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[Hansae Vietnam: Case study of hazardous working conditions and the failure of corporate social responsibility audits to fix the hazards](#)



Posted by [garrettbrown](#) on December 13, 2016

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Investigations by the [Workers Rights Consortium](#) (WRC) in October 2015 and October 2016, as well as [Fair Labor Association](#) (FLA) investigations in July and October 2016, have revealed that a major Korean factory operator in Vietnam producing garments for a dozen international clothing brands runs a sweatshop operation. Nike and other brands which have contracts with the firm have conducted audits over many years, but working conditions in the factory have failed to improve.

In fact, in 2015 alone there were 26 separate corporate social responsibility (CSR) audits of the 12 factories in the Korean-run complex with 8,000 Vietnamese workers. Whatever these non-public CSR audits identified as problems, dozens of violations of Vietnamese labor law and the brands' corporate codes of conduct, as well as conditions producing persistent worker illnesses, have continued to exist.

Twenty-five years after Nike became the poster child of sweatshop factories around the world, after the advent of a \$80 billion global CSR industry, and after dozens of CSR audits at Hansae Vietnam, dozens of health and safety hazards were plainly visible in the factories in October 2016.

Founded in December 1982, [Hansae Co. Ltd.](#), has apparel manufacturing operations in 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. The company has operated its facility in Vietnam since 2001, and Nike has sourced from the facility for more than 10 years.

The WRC conducted the first investigation in October 2015. They were forced to rely on off-site interviews, because Nike denied the WRC access to the facility located in the Cu Chi Industrial Park near Ho Chi Minh City. The WRC issued its [first report](#) in May 2016. The FLA was granted access to the facility in July 2016 and [issued a report](#).

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 only – 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 (MHSSN).

On December 6th, the WRC and FLA issued second reports ([here](#) and [here](#)) and the WRC report incorporated the [MHSSN report](#). The reports document numerous violations of national Vietnamese law, corporate codes of conduct, and university labor standards, 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;
- Dozens of health and safety violations from factory temperatures in excess of the national limit of 90 degrees, unsafe spraying of cleaning solvents, and persistent incidents of workers collapsing at their work stations due to heat and overwork.

It is a sad commentary, 25 years down the road, that the Hansae factory complex is not that different from thousands of other garment factories in Asia and around the world. Conditions in Hansae's factory in Vietnam are no doubt similar to conditions in Hansae's plants in China, Guatemala, Indonesia, Nicaragua and Saipan. The Hansae factories are not likely to be the worst in the industry, a dubious distinction to be sure.

But this set of factories illustrate how ineffective the CSR monitoring, corporate codes of conduct and industry "social audits" are in protecting the rights, health and safety of millions of workers in global supply chains.

Nike conducted a decade's worth of audits at Hansae Vietnam, but none of the problems that were plainly visible in October 2016 showed up in Nike's [glossy CSR reports](#) on its supply chain. Despite being a self-proclaimed leader in CSR, Nike's 25 years in the public eye did not lead to safe and lawful conditions in the Hansae Vietnam complex.

But Nike is not alone in this. During 2015, major clothing brands and retailers – including Amazon, The Children's Place, Gap, Hanes, J-Crew, JC Penny, Kohl's, Macy's, Pink, Polo, Target, Walmart and Zara – conducted two dozen audits at Hansae Vietnam. Many of these audits were actually performed by leading CSR monitoring firms, including Bureau Veritas, Elevate, Li & Fung, SGS, and UL as well as the International Labor Organization's Better Work program.

Since none of these CSR audits are public, no one knows what problems, if any, were identified, and what corrections, if any, were made. The CSR world of secret audits and secret corrections smoothly meshes with the "don't ask, don't tell" arrangement between brands (who do not want to know about problems that may be costly to fix) and CSR monitors (who do not want to lose clients with relentlessly negative audit reports).

What is known is that the 26 separate audits by leading brands and CSR monitoring companies throughout 2015 did not protect workers from illegal labor practices and plainly visible health and safety hazards that the WRC and FLA investigations found on site in October 2016.

In-house industry monitoring and "independent" audits by for-profit CSR companies have not only failed 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 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 (OHS) 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.

Yet a leading CSR firm awarded these plants an OHS certification.

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. The Social Accounting 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 subcontractor in this case [contracted the inspection out yet again](#) to a local Pakistani CSR firm.

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 in single moment. The building had been inspected twice by Bureau Veritas (BV) while producing for Canada's Loblaws company ("Joe Fresh" brand), and both are [now being sued in Canadian courts](#) by four survivors. Building structural safety issues were never evaluated at Rana Plaza by BV, despite the well-known history of other building collapses in the country.

BV's response to the lawsuit is that they were never asked by Loblaws to assess building safety issues, and they only do what their clients ask them to do. This is the very illustration of the "don't ask, don't tell" approach.

In fact, all the factories where major industrial disasters have occurred – deadly fires, building collapses, epidemics of occupational diseases – have been repeatedly audited by the brands themselves or contracted CSR monitors for years before the disasters strike. The convenient, selective blindness of the industry and its CSR contractors has been documented in reports by organizations like the Clean Clothes Campaign ("[Fatal Fashion](#)"), International Labor Rights Forum ("[Deadly Secrets](#)"), and the AFL-CIO ("[Responsibility Outsourced](#)").

The Hansae Vietnam factory has become the latest textbook example of how the clothing brands and their CSR programs have failed to protect workers in global supply chains. The effort to fix all the problems in this factory is important, and it is a lens to view how to [fix the problems in global supply chains](#) altogether.

This involves changing the dominant "sweatshop business model" in global supply chains; ending reliance on ineffective and corrupted CSR monitoring; and creating and sustaining genuine worker participation in developing and implementing factory health and safety programs and [verification that labor laws are obeyed](#).

Garrett Brown is a certified industrial hygienist who worked for Cal/OSHA for 20 years as a field Compliance Safety and Health Officer and then served as Special Assistant to the Chief of the Division before retiring in 2014. He has also been the volunteer Coordinator of the Maquiladora Health & Safety Support Network since 1993 and has coordinated projects in Bangladesh, Central America, China, Dominican Republic, Indonesia, Mexico and Vietnam.

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