation to labour rights and adequate wages; for instance, to remove barriers to ‘smart regulation, properly enforced’, and ensure good labour market institutions and social dialogue at the sector level.
7. Calculate the resources going into audits, certification and ad hoc projects; divert a percentage to initiatives that address root causes more effectively.
8. Report progress publicly on the Framework for Fair Compensation and RSP implementation with Partner to Win and strategic suppliers (with third party verification); publish a roadmap to a living wage and secure employment and gender equality in the supply chain; and increase supply chain transparency (e.g. publish first tier suppliers).
9. Report progress based on this study in two years’ time.

Table 22: Recommended approach to integration of policy into the business, due diligence and grievance mechanisms

Supplier type	Recommendations
180 Partner to Win suppliers	1. Strengthen partnership principles to include Unilever’s commitments to responsible business practices and capacity building of suppliers.
1000 strategic suppliers	2. Promote the business case to suppliers. 3. Maintain a dashboard with prevalence of labour issues by sector and country. 4. Supplement audits with worker surveys, supplier self-reporting, and impact tracking, disaggregated by gender and contract type. 5. Explore pricing models that ring-fence labour costs and remove them from the sphere of competition.
75,000 other suppliers	Reduce audit fatigue by pooling reports and other data e.g, via AIM-PROGRESS and Sedex.

What next for tackling systemic change?

In this progress review Oxfam has endeavoured to make a fair assessment of progress made by Unilever in implementing its corporate commitments and Oxfam’s recommendations from the original 2013 report. A great deal of progress has been made. The challenges that remain to ensure human and labour rights are respected are systemic in nature, and will need strategies to tackle root causes sustainably. They include the closing of governance gaps, a transformative approach to women’s empowerment, business models that enable a fair share of value in the chain and a compelling narrative on reducing economic inequality over the long term.

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