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To cite this article: Garrett Brown (2017) Hansae Vietnam's garment factory: Latest example of how corporate social responsibility has failed to protect workers, Journal of Occupational and Environmental Hygiene, 14:8, D130-D135, DOI: [10.1080/15459624.2017.1296239](https://doi.org/10.1080/15459624.2017.1296239)

To link to this article: <http://dx.doi.org/10.1080/15459624.2017.1296239>



Accepted author version posted online: 20 Apr 2017.
Published online: 20 Apr 2017.



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COMMENTARY



Hansae Vietnam's garment factory: Latest example of how corporate social responsibility has failed to protect workers

Garrett Brown

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A Korean-operated 12-building factory complex in Vietnam producing for a score of international clothing brands is the latest example of how corporate social responsibility (CSR) has failed to protect the health, safety, and rights of workers in global supply chains.

The Hansae Vietnam complex that employs 10,000 garment workers had 26 separate CSR audits in 2015, yet thorough inspections by other non-governmental organizations in October 2015 and July and October 2016 found that the factories had serious and obvious health and safety hazards. There were also numerous violations of Vietnamese labor law and the corporate codes of conduct of the international brands sourcing clothing from the facility. Whether the 26 CSR audits identified any hazards and issued any “corrective action plans” is impossible to verify because the inspection reports and remediation plans are all confidential. However, the conditions documented by occupational health and safety (OHS) professionals and code auditors in 2016 clearly indicate that the 2015 CSR audits did not result in elimination of health hazards or respect for workers' legal rights.

Founded in December 1982, Hansae Co. Ltd., has apparel manufacturing operations in Burma/Myanmar, China, Guatemala, Indonesia, Nicaragua, Saipan and Vietnam. In 2015, Hansae had sales of more than \$1.4 billion, an operating profit of \$125 million, and sent 93%

of the goods it produced to the United States.^[1] The company has operated its facility in Vietnam since 2001, and has produced garments for more than a score of brands and retailers, including Gap, Hanes, Nike, Polo, Pink, Zara, JC Penny, Kohl's, Macy's, Target, Amazon, and Walmart.

As is common in global supply chains for consumer products (electronics, toys, sports shoes, and equipment), the global apparel industry has established corporate codes of conduct that state the companies will obey national laws and international standards—and their own CSR codes—to protect the health, safety, and rights of the workforce in their supply chain.

Since the early 1990s when Nike became associated with “sweatshop” working conditions in global supply chains, international brands have promoted the CSR codes and code monitoring as a reliable method of ensuring protection for workers and the environment in global supply chains. The *Financial Times* newspaper reported in 2014 that the Global Fortune 500 alone spent \$15 billion on CSR activities,^[2] including CSR consulting companies, “social audit” monitoring companies, thousands of on-site CSR audits, conferences, journals, books, and other activities of an expanding for-profit management consulting industry.

In 2015, there were 26 audits at the Hansae Vietnam complex. Many of the leading companies in the CSR industry—Bureau Veritas, Elevate, ITS, SGS, and UL—conducted the 2015 audits on behalf of well-known apparel companies (see [Table 1](#)). The context for these audits was that each factory building has between 800 and 1,000 workers, and the audits claimed to assess employer compliance with national law, international standards, and buyer CSR codes in the areas of OHS, wage and hour, freedom of association, prevention of harassment and discrimination, and compliance with labor laws. Despite the broad scope and large size of the factory buildings, 20 of the 26 audits were 1-day (8-hr) visits. The other six audits lasted two days, with two of these

Table 1. Summary of CSR audits at Hansae Vietnam in 2015.

Audit Number	Buyer (Brand or Retailer)	Audit Company	Number of the Inspected Factory	Number of Days on Site	Audit Type
1.	Pink/VSS/VSD	IPS Hong Kong	10 & 12	2	Annual
2.	Costco buyer	ITS	1	2	WRAP initial
3.	Canadian buyer	SGS	2	1	Initial
4.	Hanes	SCSA	1 & 6	2	Initial
5.	The Children's Place	Omega	1 & 6	1	Initial
6.	MGF	MGF	1, 6, 9 & 11	1	
7.	Amazon	SGS	11	1	Initial
8.	Express	IPS Hong Kong	1, 6, 9 & 11	1	Initial
9.	Macy's	UL	6	1	
10.	Polo	ITS	9 & 11	1	Initial
11.	Hanes	Hanes	1 & 6	1	Follow-up to #4
12.	Nike	Nike	All 12 factories	2	Annual
13.	Polo	ITS	6	1	
14.	Kohl's	Li & Fung	M	1	
15.	Zara/Inditex	Bureau Veritas	6	1	Pre-audit
16.	Aero	ITS	M	1	
17.	JC Penny	Bureau Veritas	6 & 11	1	Annual
18.	Nike	ITS	3, 5 & 12	1	Annual
19.	Gap, Nike, Target, Walmart	Better Work	All 12 factories	2	Annual
20.	Gap	Gap	2, 3, 5, 6, 7, 8, 9, 10 & M	1	
21.	Canadian buyer	SGS	7	1	Initial
22.	Kasper	Elevate	9 & 11	1	Initial
23.	Gill	Gill	9 & 11	1	Pre-audit
24.	Express	MGF	11	1	Visit
25.	J-Crew	Elevate	M	1	Initial
26.	Gill/Ascena/Dressbarn	Elevate	9 & 11	2	Annual

Source: Hansae Co. Ltd. documents provided to the author by the Worker Rights Consortium.

allegedly auditing all 12 factory buildings in the complex with approximately 10,000 workers. Standard CSR audits usually include an inspection team of two people.

Given the limited time devoted to the ostensible scope of the evaluations, these CSR audits likely consisted of superficial walk-around inspections; perfunctory review of records related to pay, working hours and OSH programs; and short, often group, on-site interviews with workers having an economic motivation (keeping their jobs) to provide answers favorable to their employers. As is standard practice in CSR audits, the findings are known only to the managers of the audited facility, the CSR auditors, and managers of the brands sourcing from the audited factory. The workers of the factory are not informed, nor are the customers and shareholders of the brands, the local governments, the national and international news media, and the general public. As a rule, but with a few notable exceptions, CSR audits in global supply chains are treated as confidential; in essence, the audit reports, findings, and correction action plans are secret.

What *is* known is what was discovered in three publicly reported inspections conducted by the Worker Rights Consortium (WRC) and Fair Labor Association (FLA). The FLA was established in the 1990s during the Clinton Administration as a multi-stakeholder initiative, includes clothing brands on its Board of Directors, and is funded, in part, by the brands. The WRC is a labor rights monitoring organization founded in 2000 by university administrators, labor rights experts, and student activists that

is independent of clothing brands. Its primary source of funding is universities seeking to ensure that their logo clothing is made in accordance with national laws and the university codes of conduct. Both organizations are based in Washington, DC.

The WRC investigation in October 2015, the FLA inspection in July 2016, and the joint FLA-WRC inspection in October 2016, resulted in publicly released investigation reports. The 2016 reports document numerous violations of Vietnamese law, international standards, and corporate codes of conduct, including:

- extensive wage theft;
- illegal recruitment fees, extorted from workers by managers;
- chronic verbal abuse and incidents of physical harassment of workers;
- pregnancy discrimination;
- forced overtime;
- illegal restrictions on workers' access to toilets;
- illegal denial of sick leave;
- putting factory managers in leadership positions on the union executive board; and
- dozens of health and safety violations from factory temperatures in excess of the legal limit of 90°, unsafe spraying of cleaning solvents, and persistent incidents of workers collapsing at their work stations due to heat and overwork.

Table 2 contains a summary of the WRC and FLA reports' findings, and the Internet links in Table 2 provide access

Table 2. Findings of October 2016 on-site audit by Worker Rights Consortium and the Fair Labor Association.

Sources of the summary table below:

- Maquiladora Health & Safety Support Network and Alliance Consulting International, October 21, 2016 report: <http://mhssn.igc.org/Hansae%20Vietnam%20H&S%20Audit%20Report%20-%20Final.pdf>
- Worker Rights Consortium, December 6, 2016 report: <http://www.workersrights.org/freports/WRC%20Assessment%20re%20Hansae%20Vietnam%2012.6.16.pdf>
- Fair Labor Association, December 6, 2016 report: <http://www.fairlabor.org/report/hansae-vietnam-second-investigation>

Health and Safety Issues

- Ambient factory temperatures exceed limits of Vietnamese law
- Inadequate, “one-size-fits-all,” backless benches for thousands of sewing machine operators; lack of anti-fatigue mats for workers standing all shift
- Improper use and storage of flammable liquids (cleaning solvents)
- Blocked exit doors and exit passageways; exit doors with lockable hasps
- Inadequate emergency lighting and signage
- Blocked fire extinguishers
- Exposed electrical wiring; lack of GFCIs in wet environments
- Inadequate guarding of various types of sewing machines, and maintenance shop equipment (grinders, moving belts); unsecured drill presses in shops; unsecured storage racks in materials warehouse areas
- Inadequate ventilation in “cleaning rooms” where solvents used to remove spots
- Unsafe use, storage, labeling, and disposal of hazardous chemicals
- Blocked and inoperable emergency eyewash stations
- Insufficient numbers and improper use of personal protective equipment (respirators, hearing protection, hand and foot protection)
- Use of compressed air lines at excessive air line pressure
- Slip, trip, and fall hazards with wet or uneven floors; inadequate fall protection for work at elevated locations
- Unsafe stacking of heavy materials in storage areas
- Food safety and fire safety issues in workers’ canteens
- Inadequate stock of first-aid materials
- Insufficient number of toilets and handwashing facilities, as per Vietnamese law, and restrictions on bathroom access
- Factory OHS program does not meet requirements of Vietnamese law: insufficient number and training of factory Safety Officers; lack of comprehensive risk assessment of on-site hazards; inadequate safety inspections of work areas; lack of specific hazard evaluation for airborne chemical contaminants; failure to conduct genuine investigations of incidents causing worker injury and illnesses; lack of uniform and comparable injury and illness records at factory clinic; misclassification of workers who lost consciousness at work stations by the factory clinic; failure to provide treatment to injured and ill workers, and denial of paid leave for work-related injuries; failure to provide free employee health exams

Wage & Hour Issues

- “Off-the-clock” work: production quotas that are so high that employees work unpaid through rest and lunch breaks to meet them
- Forced overtime; excessive and unrecorded overtime; hours for older workers exceeding Vietnamese law
- Denial of rest periods during overtime hours
- Underpayment of wage increases and related allowances, especially for new workers
- “Punitive wage deductions”

Labor Law Issues

- Management domination of the factory trade union, senior managers are union officials and constitute a majority of the union Executive Committee
- Failure to provide all workers with legally required employment contracts
- Failure to pay social security contributions for new workers
- Unlawful forced resignations of workers
- Failure to prevent recruitment fees paid by workers to some managers/supervisors
- Denial of annual leave dates sought by workers
- Denial of medically authorized sick leave; illegal pay deductions for use of sick leave
- Failure to prevent physical abuse and verbal harassment of workers by managers/supervisors
- Gender discrimination in hiring for some positions
- Denial of rest periods for menstruating workers, as per Vietnamese law
- Pregnancy discrimination in renewing contracts with pregnant workers
- Lack of accommodation for pregnant workers; failure to provide legally required nursing rooms for women workers with infants; failure to provide legally required childcare facilities; denial of legally required family leave to care for children

to the full reports, findings, and recommendations on the organizations’ websites.

If the 2015 audits identified any or all of these problems, these CSR audits did not result in the elimination of these hazards and violations of law by mid-2016. If the ostensible purpose of CSR audits is to protect workers’ safety and their legal rights, then the CSR audits at Hansae Vietnam failed to do so.

How the WRC and FLA inspections at Hansae Vietnam in 2016 came about indicates the lack of transparency of the CSR industry. In the fall of 2015, workers

producing garments for Nike carried out two strikes to protest hazardous working conditions and mistreatment by the Korean factory managers. Nike has sourced from Hansae Vietnam, with numerous in-house and contracted CSR audits, for more than 10 years. The WRC conducted the first investigation in October 2015. WRC investigators were forced to rely on off-site interviews, because Nike denied the WRC access to the facility. The WRC issued its first report in May 2016.^[3]

Following the release of the WRC report, the Fair Labor Association sought to verify the report’s findings.

The FLA was granted access by Nike to Hansae Vietnam in July 2016, and compiled a report in September 2016 confirming the WRC findings.^[4] Anticipating public scrutiny of its efforts, the FLA assigned four investigators who spent four days on site and additional time conducting off-site interviews of workers during its July 2016 inspection.

After pressure from U.S. universities whose logo clothing Nike sources from Hansae Vietnam, Nike allowed a joint inspection by the WRC and FLA—for 48 hours—in October 2016. The WRC investigation team in October 2016 included two health and safety professionals (including this author) organized by the Maquiladora Health & Safety Support Network. During the two-day on-site inspection in October 2016, the inspection teams of both WRC and FLA consisted of four people each, compared to the standard CSR practice of two inspectors per team.

The WRC and FLA issued separate reports—but with joint findings and recommendations—in December 2016.^[5] The management of Hansae and Nike have publicly committed to eliminating the identified hazards and ending the violations of law, and the WRC and FLA are monitoring the remediation process and will issue further public reports.

The OHS hazards and violations of labor law documented in the 2016 WRC and FLA reports are of a nature that most, if not all, would have existed in 2015, during the time period when the 26 CSR audits were conducted. The 2016 findings by the WRC and FLA indicate the lack of efficacy of the 2015 CSR audits.

Standard CSR audits by for-profit CSR companies, and monitoring by the brands themselves, have failed not only garment workers in Vietnam. At the Apple supplier Foxconn in China, electronics workers were the subject of a *New York Times* expose in January 2012^[6] that documented conditions so harsh that more than a dozen young workers committed suicide by throwing themselves off the top of tall dormitory buildings.

Apple quickly joined the FLA and an audit of two Foxconn factories discovered that these plants had been awarded an “OSHMS 18000” certification for its occupational health and safety program—reportedly by CSR company SGS—when the two plants had no OHS program in place and basic activities like hazard identification and correction, training and accident investigations simply were not occurring.^[7]

In Pakistan in September 2012, the Ali Enterprises garment factory caught fire with 25% of the entire workforce (289 people) being burned to death just three weeks after the factory was awarded a “SA 8000” certification as a CSR compliant plant.^[8] The US-based Social Accountability International organization, which developed its proprietary SA 8000 certification, does not actually issue the certificate—they subcontract that work out to companies

they train, and the Italian subcontractor in this case contracted the inspection out yet again to a local Pakistani CSR firm.^[9]

The global CSR industry, ostensibly established to counter the adverse effects of outsourcing and subcontracting, now subcontracts out its own inspections and certification verification.

In Bangladesh, the Rana Plaza building collapsed in April 2013 killing more than 1,130 garment workers.^[10] The building had been inspected twice by Bureau Veritas (BV) in 2011 and 2012 while factories on site produced for Canada’s Loblaws company (“Joe Fresh” brand). Both Loblaws and BV are now being sued in Canadian courts by four survivors.^[11] Building structural safety issues were never evaluated at Rana Plaza by BV, despite the well-known history of building collapses in 2005 and 2006, and the international recognition that the unsafe conditions and practices that generated those collapses continued to be widespread in Bangladesh at the time of the BV audits.

BV’s response to the lawsuit is that it was never asked by Loblaws to assess building safety issues, and it does only what its clients ask them to do. This is the very illustration of the CSR “don’t ask, don’t tell” approach. The brands do not want to know about problems that could be costly to fix or force them to shift production to other factories or countries; and the CSR companies do not want to lose clients with repeated negative reports on the brands’ global suppliers.

International consumer brands have chosen to source their products primarily from countries which have few or no OHS regulations, or near-zero enforcement of the laws that do exist, or both. For this reason, almost all corporate codes of conduct and CSR programs pledge to go beyond whatever national laws exist to affirmatively protect the health and safety of the workers in their supply chains. All the major CSR monitoring companies have their own codes of conduct stating their professional responsibility and duty of care to protect workers’ health and safety from recognized workplace hazards.

Yet all the factories where major industrial disasters have occurred in the last decade—deadly fires, building collapses, epidemics of occupational diseases—were repeatedly audited by the brands themselves or by contracted CSR monitors for *years* before the disasters occurred. The “don’t ask, don’t tell” approach of the industry and its CSR contractors has been documented in reports by organizations like the Clean Clothes Campaign (“Fatal Fashion”),^[12] International Labor Rights Forum (“Deadly Secrets”),^[13] the AFL-CIO (“Responsibility Outsourced”),^[14] and the WRC (“Outsourcing Horror”).^[15]

Based on the evidence and history detailed in these reports,^[12-15] and consistent with the findings at the Hansae Vietnam complex, I believe the de facto goal of

CSR is to protect the image and reputation of corporate brands (clothing, electronics, toys, sport equipment, etc.) rather than to protect workers and their rights.

One alternative to standard CSR practices is the Bangladesh Accord on Fire and Building Safety.^[16] The Accord, established in 2013 following the collapse of the Rana Plaza building in Dhaka, involves more than 200 international clothing brands and retailers in a legally binding agreement with international and Bangladeshi unions. The Accord hires and manages its own corps of licensed Bangladeshi engineers to conduct independent inspections, for which all results are publicly reported. It is mandatory under the Accord that all identified hazards be eliminated or controlled, and factory corrective action plans are also made public. Workers have the right to participate in Accord inspections, in factory health and safety committees, and the “right to refuse” unsafe work without reprisal or discrimination.

Examining global supply chains in multiple industries and countries, it is clear that broad-based and sustainable improvements in working conditions can only be made if the following steps are taken.^[17,18]

- 1) Replace the dominant “sweatshop business model” consisting of the “iron triangle of sourcing” (lowest possible cost, highest possible quality, and fastest possible delivery); sharp annual decreases in the per-unit prices paid to suppliers; and the deliberate overloading of factories that forces suppliers to subcontract part of the production order in order to avoid stiff financial penalties for missing delivery deadlines; and align actual sourcing practices with the stated objectives of the corporations’ codes of conduct.
- 2) End the reliance on ineffective and corrupted CSR audits, and develop and implement “worker-driven social responsibility” programs, with one example being the Bangladesh Accord.
- 3) Support national governments’ efforts to establish and enforce effective occupational health and safety regulations as part of comprehensive labor laws to protect the health, safety and rights of all workers in these countries.
- 4) Establish and nurture genuine worker participation in the development, implementation and verification of factory level OHS and social responsibility programs.

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