

Better Work Vietnam: Garment Industry 8th Compliance Synthesis Report

July 2015

Reporting period:
February 2014 – February 2015
Number of factory assessments in this report: 193
Country: Vietnam
ISIC: C-14



International
Labour
Organization



**International
Finance Corporation**
WORLD BANK GROUP

Better Work Vietnam is funded by Irish Aid, the State Secretariat for Economic Affairs (SECO), Switzerland, and the Netherlands Ministry of Foreign Affairs. Funding for additional activities is provided by Employment and Social Development Canada (ESDC) and by the United States Department of Labor (USDOL).

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ILO Cataloguing in Publication Data

Better Work Vietnam: garment industry 8th compliance synthesis report / International Labour Office; International Finance Corporation. - Geneva: ILO, 2015

1 v.

ISSN 2227-958X (web pdf)

International Labour Office; International Finance Corporation

clothing industry / textile industry / working conditions / workers' rights / labour legislation / ILO Convention / international labour standards / comment / application / Vietnam

08.09.3

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First published (2015)

Acknowledgements

Better Work Vietnam is supported by the following (in alphabetical order):

- Irish Aid
- Netherlands Ministry of Foreign Affairs
- State Secretariat for Economic Affairs (SECO), Switzerland
- United States Department of Labor
- Economic Skill Development Canada (ESDC)

Core donors to Better Work are: Netherlands Ministry of Foreign Affairs; Swiss State Secretariat for Economic Affairs; Ministry of Foreign Affairs of Denmark; The US Department of Labor. Funding is also provided by DFID, Government of France, Government of Canada, Irish Aid, the Garment Manufacturers Association in Cambodia (GMAC), Royal Government of Cambodia and private sector donors, including The Walt Disney Company, Levi Strauss Foundation, Gap Inc. and FUNG (1937) Management Ltd.

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Executive Summary

Better Work Vietnam began conducting independent assessments of working conditions in Vietnamese apparel factories in December 2009. Each assessment consists of four on-site person days and includes management, union and worker interviews, document reviews, and factory observations. The goal is to establish a baseline of performance against which Better Work can work with factories to make continuous improvements to their working conditions.

Better Work produces public synthesis reports for each country program twice a year, with the aim of providing transparent information about factory working conditions to both program stakeholders and a wider public audience. Independent research shows that such reporting helps to drive continuous improvement in factory compliance and working conditions.

Between 2010 and 2013, Better Work Vietnam released synthesis reports on a biannual basis. Since 2013, it has produced one report a year, to be produced alternately with a new “Thematic Report” (also produced annually). Thematic reports focus on a specific industry issue, and provide a deeper level of analysis beyond compliance, which can complement the Synthesis Reports.

The present report illustrates the findings of assessments conducted between February 2014 and February 2015 by Better Work Vietnam in 193 factories. Of these, 111 have been assessed more than once by Better Work Vietnam, so can be analyzed for year-on-year compliance changes (i.e. compliance effort).

Assessment results from factories covered in this report are largely consistent with the findings of recent reports, with non-compliance most heavily concentrated in the working conditions clusters, particularly Occupational Safety and Health and Contracts and Human Resources. In terms of core labour standards, collective bargaining and management interference are the most prominent sources of non-compliance among factories.

Key Findings

- **Forced Labour and Child Labour.** No cases of forced labour were found during the period in question, while just two factories were found to be employing child laborers. A bigger problem is documentation and protection of young workers, and of young people engaged in hazardous work, which affected 16 percent and 18 percent of factories, respectively. Compliance effort data shows that compliance is improving across the child labour cluster however, particularly in terms of documentation and protection of young workers (e.g. through improved age verification systems).
- **Discrimination.** Non-compliance with laws concerning discrimination is low across Better Work factories, and this is partly related to the racial, religious and political homogeneity of the factory workforce.¹ Four percent of factories were found to practice gender discrimination, which usually comes in the form of stating a gender preference in job advertisements. Even this however is becoming less common, with data showing a 3 percent increase in compliance between the last two assessments.
- **Freedom of Association and Collective Bargaining.** Management interference and discrimination remains high (62 percent of factories), although compliance effort data shows that the situation among established factories (i.e. those that have had at least two assessments) is improving. Non-compliance in this area is linked to the widespread presence of senior management on union executive committees, and the influence they exert over union activities and decision-making.

¹ However, weak understanding of the issues among factories and workers, together with likely under-reporting of discrimination issues may also be a factor in the low rates of non-compliance.

Half of factories are non-compliant in the area of collective bargaining, the major issues here being inadequate consultation between employer and unions and failure to secure approval for an agreement by more than 50 percent of workers covered. Although compliance rates in this area have also declined between the last two assessments, this is primarily linked to the addition of new assessment question requiring factories to make their CBAs *publicly* available to workers (which many factories still don't do).²

- **Compensation.** More than eight out of ten factories fail to meet legal requirements on paid leave (namely in terms of correct and on-time payment), while half were found non-compliant in terms of wage information, use and deductions –mostly due to the still persistent practice of keeping multiple or inaccurate payrolls. At the same time, compliance effort in both areas has improved between the most recent two assessments, by 7 percent and 4 percent, respectively. Compliance has declined somewhat in other areas, most notably minimum and piece rate wages (mostly the result of underpayment due to an inaccurate salary calculation formula), although overall non-compliance in this area is considerably lower at 27 percent.
- **Occupational Safety and Health.** Non-compliance is highest and most concentrated in the OSH cluster, with rates at or above 70 percent in 6 out of the 8 compliance points (emergency preparedness, chemicals and hazardous substances, health services and first aid, OSH management, worker protection, and welfare facilities). However, despite this, there are signs that compliance is improving: data on “compliance effort,” calculated as the change in compliance between the two most recent assessment periods, show double-digit gains in a number of areas, including welfare facilities (26 percent improvement in compliance) and health services and first aid (18 percent). At the same time, compliance has *fallen* 19 percent in the area of OSH management, largely as a result of new and more stringent requirements in the assessment process.
- **Contracts and Human Resources:** non-compliance remains relatively high across the whole cluster, ranging from 47 percent of factories failing to apply correct contracting procedures, to 75 percent of factories failing to meet legal requirements for dialogue, disciplinary and dispute procedures. The latter is also an area of declining recent compliance, which is primarily linked to weak implementation of the compulsory social dialogue provisions of the law. In particular it suggests that it is becoming more rather than less common for factories to overlook or ignore the key requisites for effective dialogue, including the topics discussed and the process for selecting worker participants.
- **Working Time:** Almost nine in every ten factories are non-compliant in the area of overtime, thus marking the issue out as a leading challenge for working conditions in the industry. Failure to meet legal overtime limits, as well as not ensuring workers have at least four weekly rest days per month (usually Sundays) are the principal problems in this area. Excessive overtime is linked in many cases to both internal productivity and production planning weaknesses (in the factory) and external dynamics related to buyer behaviour and sourcing practices. Sixty percent of factories are also non-compliant on regular hours, the most acute problem being inconsistent and inaccurate working time records. At the same time, compliance rates have been rising over the last twelve months in all aspects of working time (see Section III on Compliance Effort).

Note on compliance effort versus compliance rates

² Prior to 2014, the question asked was simply whether factories *inform* workers of the CBA. It was revised to better reflect the requirements of the law.

There are a number of compliance points for which significant improvements in compliance effort over the last twelve months contrast with still-high rates of overall (i.e. average) non-compliance.³ This may be at least partly explained by the differing composition of the samples used. While average compliance rates use a sample containing a large number of new factories (82 out of the 193 factories), compliance effort data comes only from factories in their second cycle or beyond, i.e. more established factories. As such, it is possible that for certain points, compliance effort may be positive due to the good performance of established factories, while overall (average) non-compliance is kept high by the mostly newer factories. More research and analysis would however be needed to conclusively verify this, including closer examination of the compliance performance of individual factories in the sample.

³ For example, while compliance on welfare facilities has risen by 26 percent between the two most recent assessments, still more than 70 percent of factories find themselves non-compliant on one or more of its component questions. Likewise, 70 percent of factories are also non-compliant on health services and first aid, despite a 26 percent improvement in compliance over the last year.

Section I: Introduction and Methodology

Introduction

The garment sector is one of Vietnam's largest industries and foreign exchange earners, generating exports worth in excess of \$17 billion per annum.⁴ This makes Vietnam the fifth largest garment and textile supplier in the world, and the second largest to the US market.

Garment factories are also the largest formal employer in the country, providing jobs for more than 2.5 million people, and supporting several million more through remittances sent by workers to their families back home. More than 80 percent of the factory workforce are female, mostly young and mostly migrants from poorer rural areas. In this regard it is a major force for national socio-economic development and poverty reduction.

The Better Work Vietnam program, a partnership between the International Labour Organization (ILO) and the International Finance Corporation (IFC), was launched in July 2009. It aims to boost labour standards and business competitiveness in the apparel industry by assessing compliance with the national labour law and international core labour standards, and offering integrated training and advisory services that support continuous improvements in working conditions. In doing so, it hopes to establish Vietnam as a global leader in responsible and ethical apparel production.

Better Work Vietnam began operations in Vietnamese apparel factories in December 2009. Each assessment consists of four on-site person days and includes management, union and worker interviews, document reviews, and factory observations. Assessments establish a baseline of performance against which Better Work can work with factories to make continuous improvements to their working conditions.

Better Work produces public synthesis reports for each country program twice a year, with the aim of providing transparent information about factory working conditions to both program stakeholders and a wider public audience. Independent research shows that such reporting helps to drive continuous improvement in factory compliance and working conditions.

Between 2010 and 2013, Better Work Vietnam released synthesis reports on a biannual basis. Since 2013, it has produced them annually, and has also introduced a new "Thematic Report" which focuses in more depth on a specific industry issue, to offer further insights and analysis for policymakers and other stakeholders.

This 8th synthesis report illustrates the findings of assessments conducted between February 2014 and February 2015 by Better Work Vietnam in 193 factories. Of these, 111 have been assessed more than once by Better Work Vietnam, so can be analyzed for year-on-year compliance changes (i.e. compliance effort).

Institutional Context

The new Labor Code and Law on Trade Union, both enacted in 2013, provide an important step forward in modernizing labour market governance to support both improved labour standards and economic and social development.

Non-discrimination and gender equality, the prohibition of forced labour and child labour, as well as the right to organize, are all strengthened in these revised laws. They also provide a more favourable

⁴ Figure is based on VITAS estimates, which include the small textile sector (alongside garments and footwear).

environment for workers to negotiate their own terms and conditions of employment through collective bargaining.

However, implementing law is a bigger test than drafting it, and Vietnam now faces the challenge of how to translate political and legal commitments into tangible progress –through both practical implementation guidance (e.g. decrees and circulars) and a concerted effort on enforcement.

Two years into the implementation of these laws, the 8th Better Work Synthesis Report provides an instructive snapshot as to where the apparel industry is at with regard to the implementation of these laws and the evolution of working conditions and labour standards in the manufacturing sector.

Vietnam is currently developing a strategy and roadmap for ratifying outstanding core ILO conventions, namely: C105 (Forced Labour); C87 (Freedom of Association and Right to Organise); C98 (Right to Organise and Collective Bargaining). These ratifications, which will require additional revisions to the Labour Code in order to implement, will bring Vietnamese law into closer alignment with international labour standards, and will thus pave the way for a stronger domestic legal basis for promoting decent work in the coming years, both in the garment industry and beyond.

Amid the current and expected developments, Better Work is well placed to translate its experiences and observations into practical guidance and advice for policymakers in Vietnam; shining a light not just on realities on the ground and implementation gaps in the law, but also emerging good practices that can help inform policies, facilitate knowledge transfer (i.e. among enterprises and industries) and influence industry behaviour towards a more responsible and sustainable way of doing business.

Better Work Methodology

Better Work carries out factory assessments to monitor compliance with core international labour standards and the national labour law. Accompanying reports highlight *non-compliance* findings, which are then used to help factories identify areas in need of improvement. Collecting and reporting these data over time will help factories demonstrate their commitment to improving working conditions.

Better Work organizes reporting into eight areas, or clusters, of labour standards. Four of the clusters are based on fundamental rights at work, namely child labour, discrimination, forced labour, and freedom of association and collective bargaining. In 1998, member states, workers, and employer representatives at the International Labour Organization identified fundamental principles and rights at work regarding these four issues based on eight widely ratified International Labour Conventions (29, 87, 98, 105, 100, 111, 138, and 182). These Conventions provide the baseline for compliance with the fundamental rights clusters across all Better Work country programmes.

The four other clusters on the Better Work assessment tool concern conditions at work, including Compensation, Contracts and Human Resources, Occupational Safety and Health, and Working Time. The compliance points covered in these clusters are largely consistent across countries, however each compliance point contains specific questions that may vary from country to country due to differences in national legislation. In countries where national law either fails to address or lacks clarity around a relevant issue regarding conditions at work, Better Work establishes a benchmark based on international standards and good practices.

Each of the eight clusters is divided into its key components. These components are known as compliance points [CPs]. Each CP contains specific questions that may vary from country to country. The detailed list of CPs within each cluster is indicated in the table below.

	Compliance Clusters	Compliance Points
Core Labour Standards	1 Child Labour	Child Labourers Unconditional Worst Forms Hazardous Work Documentation and Protection of Young Workers
	2 Discrimination	Race and Origin Religion and Political Opinion Gender Other Grounds
	3 Forced Labour	Coercion Bonded Labour Forced Labour and Overtime Prison Labour
	4 Freedom of Association and Collective Bargaining	Union Operations Freedom to Associate ⁵ Interference and Discrimination Collective Bargaining Strikes
Working Conditions	5 Compensation	Minimum wages Overtime wages Premium Pay Method of Payment Wage Information, Use and Deduction Paid Leave Social Security and Other Benefits
	6 Contracts and Human Resources	Employment Contracts Contracting Procedures Termination Dialogue, Discipline and Disputes
	7 Occupational Safety and Health	OSH Management Systems Chemicals and Hazardous Substances Worker Protection Working Environment Health Services and First Aid Welfare Facilities Worker Accommodation Emergency Preparedness
	8 Working Time	Regular Hours Overtime Leave

⁵ Non-compliance regarding the right of workers to join a union of their choice and the ability of unions to join a federation of their choice are reported only at the national level rather than the enterprise level starting with this report. As such, we do not report on "Freedom to Associate" for factory reporting and Chart 1 on page shows the bar greyed out.

Calculating Non-Compliance

Better Work calculates **non-compliance rates** for each factory and reports these in individual factory reports. The non-compliance rate is reported for each subcategory, or compliance point, within a cluster. A compliance point is deemed non-compliant if any one question within it is found to be in non-compliance.

In public synthesis reports, Better Work calculates the average non-compliance rates for all participating factories in each of the aforementioned sub-categories. For example, an average non-compliance rate of 100 percent means that all participating factories were found to have a violation in that area.

While it is a strict indicator, the non-compliance rate is useful for Better Work to aggregate and compare data across countries. However, this number is not sufficient to fully describe the specific issues that enterprise advisors have observed during their assessment. For this reason, tables presenting non-compliance findings at the question level are also presented in Section II with the title of **In Focus Tables**. These tables allow the reader to fully appreciate the specific challenges in compliance identified in factory assessments, highlighting the number of factories found to be non-compliant on each specific question.

Note on the factories represented in this report

Synthesis reports present a snapshot of the non-compliance situation in participating factories at the time of the report. The rates presented in the report refer to participating industry averages. The present report illustrates the findings of assessments carried between February 2014 and February 2015 by Better Work Vietnam in 193 factories.

Reflecting the rapid expansion of the programme since early 2014, more than 40 percent of factories included in the current sample are in their first cycle with Better Work Vietnam. Experience has shown that these types of factories typically have higher rates of average non-compliance than those in their second cycle or beyond, due generally to a lack of experience with social compliance and comparably weaker awareness of the labour code (particularly where it concerns contracts, management of young workers, and occupational safety and health). For this reason, average non-compliance rates calculated for this report are likely to be higher than if the sample contained more equal numbers of factories from each cycle (i.e. 1 to 5).

Sample breakdown					
Factory Cycle (i.e. No. of assessments conducted)	1	2	3	4	5
Number of factories	82	18	28	44	21
Total	193				

Section III of this report presents the changes in non-compliance observed in the 111 factories that have been visited more than once by Better Work Vietnam.

Limitations in the Assessment Process

The assessments carried out by Better Work follow a thorough checklist covering the above-mentioned labour standards. The detailed factory assessment reports are based solely on what was observed, investigated and analyzed during the actual assessment. Before the reports become official, factories are given seven days to provide feedback and clarifications on its findings.

Freedom of association is not fully protected under Vietnamese law (only one trade union is legally allowed), and therefore since May 2013, Better Work has not reported factory level compliance on this point.⁶

The question of whether workers are *required* to join a union is however still assessed at the factory level, along with other aspects of union activities, including management interference in union affairs, anti-union discrimination, collective bargaining, and strikes. It is difficult however to gauge the impact of the legal constraints on freedom of association on these other issues.

⁶ This pertains specifically to non-compliance vis-à-vis the right of workers to join a union of their choice and the ability of unions to join a federation of their choice.

Section II: Findings

Average Non-Compliance Rates (compliance point level)

Core labour Standards

1. Child Labour

In the observation period, just two factories were found to be employing child laborers. However, larger shares of factories were found non-compliant in the areas of documentation and protection of young workers and of young people (i.e. between the age of 15 and 18) engaged in hazardous work, which affected 16 percent and 18 percent of factories, respectively.

2. Discrimination

Similarly, non-compliance rates in the area of discrimination remain low, and most commonly relate to the use of gender or marital status in job advertisements (i.e. gender discrimination). However, even on this issue, only 7 factories, or 4 percent of the sample, were found to be non-compliant in the last twelve months.

3. Forced Labour

In the last twelve months, no cases of forced labour were found in the 193 factories observed. This includes cases of bonded labour, coercion, forced labour and overtime, and the use of prison labour.

4. Freedom of Association and Collective Bargaining

The major non-compliance challenges in this cluster are management interference and discrimination (vis-à-vis the factory union), and in the process of collective bargaining. Sixty-two percent of factories were found to be practicing interference and discrimination, which relates to the still widespread problem of management influence over factory level union activities. In addition, half of factories (51 percent) were found non-compliant in the area of collective bargaining, the major issues here being related to the consultation and approval processes for factory-level collective agreements. As the data shows, once agreed, collective agreements almost always implemented in full.

Working Conditions

1. Compensation

In the compensation cluster, the most widespread area of non-compliance is on paid leave, applying to 82 percent of factories in the sample. This covers factories that fail to make correct or on-time payments for leave entitlements, including public holidays, annual and maternity leave.

Similarly, half of factories (50 percent) were also found non-compliant in terms of wage information, use and deductions, which includes questions pertaining particularly to the *process* and *communication* of wage payments and deductions, as well as the presence of a unique and accurate payroll.

A third of factories (33 percent) failed to comply with laws on social security and other benefits, the biggest problem being the timely and correct payment to social, health and unemployment insurance funds.

2. Contracts and Human Resources

Non-compliance remains relatively high across the whole cluster, ranging from 47 percent of factories (90 factories) failing to apply correct contracting procedures, to 75 percent of factories failing to meet legal requirements for dialogue, disciplinary and dispute procedures. More than half of factories in the current sample were found non-compliant on employment contracts (63 percent) and termination procedures (61 percent).

3. Occupational Safety and Health

As Better Work Vietnam has observed consistently over time, OSH is the cluster with the highest concentration of non-compliant factories. While a majority of factories in the current sample are compliant in the areas of worker accommodation and working environment (e.g. noise, temperature, lighting, ventilation), for the other 6 compliance points in the cluster, non-compliance rates were all at or above 70 percent. The most serious issue is OSH management systems, for which 90 percent of factories were found non-compliant, while 81 percent and 74 percent of factories failed to meet legal requirements on emergency preparedness and chemicals and hazardous substances, respectively. Large shares of factories also continue to struggle with health services and first aid (70 percent of factories non-compliant) and welfare facilities (72 percent non-compliant).

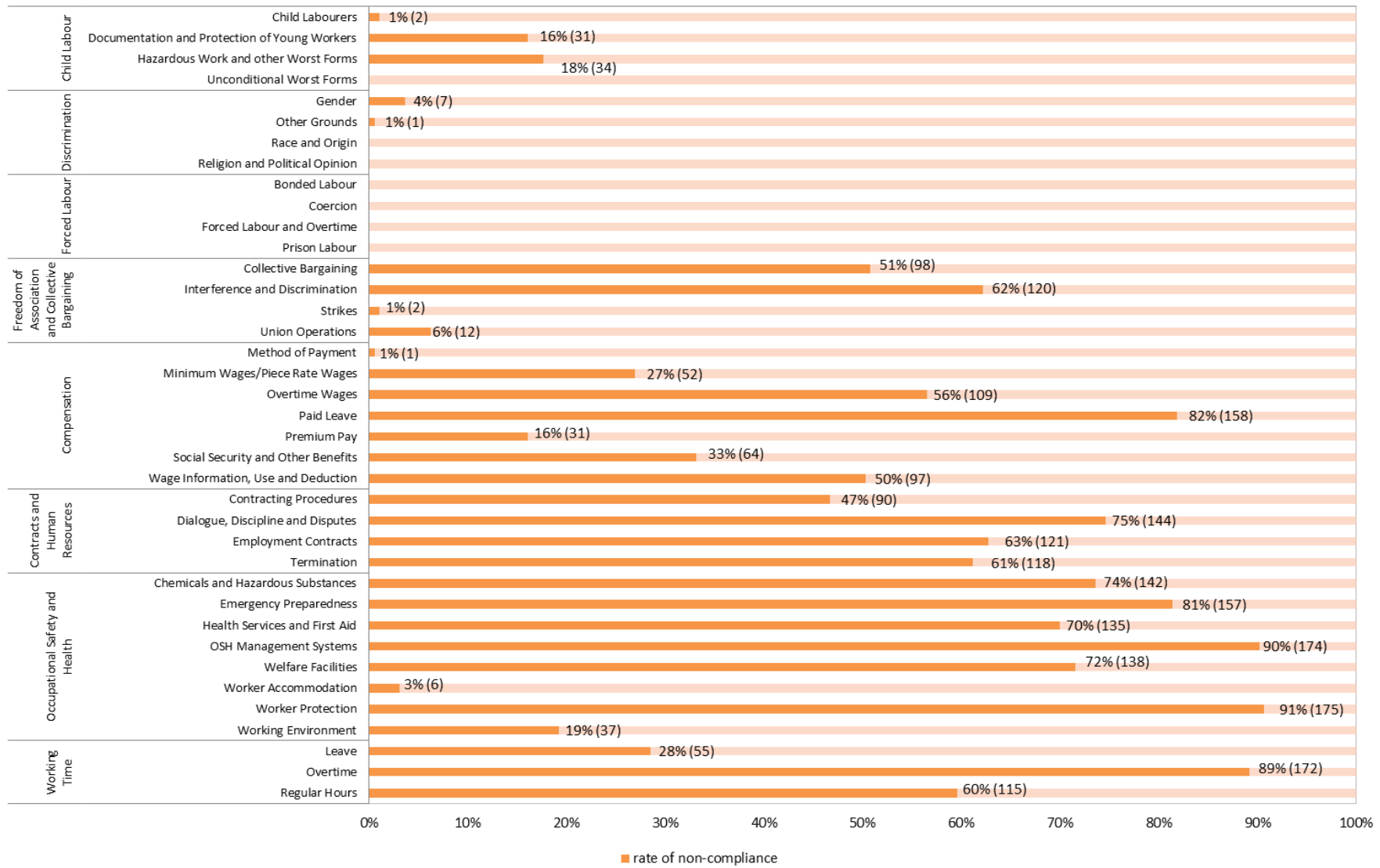
4. Working Time

Almost 9 in every 10 factories covered in this assessment period were non-compliant in the area of overtime, and this is particularly linked to non-adherence to legal overtime limits. Common not just in Vietnam but many other apparel exporting countries, excessive overtime is a systemic feature of the industry that has remained hard to reverse, and factories continue to cite supply chain issues largely beyond their control as major factors driving non-compliance.

Also in the working time cluster, sixty percent of factories were non-compliant on regular hours, the most acute problem, which is explained in Section II, is inconsistent and inaccurate working time records (i.e. records that don't reflect the actual hours worked).

A smaller yet still significant share of factories -28 percent, or 55 factories- were found non-compliant in terms of ensuring various forms of statutory leave for workers, including annual leave and sick leave, breastfeeding breaks for new mothers, and rest breaks for women during their periods.

Chart 1 : Average non-compliance rate⁷



⁷ A factory is found non-compliant in a compliance point if it is found out of compliance on any one aspect of it.

Detailed Findings (compliance question level)

1. Core labour standards

A. Child Labour

As illustrated above (Chart 1), occurrences of child labour in Better Work factories are rare; just 2 cases were found in the observation period, representing 1 percent of the sample. When child labour is found, Better Work activates its zero tolerance protocol, which involves factories removing the individual(s) from the factory immediately and signing a remediation plan which requires them to undergo additional advisory services to prevent future cases. Better Work also informs buyers and MOLISA within 48 hours of the finding, and works with a local NGO to remove the child from the factory and ensure his/her tracking. Starting in 2016, Better Work will also begin publicly disclosing factories that are found non-compliant on a list of 26 “critical issues”, including child labour.⁸

At the same time however, 16 percent of factories were found non-compliant in terms of documentation and protection of young workers, which relates to inadequacies in both age verification systems and the recording of working hours for young workers. Similarly, 18 percent (34 factories) were found to have under age workers engaged in hazardous forms of work, which usually relates to under-18s working more than 8 hours a day and 40 hours per week or working overtime or at night. By putting these workers on the same working time arrangement as regular adult workers (i.e. over 18s), which remains commonplace, factories are out of compliance with the law, since such work is legally defined as hazardous, regardless of its nature.

B. Discrimination

Non-compliance with laws concerning discrimination is low across Better Work factories, and this is partly related to the racial, religious and political homogeneity of the factory workforce (discrimination on the grounds of race, for instance, is low because there are little if any racial diversity in the industry). The largest area of discrimination is on grounds of gender, with 7 factories (4 percent of the sample) found non-compliant. This usually relates to factories stating a gender preference (usually for women) in job advertisements.

C. Forced Labour

No cases of forced labour were found among the 193 factories assessed.

D. Freedom of Association and Collective Bargaining

As highlighted in Chart 1, half of factories (51 percent) in the sample were found non-compliant in the area of collective bargaining. The biggest problem factories face in this regard concerns *process*, namely inadequate consultation between employer and unions (61 factories found non-compliant) and failure to secure approval for an agreement by more than 50 percent of workers covered (46 factories found non-compliant).

Where collective agreements are agreed upon, the data shows that the vast majority of employers implement the constituent provisions in full. Twenty-eight factories (15 percent) failed to make the agreement public for all workers.

Sixty-two percent of factories were found to be discriminating against or interfering in the activities of the trade union, which has been a longstanding and persistent feature of the garment industry in

⁸ The initiative, which is being rolled out in all Better Work countries, will apply only to those factories in their second cycle and beyond. Factories that are non-compliant on one or more critical issue will have their name publicly disclosed on the Better Work Vietnam website.

Vietnam (see below). Similarly, the data also reveals that management staff continue to sit on trade union executive committees in a large number of factories (87 out of 193, or 45 percent), which even when ambivalent, can undermine the function of the union as a representative voice for the workforce. At the same time, just 7 percent of factories were deemed to have had cases of direct and overt management interference in union activities, and fewer still (8 employers had actually “tried” to interfere) were found to have prevented workers from meeting without management present.

In Focus 1: Collective Bargaining

Question	# factories out of compliance
Does the employer consult with unions where legally required?	61
Has the collective agreement in force been approved by more than 50 percent of workers covered?	46
Has the employer implemented all provisions of the collective agreement(s) in force?	2
Has the employer made the collective bargaining agreement publically available to all workers?	28
If there is a collective agreement, does it provide more favorable terms and conditions for workers than the law?	12
Is the grassroots level union in the factory involved in the bargaining process at the enterprise level?	5

In Focus 2: Interference and Discrimination

Question	# factories out of compliance
Are workers free to meet without management present?	8
Has the employer tried to interfere with, manipulate, or control the union(s)?	14
Is senior management serving on the union executive committee?	97
Is the employer involved in union decision making, the formation of the constitution and rules, in union activities, administration, finances or elections?	112

2. Working Conditions

A. Compensation

Minimum wages / piece rate wages

Compliance with the law in the area of minimum and piece rate wages (In-Focus 3) is generally high, although 17 percent of factories still fail to pay at least the applicable legal minimum wage for ordinary hours of work to regular workers. In many cases, this relates to factories applying a standard salary formula based on a 26-day month, which then results in incorrect (i.e. under-) payment for the months having fewer than 26 days.⁹

Overtime wages

⁹ To calculate the salary payment, factories divide the monthly minimum wage by 26 days and multiply by the total number of days worked by the worker. However, in the shorter month of February, they should divide by 24 days before multiplying by the days worked.

Almost half of factories in the current sample (88, or 45 percent) did not pay workers correctly for all ordinary overtime hours worked, the main cause of which is the use of incorrect salary calculation formulas. Smaller numbers of factories also made incorrect payments for overtime at night (27 factories) and on public holidays (25 factories).

Paid Leave

Eighty-two percent of factories did not comply with the law vis-a-vis paid leave, meaning they failed to make correct or on-time payments for leave entitlements such as public holidays and annual and maternity leave. When the data is disaggregated to the question level, it is clear that a major driver of this high rate is the 147 factories that failed to settle maternity and sick leave claims within 3 working days (In Focus 5, below).

There are three common reasons why factories struggle to comply with this requirement. Firstly, owing to the typically high value of the cumulative claims –particularly for maternity leave, which is equal to 6 months’ salary- many factories are unwilling or unable to provide cash advances to workers while waiting to be reimbursed by the Social Insurance Office (which usually takes longer than the 3 days they have to make payment to the workers). Also, factory staff are also often wary of making mistakes in reviewing claims documents (including identifying false claims), thus prefer to allow the Social Insurance Office to approve the claim before making payment to the worker. Finally, many large factories argue that 3 working days is an unrealistic period for the scores of claims they have to settle at any one time.

Incorrect payment for annual leave was a problem for around a quarter of factories (48); non-compliance on this point typically stems from factories failing to round up decimals of 0.5 or higher for accrued annual leave days payable (i.e. 3.5 days should be rounded up to 4). Whilst many factories are aware of this requirement, it remains widely ignored in practice.

Social security and other benefits

Questions in In Focus 6 relate to payment of insurance premiums to the social insurance office. Factories are thus found non-compliant when they fail to pay such premiums in full, on time, or both.

Just under 40 percent of factories (75) failed to collect and forward worker contributions to the social insurance fund on time, while a slightly larger share (85, or 44 percent) failed to pay their employer contributions on time. As with leave payments (In Focus 5, above), many factories attribute their non-compliance in this regard to cash flow constraints.

Wage information, use and deductions

Half of factories (50 percent) were also found non-compliant in terms of wage information, use and deductions. While the vast majority of factories actually comply with the law when they make wage deductions (e.g. on the limits for deductions and the grounds on which they can be made), the main driver of non-compliance in this area is inaccurate or multiple payroll records (In Focus 6a, below). Ninety-five out of 193 factories lacked single accurate payrolls (49 percent), which reflects a number of common practices including separating overtime and weekend work from the main payroll and keeping separate records for certain types of workers.

In Focus 3: Minimum Wages/Piece Rate Wages

Question	# factories out of compliance
Does the employer pay apprentices the wage agreed to by the parties?	1

Does the employer pay at least 7 percent higher than the applicable legal minimum wage for ordinary hours of work to workers who have received vocational training?	9
Does the employer pay at least 85 percent of the wage paid to other workers for the same job for ordinary hours of work to probationary workers?	1
Does the employer pay at least the applicable legal minimum wage for ordinary hours of work to regular full time workers who perform the simple work under normal conditions?	34
Does the employer pay at least the applicable legal minimum wage for ordinary hours of work to temporary workers?	6
Does the employer pay piece rate workers correctly for ordinary hours of work?	13

In Focus 4: Overtime Wages

Question	# factories out of compliance
Does the employer pay workers correctly for all ordinary overtime hours worked	88
Does the employer pay workers correctly for all overtime hours worked at night?	27
Does the employer pay workers correctly for all overtime hours worked on public holidays?	25
Does the employer pay workers correctly for all overtime hours worked on weekly rest days?	56

In Focus 5: Paid Leave

Question	# factories out of compliance
Do entitled workers receive full average monthly wages and maternity allowance of two month's minimum wage?	4
Do pregnant workers receive correct payment when they take time off for prenatal care?	3
Do the workers receive correct payments when they take other types of personal leave that are covered by social insurance?	7
Do workers receive correct payment during sick leave?	6
Does the employer pay women workers for 30 minutes rest per day during their periods?	19
Does the employer pay workers correctly for legally required annual leave?	48
Does the employer pay workers correctly for personal leave?	3
Does the employer pay workers during work stoppages caused by the employer or by force majeure?	10
Does the employer pay workers for legally mandated paid public holidays?	5
Does the employer pay workers for one hour breastfeeding break per day?	7
Does the employer provide 1 hour of paid time off to workers in their last year of work before retirement?	7
Does the employer settle claims for sick leave and maternity leave within 3 working days?	147

In Focus 6: Social Security and Other Benefits

Question	# factories out of compliance
Does the employer collect and forward workers' contributions to social insurance funds on time?	75
Does the employer comply with requirements when workers have occupational accidents and diseases?	6
Does the employer pay the legally required employer contributions to social, health and unemployment insurance funds on time?	85
Does the employer pay workers who are not covered by compulsory social insurance the employer's contribution for social, health and unemployment insurance?	13

In Focus 6a: Wage information, use and deductions

Question	# factories out of compliance
Does the employer comply with national laws regarding wage deductions?	2
Does the employer keep only one accurate payroll record?	95
Does the employer properly inform workers about wage payments and deductions?	6

B. Contracts and Human Resources

As noted in Section II, contracts and human resources is an area of consistently weak compliance performance in the industry, and this is reflected in average non-compliance rates ranging from 47 percent (of factories) on contracting procedures to 75 percent on dialogue, discipline and disputes.

Contracting procedures

With regard to contracting procedures, almost a third of factories (58) do not comply with limits on the period of employment for probationary workers (In-Focus 7). A typical observation found in this regard is the practice of employing unskilled workers on probationary contracts of more than 6-days duration. Less widespread problems in this compliance point included failure to comply with requirements for apprentices (25 factories) and temporary transfers of workers to new work (15 factories), respectively.

Dialogue, discipline and disputes

On dialogue, discipline and disputes, the majority of factories (143, or 75 percent) do not comply with the requirement for compulsory dialogue in the workplace –a requirement that was added to the Better Work assessment in line with the new 2013 Labour Code (In-Focus 8).

Although Better Work has observed growing numbers of factories organizing dialogue at the workplace, a large proportion remain non-compliant because some legal requirements are still not met. In particular, many factories still fail to select worker participants at the annual labour conference, and many still do not comply with the content requirements of the dialogue, (the law states the dialogue should cover workplace terms, regulations and conditions, CBA and the business and production situation of the employer). As such, three-quarters of factories in the current sample remain non-compliant on this compliance point (Chart 1).

In addition, as In-Focus 8 illustrates, some 12 percent of factories did not follow legal regulations for disciplinary procedures (for example, in consulting the Trade Union about disciplinary decisions taken). Conversely, only a few isolated cases of harassment, bullying and unlawful grievance procedures were found; the vast majority of factories are in full compliance on these questions.

Employment contracts

In the area of employment contracts, the major drivers of non-compliance is the failure to specify the legally required terms and conditions of employment in worker contracts (71 factories out of compliance), and failure to ensure contracts comply with the labour law, collective agreements and work rules (66 factories out of compliance). In terms of the former, this is often due to factories not specifying terms on salary increases and skills development/training, while in the latter, it is often due to factories applying a longer probationary period than allowed by law for unskilled workers such as cleaners.

In addition, 31 factories (16 percent) were found to have workers performing work for the company without contracts. A common finding in this regard is factories leaving new workers uncontracted and hiding them from the official workforce in order to avoid paying mandatory social insurance contributions and other benefits (such as annual leave, personal leave, and seniority-based compensation).

Termination

Concerning Termination (In Focus 10), 79 factories (41 percent) did not settle all payments (for example wages, unused annual leave, severance pay) within seven days after termination of the labour contract. Non-compliance is common in this area due to the high frequency of workers leaving without a valid reason.

Forty-four factories (23 percent) were also found to be non-compliant regarding severance pay requirements. In particular, this remains a problem due to a recent clarification of the law which requires the maternity leave period to be counted as working time subject to severance pay, which many factories remain unaware of.¹⁰

Very few factories dismiss workers for reasons not allowed by the law, and the vast majority also comply with the requirement to pay resigned or terminated workers all the termination benefits they are entitled to (In-Focus 10). The leading source of non-compliance in this area is the failure to settle payments to terminated workers within seven working days (86 factories, or 45 percent).

In Focus 7: Contracting Procedures

Question	# factories out of compliance
Does the employer comply with limits on the period of employment for probationary workers?	58
Does the employer comply with national law concerning sub-contracted workers at the workplace?	5
Does the employer comply with requirements for apprentices?	24
Does the employer comply with requirements for temporary transfers of workers to new work?	15
Does the employer sign more than two consecutive fixed term contracts with workers?	11

In Focus 8: Dialogue, Discipline and Disputes

Question	# factories out of compliance
Did the employer resolve grievances and disputes in compliance with	2

¹⁰ The original clarification of the law was made in early 2013, however BWV started applying it in assessments from June 2015, following a further confirmation of the law's requirements by MOLISA.

legal requirements?	
Do disciplinary measures comply with legal requirements?	23
Does dialogue at the workplace take place in compliance with legal requirement?	143
Have any workers been bullied, harassed or subject to humiliating treatment?	2

In Focus 9: Employment Contracts

Question	# factories out of compliance
Do all persons who perform work for the factory, both on the premises and offsite, have a contract?	31
Do the contracts comply with the labour law, collective agreement and work rules?	66
Do the employment contracts specify the terms and conditions of employment?	71
Do the internal work rules comply with national law?	39
Do workers understand the terms and conditions of employment?	25

In Focus 10: Termination

Question	# factories out of compliance
Do resigned or terminated workers receive all other termination benefits required by law?	4
Do workers have an opportunity to defend themselves before they are terminated based on their conduct or performance?	18
Does the employer compensate workers for unused paid annual leave when they resign or are terminated?	24
Does the employer comply with requirements regarding severance pay?	44
Does the employer dismiss workers for reasons that are not allowed by law?	1
Does the employer provide workers proper notice of termination?	3
Does the employer settle all the payments within seven working days after termination of the labour contract?	86
Does the employer terminate workers for reasons that are prohibited by law?	6
Does the employer unilaterally terminate workers for reasons that are not allowed by law?	1

C. Occupational Safety and Health

Occupational Safety and Health remains an area of persistently high non-compliance, with many aspects requiring a systemic approach to hazard prevention rather than reactive problem-fixing, which remains the more common approach.

Chemicals and Hazardous Substances

114 factories, or 59 percent of the sample, were found non-compliant in the last twelve months due to inadequate chemical labelling; while absence of chemical safety records was a problem for another 75 factories. These are typical issues which can be rectified quickly but cannot be prevented without systemic attention to the management of OSH risks. Other common issues in this area

include improper storage (66 factories non-compliant), lack of inventories (43 factories), and inadequate chemical training for workers (44 factories).

Emergency preparedness

Similarly, on emergency preparedness, conditions are improving but non-compliance remains widespread, particularly in terms of access to emergency exits and fire safety. One hundred and eight factories, for example, were found to have obstructed, inaccessible or locked emergency exits – a problem which is particularly acute among smaller factories operating in constrained spaces (In-Focus 12). Non-compliance in this area is also exacerbated by the generally low application of systems of workplace organization such as 5S.

Although compliance with fire preparedness measures (such as regular drills and training of workers on emergency evacuation and use of firefighting equipment) is high, concerns remain in other areas of fire safety, for example in failing to install adequate fire detection and alarm systems (78 factories non-compliant) and having inadequate firefighting equipment (66 factories non-compliant). As is common practice in Vietnam, Better Work often observes cases whereby fire detectors are only installed in warehouses, instead of in all production houses with a volume of 5000 m³ or above.

Health services and first aid

Just under half of factories failed to provide female workers with gynecology health checks every six months (In-Focus 13), with many of them providing an annual check-up instead. A third also failed to provide health checks to juvenile and elderly workers and those exposed to workplace hazards. . The vast majority, however, do ensure that all workers doing regular (i.e. non-hazardous) work receive their annual medical checks.

Smaller but still significant shares of factories fail to pay sufficient attention to legal requirements for first aid training (64 factories) and HIV/AIDS information and training for workers (70 factories).

OSH management systems

A significant proportion of factories do not have adequate OSH management systems, as evidenced by the relatively high numbers found non-compliant vis-à-vis risk assessment (69 factories), and the development of both annual OSH plans (69 factories), and the document on working conditions and the environment (68 factories) (In-Focus 14). In the latter case, it is also true that this document is rarely –if ever- checked by authorities other than BWV, which leads many factories to neglect it.

Most significantly however, the majority of factories (164, or 85 percent) had not set up a properly functioning Unit in charge of OSH and/or Labour Protection Council and OSH collaborators network, as required by law. The most common reasons for non-compliance on this point include limited staff (i.e. not having enough full time OSH officers to meet the legal requirements), lack of a “functional” Labor Protection Council (even though it is established in principle), and the failure to pay the required responsibility allowance for members of the OSH collaborator network (a new requirement added to the BW assessment in 2014).

Welfare Facilities

On welfare facilities, the major cause of non-compliance is the failure to provide all workers a place to store their clothes –which was true for more than 100 factories in the current sample (In-Focus 15). This problem is particularly acute in smaller factories and those with constrained spaces. Twenty percent of factories also failed to comply with requirements regarding canteen –which mostly relates to the irregularity of health checks for canteen staff and insufficient sinks for the number of workers in the canteen.

Worker protection

More than 40 percent factories did not provide necessary personal protective clothing and equipment to workers. Thirty-seven percent also failed to ensure proper guards are installed and maintained on all dangerous moving parts of machines and equipment, while a similar proportion (34 percent) failed to ensure workers used machines and equipment safely. In the latter two cases, the burden of responsibility for meeting the legal requirements lies with the workers as well as the employer, since they relate to how the workers use machines and other equipment in the workplace. A case in point is the commonly observed practice of workers repositioning or removing needle guards from sewing machines, ostensibly to improve visibility (but for which the factory will be found non-compliant under this compliance point). Similarly, workers in 68 factories were found not to be using the PPE provided, which whilst certainly a responsibility of the factory to prevent, can be difficult to do so without the support of worker commitment to the practice.

Fifty-one factories were also found non-compliant for having poorly installed or maintained electrical equipment, a fire safety issue which has taken on added importance in recent years amid high profile factory fires, and for which Better Work assessors take a far more stringent view.

Working environment

In general, the majority of factories comply with requirements concerning the working environment. The most significant problem highlighted by the data –and corroborated by BW assessors- is that of excessively high temperatures in the workplace, followed by inadequate ventilation, which affected 19 and 11 factories, respectively. Both issues are linked and should in reality be relatively simple to resolve and maintain. Relatively few factories have problems with noise, lighting and cleanliness and tidiness.

In Focus 11: Chemicals and Hazardous Substances

Question	# factories out of compliance
Are chemicals and hazardous substances properly labelled?	114
Are chemicals and hazardous substances properly stored?	66
Does the employer keep an inventory of hazardous chemicals used in the workplace?	43
Does the employer keep chemical safety records for the hazardous chemicals used in the workplace?	75
Does the employer provide adequate washing facilities and cleansing materials in the event of exposure to hazardous chemicals?	52
Has the employer effectively trained workers and supervisor who work with or are responsible for hazardous chemicals?	44
Has the employer taken actions to assess, monitor, prevent and/or limit workers' exposure to hazardous chemicals?	67

In Focus 12: Emergency Preparedness

Question	# factories out of compliance
Are any of the emergency exits inaccessible, obstructed, or locked during working hours, including overtime?	108
Are emergency exits and escape routes clearly marked?	78
Are possible sources of ignition appropriately safeguarded?	35

Are there at least 2 possible exits for all workers, where required?	10
Does the employer comply with size requirements for escape routes?	25
Does the employer conduct at least one emergency drill per year?	17
Does the workplace have a fire detection and alarm system?	78
Does the workplace have adequate fire-fighting equipment?	66
Has the employer developed and trained workers on an emergency evacuation plan?	13
Has the employer trained an appropriate number of workers to use the fire-fighting equipment?	22

In Focus 13: Health Services and First Aid

Question	# factories out of compliance
Do female workers receive periodical gynecology health checks every 6 months?	93
Do workers who are exposed to work-related hazards, are disabled, juvenile and/or elderly receive free periodical health checks every 6 months?	67
Do workers who are not exposed to work-related hazards receive annual medical checks?	4
Does the employer adequately protect pregnant or nursing workers against safety and health risks?	25
Does the employer comply with the law on HIV/AIDS Prevention and Control?	70
Does the workplace have sufficient onsite medical facilities and staff?	20
Has the employer ensured that there are a sufficient number of readily accessible first aid boxes/supplies in the workplace?	23
Has the employer provided first-aid training for workers?	64

In Focus 14: OSH Management Systems

Question	# factories out of compliance
Does the employer conduct risk assessment?	69
Does the employer develop an OSH plan annually?	69
Does the employer develop the Document on Working Conditions and Environment?	68
Does the employer have legally required construction/building permits?	45
Does the employer inspect and measure the environmental conditions in the workplace on an annual basis?	19
Does the employer keep updated records of work-related accidents and diseases?	40
Does the employer regularly inspect and maintain machines, equipment, buildings and stores?	30
Has the employer set up a properly functioning Unit in charge of OSH and/or Labour Protection Council and OSH collaborators network?	164

In Focus 15: Welfare Facilities

Question	# factories out of compliance
Does the employer comply with requirements regarding canteen?	39
Does the employer keep food samples for 24 hours?	17
Does the employer provide workers enough free safe drinking water?	7

Does the workplace have adequate accessible toilets?	18
Does the workplace have adequate hand washing water taps?	25
Does the workplace provide all workers a place to store their clothes?	102
Is the workplace clean and tidy?	31

In Focus 16: Worker Protection

Question	# factories out of compliance
Are electrical wires, switches or plugs properly installed, grounded, and maintained?	57
Are materials, tools, switches, and controls within easy reach of workers?	1
Are proper guards installed and maintained on all dangerous moving parts of machines and equipment?	71
Are standing workers properly accommodated?	42
Are there appropriate safety warnings posted in the workplace?	26
Are there sufficient measures in place to avoid heavy lifting by workers?	9
Are workers effectively trained on occupational health and safety?	2
Are workers effectively trained to use machines and equipment safely?	16
Are workers effectively trained to use the personal protective equipment that is provided?	20
Are workers protected against falls from heights?	30
Do workers have suitable chairs?	12
Do workers use the machines and equipment in a safe manner?	67
Do workers use the personal protective equipment that is provided?	68
Does the employer comply with ergonomic requirements?	8
Does the employer comply with legal requirements related to machines and equipment subject to strict occupational safety requirements?	45
Does the employer comply with legal requirements related to work subject to strict occupational safety requirements?	7
Does the employer provide workers with all necessary personal protective clothing and equipment?	83

In Focus 17: Working Environment

Question	# factories out of compliance
Is the noise level in the workplace acceptable?	9
Is the temperature in the workplace acceptable?	19
Is the workplace adequately lit?	9
Is the workplace adequately ventilated?	11
Is the workplace clean and tidy?	4

D. Working Time

Compliance rates are generally high among Better Work factories in the area of Leave, with most questions having fewer than ten non-compliant factories (out of the sample of 193). The most problematic issue is the failure to allow female workers a 30 minute (paid) break during their period, of which 15 percent of factories were found non-compliant (In Focus 18). Just under ten percent of factories failed to provide time off for breastfeeding breaks, while the same share was also non-

compliant in terms of providing correct annual leave. Often, in the case of the latter, this relates to factories providing fewer than the statutory 14 days annual leave for workers doing heavy or hazardous work like cutting, sewing and operating machines.

In Focus 19 illustrates the compliance situation with regard to overtime, and highlights in particular the extent of the challenge facing the industry vis-à-vis excessive overtime. The vast majority of factories fail to comply with legal overtime limits (168, or 87 percent), be they daily, monthly or yearly.¹¹ In addition, owing primarily to the prevalence of Sunday work among certain groups of workers (e.g. security guards, maintenance staff), still more than half of factories fail to ensure workers have at least four rest days per month when weekly rest (i.e. on Sundays) is not available.

On Regular Hours, 101 factories were found to have working time records that do not reflect the hours actually worked (In Focus 20). This typically reflects attempts to conceal the time worked by workers outside regular working hours (such as on Sundays), which in turn results in inconsistencies both in working time and payroll records. Twenty-seven factories also failed to comply with shift work requirements, which is often linked to security guards not being given at least a 12 hour break between two shifts.

In Focus 18: Leave

Question	# factories out of compliance
Are pregnant workers provided time off for prenatal visits?	3
Are workers able to take time off for annual leave and not forced to accept payment for it instead?	2
Does the employer allow workers to take 30 minutes rest during their period?	29
Does the employer comply with the entitlement to sick leave?	2
Does the employer comply with the law regarding other types of leave?	3
Does the employer provide 1 hour off to elderly workers in their last year of work before retirement?	8
Does the employer provide required annual leave to workers with at least 12 months' experience?	19
Does the employer provide required time off for breastfeeding breaks?	19

In Focus 19: Overtime

Question	# factories out of compliance
Does the employer comply with limits on overtime hours worked?	168
Does the employer comply with notice requirements regarding overtime?	18
Does the employer ensure that workers have on average at least 4 rest days per month when weekly rest is not possible?	102
Is overtime work voluntary?	15

¹¹ If a factory is on-compliant on one or more of the limits (daily, monthly, yearly) then it is found NC on this question. In early 2015, Better Work Vietnam replaced the general “overtime limits” question with three individual questions: on daily, monthly and yearly limits. In future Synthesis Reports, it will therefore be able to offer deeper insight into precisely which limits factories are failing to comply with the most.

In Focus 20: Regular Hours

Question	# factories out of compliance
Do regular daily working hours exceed 8 hours?	7
Do regular weekly working hours exceed 48 hours?	8
Do the working time records reflect the hours actually worked?	101
Does the employer comply with daily break periods?	16
Does the employer comply with shift work requirements?	27
Does the employer give workers at least one day off per week?	4

Section III: Changes in Compliance

Methodology

This section of the synthesis report concerns only the 111 factories that have been assessed more than once by Better Work Vietnam. Chart 2 shows the **changes in non-compliance** -or “**compliance effort**”- that have occurred in these factories between their most recent assessment and the assessment prior to it.

As illustrated in Chart 2, positive percentages indicate improved performance (rising compliance between the last two assessments) and negative percentages indicate a decline in performance (falling compliance between the last two assessments). While the changes explained in this section are indicative of changes over time, the observation period remains too short to consider them “trends”.

In addition, it is important to highlight that the data may not fully capture all improvements made at a factory, not least because there are situations whereby compliance points remain ‘non-compliant’ even despite positive changes being made at the question level.

For instance, a factory that has made improvements in adhering to daily or weekly overtime limits may remain “non-compliant” in the area of overtime if it doesn’t adhere to annual overtime limits. Similarly, if many (but not all) factory workers had started to wear personal protective equipment, or many (but not all) chemicals were now labeled, these questions would still be reported as non-compliant overall.

Among the 111 factories examined, improvements in compliance (between the most recent and penultimate assessment) have been observed in 24 out of the 36 compliance points.¹² This points to broad-based gains across much of Better Work’s focus areas, including those typically viewed as needing long term effort and attitudinal change among factories. Rising compliance in the area of union operations, for example, points to growing recognition that unions are an important and equal partner in collective bargaining and the development of other worker-related policies.

Compliance performance across each of the 8 Better Work clusters is explored in detail below.

Core Labour Standards

1. Child Labour

Compliance effort in the Child Labour cluster closely reflects the pattern observed in the previous synthesis report, with the biggest improvement in compliance coming in the documentation and protection of young workers. Between the most recent and penultimate assessments, compliance rose by 7 percent, reflecting ongoing improvements to both age verification systems and record-keeping of workers under 18 years of age. While the former helps to prevent child labour at the recruitment stage, the latter enables factories to arrange appropriate jobs for young workers (i.e. between 15 and 18 years of age) to protect their wellbeing and ensure compliance with the law.

There was also a 4 percent improvement in compliance effort in terms of reducing the prevalence of young workers (i.e. under 18) found in hazardous forms of work. This is reflective of factories being

¹² In the 7th Synthesis Report, this was 19 out of 36 compliance points, which although not strictly comparable due to differing samples (size and composition), remains indicative of the widening scope of improvement across Better Work factories.

now more aware of the 40-hour a week requirement for juvenile workers (i.e. aged 15 to 18 years), which was newly introduced by the 2012 Labour Code (effective 2013).

2. Forced Labour

Improvements have also been made in the area of forced labour, with compliance vis-à-vis coercion rising by 2 percent. This suggests that over the observation period, comparably fewer factories restricted workers from leaving their workplace, for example by limiting toilet breaks or requiring their permission to leave after official working hours (i.e. when they don't want to work overtime).

3. Discrimination

Mirroring a pattern observed in the 7th Report (2014), rates of non-compliance have **fallen by 40 percent** in the area of "other grounds" of discrimination, which specifically relates to disability. This stems from the May 2013 removal of the quota system which required enterprises to ensure 3 percent of their workforce were persons with disabilities, and which had led to high rates of non-compliance. Following the removal of this requirement, average compliance rates in this compliance cluster rose significantly.

Although the majority of factories in the current sample have been assessed two times since the removal of the quota, there remain some for which their penultimate assessment was conducted while the law was still in place. Being found non-compliant during this assessment, then compliant at the next, (i.e. after the law was amended) is likely to be the main factor driving the improvement in compliance effort in the data.

4. Freedom of Association and Collective Bargaining

In the area of FOA and collective bargaining, the largest single improvement came in the area of union operations, (46 percent rise), which reflects BWV findings that more employers are involving trade unions in collective bargaining and the development of worker related policies, as well as in providing them a favorable environment in which to conduct their activities.

At the same time, compliance fell by 11 percent in the area of collective bargaining, which is most likely linked to the addition of the new assessment question, "has the employer made the CBA publically available to workers?" Even when they do accommodate votes to approve it, many factories still do not adequately share the final collective bargaining agreement with all staff as required by law.

Compliance effort also rose by 13 percent in the area of interference and discrimination, which suggests that factories are now more willing to allow trade unions to operate free of management influence. However, at the same time it must also be noted that since 2013, Better Work has only marked factories as non-compliant when senior management are serving on union executive committee boards, which has led to reduced non-compliance on this particular question.¹³ Nevertheless, together with the aforementioned gains in the area of union operations, this observation is indicative of continued progress towards more effective and representative enterprise level unions.

Working Conditions

¹³ Senior management is defined as management staff who directly report to or are linked to the CEO (i.e. general managers, production managers, finance managers, HR manager, etc). This is to be distinguished from other management such as section and departmental managers and those at lower levels not directly reporting/linked to the CEO.

5. Compensation

Four out of the seven compliance points in the “Compensation” cluster have shown rising compliance rates between the last two assessments. The biggest improvement in compliance effort has come in the area of wage information, use and deductions, which recorded a 7 percent increase in compliance. Although average compliance rates remain high in this area (see Section II and In-Focus 6a), rising compliance effort may reflect improvements to the accuracy and transparency of payrolls in particular (since this is the major source of non-compliance under this point), although this cannot be robustly verified without further research.

Similarly, although more than 80 percent of factories remain non-compliant in the area of paid leave, Chart 2 shows modest improvements in compliance over the last two assessments, with an increase (in compliance) of 4 percent. A 3 percent improvement in compliance effort is also observed for social security payments, although overall rates of non-compliance in this area are far lower than for paid leave.

At the same time, compliance effort has declined somewhat in several areas, most notably on minimum and piece rate wages and on overtime wages. The 6 percent decline in compliance observed for the former relates largely to the aforementioned problem of applying a consistent salary formula based on 26 days a month throughout the year, and thus underpaying certain workers for months having fewer than 26 days (see Section II). When their salary payment is divided by 26 days instead of 24 days, for example, and then multiplied by the actual number of days worked, some of the lowest paid workers do not receive at least the legal minimum wage.

The concurrent 5 percent fall in compliance on overtime wages is linked to the above, since factories that under-pay workers through miscalculation of their salary will be non-compliant on this point too, as the basis on which they calculate the overtime rate will also be incorrect.

6. Contracts and HR

The major change in compliance rate in the area of contracts and HR over the observed period has come in the area of dialogue, discipline and disputes, which has seen a 41 percent decline. This deterioration can be largely attributed to new (and stricter) criteria for marking factories as compliant on the question “*does dialogue at the workplace take place in compliance with legal requirements?*” Specifically, since mid-2014, factories have had to meet additional criteria above and beyond having a worker-management committee (PICC), which was the sole earlier basis for compliance decisions, and which resulted in far fewer cases of non-compliance. At the same time, the fact that overall non-compliance remains high in this area raises concerns that factories are either continuing to misunderstand the requirements of the law, or are not fully committed to implementing and institutionalizing social dialogue in their workplaces.

Given that the observation period for this sample covers broadly the second year of implementation of the new Labour Code (and accordingly, the new article pertaining to compulsory social dialogue) the observed decline in compliance effort may also be linked to failures –either consciously or through inadequate knowledge- to elect/re-elect social dialogue members during the annual labour conference. Moreover, in many recent cases, Better Work advisors have observed that while dialogue is becoming more common, many factories are still falling short of legal requirements in terms of the composition, preparation and content of this dialogue.

Compliance effort has also declined by 9 percent in the area of “termination”. In this regard, Better Work has observed a slight upturn in cases whereby the employer does not follow proper termination procedures (especially the due process for informing workers of termination and giving them adequate chance to defend themselves beforehand) and/or fails to settle related payments to resigned or terminated workers within 7 working days.

7. OSH

There has been broad progress across the area of occupational safety and health, with the exception of OSH management systems and worker protection, which posted 19 percent and 6 percent declines in compliance, respectively.

Declining compliance on OSH management may be explained by a number of factors. Firstly, while recent years has seen a growing share of factories establishing an OSH collaborator's network (a legal requirement in the current and previous Labour Codes), the reality remains that many of these bodies are not functional. This is often related to the fact network members are not paid the legally required allowance for performing their duties. Prior to 2014, BWV didn't assess factories against this requirement, but in the last year it has added a question on responsibility allowances, which led to a rise in non-compliance findings. Similarly, in 2014 BWV also added a question requiring factories to show building and construction permits, which has tripped up many factories –especially those whose buildings were constructed before such permits were required- and helped push compliance rates down in the area of OSH management.

Compliance effort also fell by 6 percent in the area of worker protection, which covers a broad range of issues including provision and use of PPE, training (on OSH and on machinery use), usage of machinery and equipment, and electrical safety (e.g. wires, switches, plugs and appliances). This change is likely related to the fact that since April 2014, factories have been required –amongst other things- to establish a PPE delivery logbook, which many factories have so far failed to do. This requirement was added to the existing Better Work assessment question, *“Does the employer provide workers with all necessary personal protective clothing and equipment”* in April 2014.¹⁴

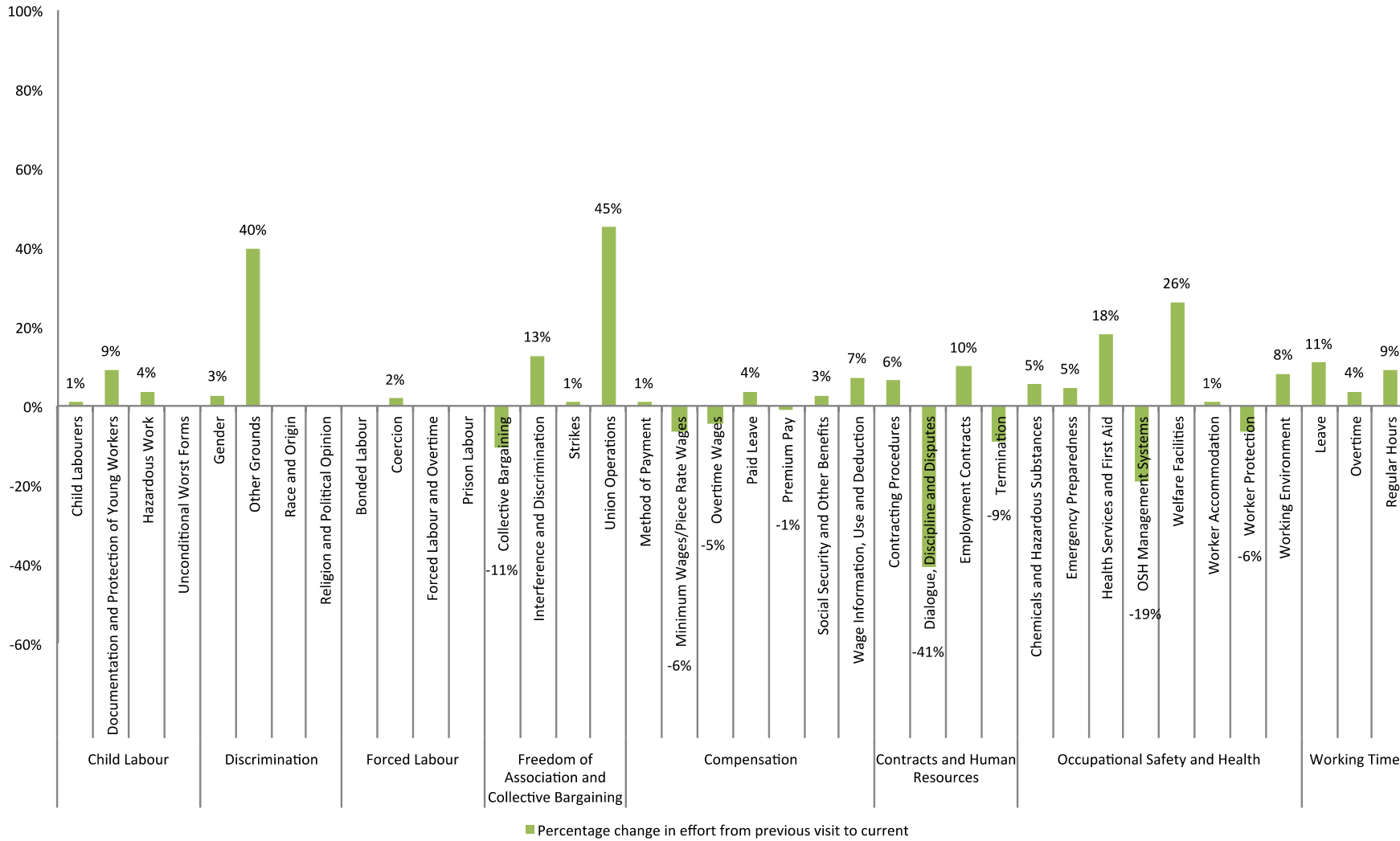
More positively, compliance effort has also risen in a number of key areas, including welfare facilities (26 percent rise) and health services and first aid (18 percent rise), although the latter is due largely to the removal of the BW assessment question on shower rooms, on which many factories found themselves previously non-compliant. The improvement in health services and first aid provisions can be linked to the relaxation of requirements on health check items, which has reduced the cost to enterprises of ensuring workers receive bi-annual health checkups in line with the law.

8. Working time

Working time, consisting of questions on regular hours, overtime and leave, is an area of solid improvement in recent compliance effort. Between the last two assessments, more factories have been able to provide correct leave entitlements to their staff, including sick leave, maternity leave and mandatory breaks for pregnant, menstruating and breastfeeding workers –as evidenced by an 11 percent increase in compliance effort. Similarly, compliance in the area of regular hours also rose by 9 percent, which is an important development considering the overall high rate of non-compliance in this area (60 percent, as illustrated in Chart 1). Progress was moderate but positive too in the area of overtime (4 percent rise in compliance effort), which is likely driven by improving adherence to weekly rest day rules and overtime limits in particular.

¹⁴ Circular 04/2014/TT-BLDTBXH

Chart 2 : Compliance Effort



Section IV: Conclusions

Context

The 8th Better Work Vietnam Synthesis Report represents an up to date snapshot of the state of working conditions and labour standards across a broad range of factories enrolled in the programme for between one and five years. It includes factories of diverse ownership, size and structure, as well as divergent performance in terms of labour law compliance.

Moreover, while the sample used to produce this report is not statistically representative of all factories in the country¹⁵, many of the characteristics and challenges it identifies are recognized by national stakeholders as industry-wide concerns. In this regard, the lessons drawn from this report should have wider relevance and applicability in shaping the future direction of the industry.

Assessment results from factories covered in this report are largely consistent with the findings of other recent reports, with non-compliance most heavily concentrated in the working conditions clusters, particularly Occupational Safety and Health and Contracts and Human Resources. In terms of core labour standards, the Freedom of Association cluster is the area of highest non-compliance, with major challenges highlighted in terms of collective bargaining and management interference in union activities.

Since the last report was published, the Better Work programme has undergone rapid expansion, adding around 100 factories in 2014 alone – a 50 percent increase on the previous year. In March 2014 the programme opened a branch office in Hanoi to service the growing demand from factories in the Northern provinces. This growth is reflected in the sample used for this report, which includes 82 new factories. It may also be evident in the form of higher non-compliance rates in some areas (compared with the last report), since experience has shown that new factories tend to have weaker compliance records than the more established Better Work factories. In particular, BWV has found that new enterprises not only lack the required knowledge of the national law and international labour standards, but they also show limited understanding of core concepts such as social dialogue, which is at the heart of Better Work's philosophy for continuous enterprise improvement.

Rising non-compliance in certain areas over the last twelve months or more may be attributed to a range of factors, including but not limited to actual declines in factory performance. As noted in the 7th report, non-compliance findings can also arise when Better Work staff are better trained or more experienced to uncover issues, and they are also influenced by both the addition of new factories to the sample and the addition of new questions to the assessment.

Results

Non-compliance is highest and most concentrated in OSH cluster, and while there are short term and indicative signs that compliance is improving in some areas, the fact that progress is not evident in the area of OSH management suggests that many factories are still failing to adopt a systems-based approach to improvement.

¹⁵ According to the Vietnam Textile and Apparel Association (VITAS), there were 5,982 textile and apparel factories in the country in 2013, 70 percent of which were apparel producers. Available at: http://www.amchamvietnam.com/wp-content/uploads/2013/05/130328-2.4.e.-VINATEX_TPP-negotiation-Opportunities-and-challenges-for-Viet-Nam percentE2 percent80 percent99s-textile-and-apparel-industry-web.pdf

Factories also still struggle to comply with laws concerning contracts and human resources, which include issues around dialogue, disciplinary and dispute procedures. This suggests a need for more training and guidance on how to implement the compulsory social dialogue provisions of the law, as well as a redoubling of efforts to build a resilient “culture” of dialogue in the workplace, based on the recognition that this benefits both business performance and industrial harmony.

Excessive overtime remains a significant problem in the industry, and is driven by both internal production and productivity weaknesses and the purchasing practices of buyers. Better Work is active in both areas, having now placed greater emphasis on productivity and production planning in its training and advisory work, as well as scaling up research and advocacy on buyer practices and their impact at the factory level.

Non-compliance rates vary across the compensation cluster: while most factories *comply* with laws on wage information, use and deductions, non-compliance remains widespread –albeit improving of late- in terms of paid leave and multiple/inaccurate payroll records.¹⁶ In the case of payrolls, Better Work continues to promote transparency, that is, to advise factories to disclose additional records, whilst at the same time working with buyers to ensure that factories which do so are not met with immediate reprisals.

Many factories still have senior managers serving on union executive committees, and this represents one of the key compliance challenges in the area of Freedom of Association. While this remains a common and accepted feature of the industrial relations landscape, positive recent changes in compliance effort indicate that progress is being made. On collective bargaining, a lack of understanding particularly about the process required to reach an acceptable agreement not only weighs on compliance rates, but also points to a more substantive lack of institutionalized social dialogue in many enterprises. BWV continues to provide training and advice to factories in this area, as well as learning seminars that disseminate good practices across the industry.

Non-compliance in the remaining core labour standards clusters –discrimination, forced labour and child labour- remains on the whole low and in many cases falling. Cases of discrimination remain rare, although this does not mean that more subtle and hard to identify forms do not occur, while in terms of child labour, the most significant problem remains the documentation and protection of young workers and hazardous work (among under 18s). Efforts taken by Better Work to address this have included its shared learning seminar series, which have delivered expert guidance and practical examples of how to manage young workers effectively and within the law.

The future

Better Work is currently rolling out its adjusted service model, the cornerstones of which are a deeper focus on advisory services and handing factories greater responsibility for own improvement process. In particular, instead of starting with an assessment, the factory cycle will now begin with around 100 days of initial advisory services, during which factories will complete a new self-diagnosis exercise, as well as establish a bipartite Performance Improvement Consultative Committee (PICC) if they don't already have one. While the self-diagnosis is designed to encourage factories to voluntarily and proactively identify the challenges they face, the assessment will be used to verify the situation and develop a shared baseline on which to guide the subsequent advisory process.

In addition, starting in 2016, Better Work will also start publicly disclosing factories for non-compliance on selected “critical issues” –a move which it hopes will strengthen the integrity and public accountability of the programme. It will also introduce a new service package for high performance factories, based on a pre-

¹⁶ Multiple and/or inaccurate payroll records are often used as a means to hide additional working time that may exceed legal limits.

defined set of criteria, and which will include incentives such as less frequent assessments and more advanced advisory and improvement activities.

Better Work Vietnam will also continue to work with the Ministry of Labor, Invalids and Social Affairs (MoLISA), the Vietnam General Confederation of Labor (VGCL) and the Vietnam Chamber of Commerce and Industry (VCCI) to develop strategies both to improve compliance and strengthen the business case for good labour standards. Key to this will be leveraging Better Work's extensive experience and research to demonstrate how such standards can bring tangible business outcomes, in terms of quality, productivity and more harmonious industrial relations.

Moreover, pursuant to the revised Labor Code (effective May 2013), Better Work Vietnam will continue to use tripartite collaboration to promote social dialogue in the workplace, not just as a legal requirement but as a constructive "culture" of doing business. To achieve this, Better Work will highlight emerging good practices and business success stories that have been generated by this approach in practice.

Annex A: Factories covered in this report

3Q Vina Co. Ltd.	Ltd.)	VN11095NUR (Nurian Vietnam Co. Ltd.)
VN09001PRO - Protrade Garment Co. Ltd.	VN10049ECL (Eclat Textile Co., Ltd (Viet Nam)	VN11096LUC (Lucretia)
VN09002USV (United Sweethearts Garments (Vietnam) Co. Ltd.)	VN10050KLT (KL Texwell Vina Co. Ltd.)	VN11097AFV (A First Vina)
VN09003SHI (Shinsung Vina)	VN10051COL (COLLTEX GARMENT MFY CO LTD., (VN)	VN11098NAH (Nahal Vina Co. Ltd.)
VN09004NBB (NB Blue)	VN10054QUX (Quang Xuan Trading and Service Co. Ltd.)	VN11099PRE (Precious Garments VN Co. Ltd.)
VN09005SAI (Saitex International Vietnam)	VN10056VIT (Tong Cong Ty Co Phan May Viet Tien)	VN11100MDK (M.D.K Embroideries Co. Ltd.)
VN09007HVN (Hansae Vietnam)	VN10057ESQ (Esquel Garment Manufacturing (Vietnam) Co. Ltd.)	VN11101NAM (Nam Ho Co. Ltd.)
VN09008HTN (Hansae TN)	VN10061NAY (Nam Yang)	VN11102SIM (SIMONE ACCESSORIES COLLECTION VIETNAM LIMITED)
VN10010LNS (L&S Vina Co. Ltd.)	VN10063THU (Thao Uyen)	VN11106VIM (Viet My Export Garment Co. Ltd.)
VN10011LOT (Lotus Textile & Garment)	VN10064EPI (Epic Designers (VN) Ltd)	VN11107MNJ (M&J Garment-Printing-Embroidery Co. Ltd.))
VN10015KSG (King Star Garment)	VN10065DEW (Deuck Woo)	VN11110THP (Thuan Phuong Embroideries)
VN10017HSV (Hansoll Vina)	VN10066NYS (Namyang Song May Co. Ltd.)	VN11111SAO (Sao In Garment Embroidery Imp/Exp Co. Ltd.)
VN10021NBV (Nobland Vietnam)	VN10067SUN (Sunny Wide Garment VN Co. Ltd.)	VN11112KAN (Kanaan Saigon)
VN10022SAR (Sarah Co. Ltd.)	VN11070HAD (Dae Kwang Apparel Co. Ltd.)	VN11113TRF (Top Royal Flash)
VN10023PIN (Poong In Vina Co. Ltd.)	VN11072YPV (Yupoong Vietnam)	VN11114CUT (Cuong Tai Co., Ltd.)
VN10025JJM (Jiangsu Jing Meng Vietnam CO., LTD)	VN11074TVC (Tai Viet Camping Products Industries Co. Ltd.)	VN11116ALL (Alliance One)
VN10026TNT (T&T Co. Ltd.)	VN11076BPI (Branch of Poong In Vina Co. Ltd.)	VN11117TRI (Triple Garment Co., Ltd.)
VN10027DKM (Dae Kwang - Maika Co. Ltd)	VN11080ASG (Asia Garment Manufacturer)	VN11120INY (I&Y Co. Ltd.)
VN10031SHB (Shillabags International Co.)	VN11082WAS (Washi Washi Co. Ltd.)	VN11121LON (Longway Vietnam Co. Ltd.)
VN10032KHG (King Hung Garments Industrial Co.)	VN11084ISV (I.S Vietnam)	VN11123VIK (Viet Khoa)
VN10033JKW (Jung Kwang Vietnam)	VN11085SJV (S.J Vina)	VN11125YES (Yes Vietnam Co. Ltd.)
VN10034MOL (Moland Company)	VN11086KJV (K.J Vina Co. Ltd.)	VN11127ASG (ASG Vina)
VN10035QHG (Quoc Hai Garment Co. Ltd.)	VN11087NPC (Nam Phuong Co. Ltd.))	VN11130TON (Tong Yu)
VN10036VGW (Vigawell Co. Ltd)	VN11088TER (Teratex Vietnam Co. Ltd.)	VN11134CHI (Chi Dat)
VN10039EIN (Eins Vina)	VN11090LAN (Langham Garment Co. Ltd.)	VN11136PNG (Phuong Nam Garment Trading Import Export JSC))
VN10040UNI (Unipax Co. Ltd.)	VN11091PUK (Pungkook Saigon II Company)	VN11137TIE (Tien Tien Garment Joint Stock Company- Workshop 4))
VN10041FTN (FTN Vietnam Co. Ltd.)	VN11094SUN (Sun Garment Textile Vietnam Co. Ltd.)	VN11138PIN4 (Poong In Vina 4)

VN12140CER (Cerie Binh Duong Garment Co. Ltd)
 VN12141GSE (Great Super Enterprise)
 VN12142STG (Simone TG)
 VN12144JND (J&D Vinako)
 VN12146BAN (Bando Vina Co. Ltd.)
 VN12147SG2 (Saigon 2-Trung Lap Phu)
 VN12151AND (ANDO)
 VN12152MAX (Maxim Vietnam Company.LTD.,)
 VN12154FA2 (Fashion Garment 2 Co. Ltd.- Tan Phu Branch)
 VN12157CAR (Cartina Enterprises Vietnam Ltd.)
 VN12160SON (Son Kha Screen Printing Co. Ltd.)
 VN12161TTG (TTG Co. Ltd.)
 VN12163WIN (Win Vina Co. Ltd.)
 VN12164TRU (Truong Capital Co. Ltd.)
 VN12165PUK (Puku Vietnam Co. Ltd.)
 VN12166VIG (Vina Gio Co. Ltd.)
 VN12168LAH (LAN HANH MANUFACTURING-TRADING-SERVICE CO.LTD.)
 VN12176ONA (ON ACCESSORIES)
 VN13177TAN (T AND AN)
 VN13179HTG (HANSAE TG)
 VN13180TOP (TOPTX GARMENT CO.LTD.)
 VN13181EMP (Emperor VN Co.Ltd.)
 VN13182TRV2 (Branch of Truong Vinh Trading Industrial Garment Co. Ltd.- Factory No.2)
 VN13184SUN (Sun World Garment Co. Ltd.)
 VN13185THP (Thuan Phuong Embroideries Garments Co. Ltd.- Binh Chanh Branch)
 VN13187PDGA (Cong Ty CP May Phuong Dong)
 VN13190CTC (Chinh Tuc Co. Ltd.)
 VN13195 (YESUM VINA CO. LTD.)
 VN13200NBVO (NOBLAND VIETNAM CO. LTD.)
 VN132014DAX (Dax Vietnam Co. Ltd.)
 VN13205DEY (Deyork Vietnam Co. Ltd.)
 VN14028TTC (TTC GARMENT EMBROIDERY CO. LTD.)
 VN14206COL (Color Apparel (Vietnam) Garment Co. Ltd.
 VN14207QUA (Quang Thai Garments Manufacture Co. Ltd.)
 VN14209HAI (Hai Duong Garment Stock Company No.2)
 VN14210TRU (Truong Son Garment JSC)
 VN14211LIN (Linh Fashion Trading and Services Co. Ltd. - Phu Tai Linh Branch
 VN14212AMW (AMW VIETNAM CO. LTD.)
 VN14213DOT (DONG A TEXTILE GARMENT JOINT STOCK COMPANY)
 VN14214VAN (VAN THANH TRADING SERVICE CO. LTD.)
 VN14216MCC (Made Clothing (Vietnam) Co. Ltd.
 VN14217DON (Dong Tai Viet Nam International Co., Ltd.)
 VN14218VIE (Viet An Industrial Production and Trading JSC- Hai Phong Branch)
 VN14219KIM (Kim Vinh Co. Ltd.)
 VN14220NAM (Nam Ha Garment Joint Stock Company)
 VN14221MAY (May Hai Joint Stock Company)
 VN14222BAO (Bao Hung Joint Stock Company)
 VN14223ACV (ACV)
 VN14224PPI (Phong Phu International JSC- Jean Export Garment Factory)
 VN14225ANH (Anh Vu Garment Im-Ex Port Co. Ltd.)
 VN14226WOO (Wooyang Vina II Co., Ltd.)
 VN14227M10 (10/10 Textile Joint Stock Company)
 VN14228MNB (M and B Knitwear Vietnam Co. Ltd.)
 VN14229SON (Song Da Export Garment Joint Stock Co. Ltd.)
 VN14232NAM (Nam of London Ltd.)
 VN14234GGS (Global Garment Sourcing Vietnam Co. Ltd.)
 VN14236HAN (Hannam Inc.)
 VN14237LEV (Levi Strauss Vietnam Co., Ltd.)
 VN14238SHI (Shing Viet Co. Ltd.)
 VN14239TAK (Takson Vina Co. Ltd.)
 VN14240YOU (Young Jin Vietnam Korea Co. Ltd.)
 VN14241DUC (Duc Giang Corporation)
 VN14242KOW (Kowide Outdoors Co. Ltd.)
 VN14243MTE (Manh Tien Embroidery Co. Ltd.)
 VN14244ART (Artif Vietnam Garment Co. Ltd.)
 VN14245VPP (Viet Pan Pacific International Co. Ltd.)
 VN14247STJ (Song Tien Joint Stock Company)
 VN14248VJO (VJONE Garment Co. Ltd.)
 VN14249PRG (Premier Global (Vietnam) Garment Factory Co. Ltd.)
 VN14250281 (28.1 Company Limited)
 VN14251IJV (IJ Vietnam Co. Ltd.)
 VN14252PBC (Phuoc Binh Trading Industrial Co. Ltd.)
 VN14256APP (Apple Fashion

Co. Ltd.)
VN14257KHA (King Hamm
Garment Industrial Co.,Ltd)
VN14258FLE (Flexcon
Vietnam Joint Venture
Company Limited)
VN14259HAI (Branch of
Vinatex Vietnam- Hai Phong
Suits Business Produce
Factory)
VN14260VIV (Viva Saigon Co.
Ltd.)
VN14261HOA (Hoa Binh Co.
Ltd.)
VN14262NIE (Nien Hsing
(Ninh Binh) Garment Co. Ltd.
VN14263GGV (GG VIETNAM
CO. LTD.)
VN14264JME (JME VINA CO.
LTD.)
VN14265GRA (Grande
International Enterprise Corp
Co. Ltd.)
VN14266HIG (Highvina
Apparel Inc.)
VN14267KOV (Kovina Fashion
Inc.)
VN14268CNM (C&M VINA
CO. LTD.)
VN14269HAN (HAN SUNG
VINA CO. , LTD)
VN14270RIC (Rich Way

Company limited)
VN14271VAS (Vastco
Garments Ltd.)
VN14272LTC (Liem Trinh Co.,
Ltd.)
VN14273DAU (DAUM &
JUNG AN JSC)
VN14274WAH (Wah Hai
Garments Joint Venture Co.
Ltd.)
VN14275JIN (Jin Jia
Enterprise or Cam Gia Co.
Ltd.)
VN14276DEM (DE.M.CO
VINA)
VN14277G10 (Branch of
Garment 10 Corp JSC - Hung
Ha Garment Factory)
VN14278MIN (Minh Tri Co.
Ltd.)
VN14279JEA (Jea-Must
Vietnam Company Limited)
VN14280KYU (Vina
Kyungseung Trading Co. Ltd.)
VN14281REG (Regent
Garment Factory Ltd.)
VN14282PIN5 (Poong In Vina
5 Co. Ltd.)
VN14283KIN (King Ken Co.
Ltd)
VN14284SSV (SSV Export
Garment Company)

VN14285DBV (Dong Bang
Vina Co. Ltd.)
VN14287NST (Nien Hsing
Garment (Vietnam) Co. Ltd.)
VN14288PMY (P-My Tu Co.
Ltd.)
VN14289MID (Mido Trade
Co. Ltd.)-Ninh Binh
VN14291MYV (My Viet
International Export Service
Trade Co. Ltd.)
VN14294EXC (Excel Tailoring
Vietnam Co. Ltd.)
VN14295OPU (Opus One
Corporation)
VN14297PEA (Peak Speed
Printing Co. Ltd.)
VN14298IND (Indo-chine VN
Company Limited)
VN14303FUL (Fullwealth
International Garments Inc.,)

Annex B: Buyers participating in Better Work Vietnam (this reporting period)

Abercrombie & Fitch	LL Bean Inc
Adidas Sourcing Limited	Lululemon Athletica
American Eagle Outfitters, Inc.	Migros
Ann Taylor Stores Corporation	MEC
Brooks Sports	New Balance Athletic Shoe Inc.
Burberry Asia Ltd.	Nike Inc., Vietnam
Carhartt, Inc.	Nordstrom
Carmel Clothing	Patagonia
Coach	Pentland Brands
Columbia Sportswear Company	Phillips - Van Heusen Corporation
Dallas Cowboys Merchandising Ltd.	Primark Stores Ltd
Esprit	Puma AG/World Cat
F&T Apparel LLC	Recreational Equipment Inc (REI)
Kate Spade	Sanyo Shokai Ltd.
G Star Raw C.V	Sears Holdings Management Corporation
Gap, Inc.	Sumitex International Company Ltd.
Greenfield Fashion Limited	Talbots
H & M Hennes & Mauritz	Target
J. Crew	The Jones Group
Kohl's Department Stores, Inc.	The Walt Disney Company
Levi Strauss & Co.	Wal-mart Stores Inc.
Li & Fung	