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UNDERSTANDING CHILD LABOUR RISKS IN MICRO AND SMALL-SIZED GARMENT ENTERPRISES IN HO CHI MINH CITY

(English and Vietnamese)

THE CENTRE
FOR CHILD RIGHTS AND BUSINESS

WORK: NO CHILD'S
BUSINESS

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1. INTRODUCTION



DEVELOPING MULTI- STAKEHOLDER INITIATIVES TO END CHILD LABOUR BY 2025

Since 2019, the Work: No Child's Business project (WNCB) has implemented various approaches to understand and address the root causes of child labour and its adverse impacts on children and youth. With the support of The Centre for Child Rights and Business (The Centre), the programme in Vietnam has been focused on developing multi-stakeholder initiatives aimed at ending child labour by 2025.

This study, carried out over the summer of 2023 as part of the WNCB initiative, specifically examines the **child rights situation in the lower-tier garment facilities located in Ho Chi Minh City**. We investigate a network of informal sub-suppliers supporting larger first-tier factories in the delivery of final products to global purchasing companies. These sub-suppliers typically employ fewer than 50 staff and often operate with minimal notice, functioning largely outside the boundaries of labour laws and formal compliance systems. Our research focuses on investigating potential **child labour** and exploring issues relevant to the situation of **young workers** and **working parents** active in the industry.

Drawing on the results of our field study, this report describes the informal workforce and its conditions and provides an overview of the subcontracting relationships and practices important to the industry's operation. The key child rights challenges identified are then discussed and illustrated with survey data and case studies from the garment workshops.

2. RESEARCH OBJECTIVES AND METHODOLOGY

The goal of this study is to identify the existing and potential child rights risks within micro and small-scale enterprises. Our research specifically targeted informal garment facilities operating in the Ho Chi Minh city area, regardless of their business registration status.

The field research was conducted in August 2023 by The Centre for Child Rights and Business (The Centre) in collaboration with an independent consultant based locally in Vietnam. The study involved 10 sub-suppliers who participated in survey questionnaires and management interviews. Following this, several focus group discussions (FGDs) and follow-up interviews were held with workers to address the most relevant issues.

This study also incorporates secondary data obtained from previous interventions and projects implemented by The Centre.



10 facilities visited



34 workers interviewed



100% female interviewees

3. FINDINGS

3.1. WORKING MOTHERS

90% of the informal workforce were women, most of whom accumulated several years of experience in the formal manufacturing sector and were engaged in skilled tasks, such as sample sewing.

Nearly all of the workers surveyed were forced to leave first-tier factory jobs, due to their inability to balance production schedules with childcare responsibilities.

Informal workshops, often started by former factory employees,¹ created opportunities for skilled workers who might otherwise be left without employment.

These workshops offer greater flexibility in terms of schedules and working hours, accommodating workers' personal needs. For example, they allow mothers to leave work to pick up their children from school. Nevertheless, this flexibility includes several trade-offs, most importantly workers do not have employment contracts. Instead, they rely on verbal agreements. Work is typically secured through word of mouth or social media posts within the worker community.

As a result of this:

- ❑ Workers have no protection in case of illness, delayed salary payment, or lay-offs.
- ❑ Workers have no health insurance unless they purchase it on their own.
- ❑ Compensation is determined by skill level and hours worked, but employment can be highly unstable and dependent on orders received by the workshop.
- ❑ Workshop owners have little to no bargaining power, and order volumes and unit prices can change rapidly based on decisions made by first-tier factories, directly impacting the income, stability, and conditions of both the managers and the workshops.

¹ 8 out of the 10 facilities we surveyed, the workshop had been founded by a former factory employee



8 out of 10

informal workshops are founded by a former factory employee



Workers enjoy greater flexibility



when it comes to balancing their childcare needs and working schedule.

However, they face higher risks in terms of...



Job Security

Most workers rely on informal agreements, with no work contracts signed.



Social Security

These workers are not entitled to sick leave or health insurance.

EMPLOYEE STATISTICS

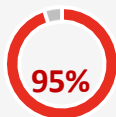
For all ten facilities that we have visited

32.5 years old

Average age of the workers

12 – 50 workers

Number of workers among the ten facilities



are highly skilled workers
mainly in canvas cutting and
sample sewing



have experience in Tier-1
companies

9 out of 10

Workers are female



95%

are parent workers



25%

hold two jobs to
sustain family expenses



Our working hours for this workshop are irregular. Sometimes, the lead time is rushed, within only 2-3 days. So, we work for up to 11 hours or maybe more if needed. From time to time, my 5-year-old child would come, along with other children of my colleagues. They play in front of the facility, watch TV, or play with phones until we are done with work.

–Ms. H, Facility 1 Worker

My girl is still young, 7 years old. So, when I have to work, she joins me, sitting right next to me to do her homework.

–Ms. Y, Facility 3 Worker

Please refer to Appendix I for further details on the employee statistics from the factories.

3.2. JUVENILE WORKERS

YOUTH UNDER 18 LACK ACCESS TO DECENT WORK OPPORTUNITIES

Young workers aged 15-17 are generally excluded from formal employment since first-tier factories lack dedicated apprenticeship programmes and strictly adhere to policies against hiring individuals under 18 due to concerns about potential compliance violations.

Moreover, informal workshops, which often focus on skilled tasks such as sample sewing, pose challenges for youth seeking opportunities in the sub-supplier setting. The informal sector often perceives juvenile workers as inexperienced and prone to leaving as soon as better opportunities arise. Therefore, based on interviews with workshop managers, young workers are employed only on a seasonal, ad-hoc basis during periods of high production.

Based on our 2023 research on employment opportunities for youth and young workers,² it was found that any employment secured by individuals aged 15-17 often occurs in conditions even less suitable than those documented in our current study. This potentially exposes local youth to significant risks. Therefore, there is a clear need to facilitate opportunities for decent work and provide access to training for local juvenile workers.

3.3. CHILD LABOUR & CHILDREN ON THE WORK FLOOR

WE OBSERVED CHILDREN ON THE WORK FLOOR DUE TO A LACK OF CHILDCARE OPTIONS

During our visits and focus group discussions, we found no evidence of systematic child labour or exploitation of children. Generally, the workshops prioritised the employment of experienced workers who could deliver high-skilled work on schedule and were likely to stay consistently employed.

However, in some instances, children were present on-site because their parents had limited childcare options after their school hours. These young children, often under the age of 13, remained on the premises, engaging in activities such as playing on phones and waiting for their parents to finish work. One workshop owner admitted that his child occasionally assists with certain non-skilled tasks after school to stay occupied.

While there is presently a low risk of child labour in the sector, this is partly due to lower business volumes resulting from the COVID-related industry slump in the informal garments sector. Based on a desktop analysis of long-term trends, in the event of higher business volume due to the growth of demand in the formal garment sector, the potential child labour risk and the presence of working children are expected to increase. According to the latest ILO survey, child labour is most prevalent in the informal sector of Vietnam. In a sample of over 12 million households with children, more than two per cent of these households were involved in traditional and industrial handicrafts businesses.³

^{2,3}The Centre for Child Rights and Business (2023). Exploratory Study on Employment Opportunities for Youth and Young Workers in Vietnam During the Pandemic Recovery. Under WNCB Project.

4. CONNECTIONS TO FORMAL GARMENT PRODUCTION

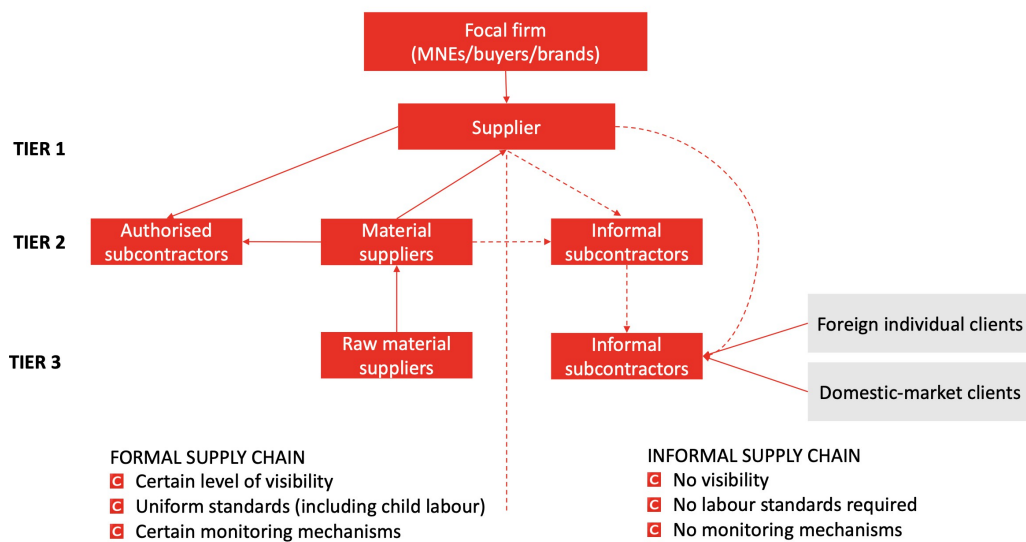
4.1. UNAUTHORISED OUTSOURCING

Due to the necessity of short production lead times, larger factories often rely on a network of sub-suppliers to outsource a range of tasks, many of which come with deadlines of less than two weeks. Officially, these lower-tier suppliers are required to be reported and approved by the purchasing company to ensure compliance with legal requirements and production standards.

However, in practice, first-tier factories rely on a broader network of small local workshops to effectively meet the pricing and scheduling demands of the purchasing brands. The first-tier suppliers often resort to “unauthorized outsourcing,” to access additional manpower and capacity. This is frequently done for specific batches or tasks, such as sample preparation, through personal contacts and informal agreements.

Below, we provide a specific case based on the operations of a large factory located in the Ho Chi Minh city area:

Chart 1: Intersection of formal and informal sections of the garment supply chain



TYPES OF WORK

At a garment-processing facility

- ☑ Samples making with pre-cut fabric (100% materials from T1-suppliers)
- ☑ Clothes making with no pre-cut fabric (the fabric provided by T1, while the facility purchases threads and other accessories in accordance with T1 requirements)
- ☑ Clothes making with no pre-cut fabric (the facility purchases all materials in alignment with clients' requirements)

Lead times can vary from 3 to 15 days

4.2. AGE POLICIES, PAY REFORM, AND POSSIBLE COMPLIANCE FLAWS

Based on the research results, we wanted to highlight several **first-tier management practices** that potentially drive workers into the informal sector and might contribute to identified child rights challenges. These are related to age discrimination practice (below); pay reform policies (case study) and insufficient sub-supplier mapping.

AGE DISCRIMINATION

Worker interviews point to a strong practice of age discrimination in first-tier factories. Management tends to favour individuals aged 20-30, seen as better suited for fast-paced production. This form of exclusion affects both working parents and juvenile workers. In practice, this means that any workers with additional needs, whether due to age, training requirements, or family duties, were excluded from the formal sector, despite their potential to contribute value through their skills, experience, or ability to learn quickly.

Insufficient supplier mapping

In the garment sector, international buyers have made considerable efforts to map their supply chains beyond their tier-1 suppliers. However, according to our prior research,⁴ only about 20% of the participating brands extended their supply chain mapping to include tier-2 and tier-3 suppliers. It remains unclear how these mapping exercises would include and address informal garment facilities within their scope, as well as the range of actions required for social justice along the supply chain.

Ultimately, all the potential challenges and vulnerabilities present in the manufacturing supply chain are significantly magnified at the informal sub-supplier level. This became particularly evident following the outbreak of the COVID-19 pandemic. Data collected in our study show that all workshops had to drastically reduce staff and were on the brink of survival as orders and prices paid by factories decreased by 50% or more.

CASE STUDY: FACTORY PAY REFORM

In response to a significant decrease in orders, a first-tier factory made the decision to transition from a time-based to piece-rate compensation system.⁵ Workers who refused to accept these changes were terminated. Among the workers we interviewed at Facility 7, some were affected by this “pay reform.” Due to a substantial reduction in their income, they had to take on additional jobs to supplement their factory wages.



Our incomes dropped 30-40% post-COVID due to the elimination of overtime. Though the wage rate is unchanged, working hours were reduced. The company plans to shift to a piece-rate system, requiring us to sign an agreement that lowers our wages, as we can't match the speed of younger workers. Refusal to sign results in mandatory departure from the company.

—Ms. H, 32 years old



I'm stressed seeing my name on the list facing two options. Signing means my income drops to 5 million dong (from 7 million dong). Quitting offers insufficient compensation—after 10+ years at the factory, they're providing just two months' worth. It's not right!

—Ms. N, 36 years old

The female workers who were included in the list of those being retrenched were highly frustrated. They shared a picture of the list on their phones with the research team while explaining the issues they found inadequate and unreasonable in both available options.

⁴The Centre for Child Rights and Business (2023). *Exploratory Study on Employment Opportunities for Youth and Young Workers in Vietnam During the Pandemic Recovery*. Under WNCB Project.

⁵(Vietnamese) VnExpress (2023). *Hundreds of workers called for help because of layoffs due to pay reform*. <https://vnexpress.net/hang-tram-cong-nhan-keu-cuu-vi-bi-cat-giam-4645640.html>. Accessed 28 September 2023

(Vietnamese) VnExpress (2021). *Pains and gains of the piece-rate system*. <https://vnexpress.net/duoc-va-mat-khi-cong-nhan-nhan-luong-san-pham-4409457.html>. Accessed 28 September 2023

(Vietnamese) VnEconomy (2023). *Companies ceased the pay reform plan with the planned retrenchment of 600 workers*. <https://vneconomy.vn/nobland-viet-nam-tam-ngung-phuonq-an-cat-giam-hon-600-lao-dona.htm>. Accessed 28 September 2023

THE IMPACT OF COVID-19 ON SURVEYED INFORMAL BUSINESS UNITS

59%

of workforce reduced due to shrinking business opportunities

30-90%

decrease in order volume

10-50%

reduction in unit price

VOICES FROM THE FIELD



From 2019 until now, there have only been 2 profitable months."

–Facility 8 Manager



Currently, the unit price is reduced by 50%, and at the end of the year, there is no profit. We still have to pay rent and workers' wages, so it is very difficult.

–Facility 3 Manager



There were orders that did not yield any profit, but I still accepted them because workers still need to work, and wages were necessary.

–Facility 10 Manager

5. CONCLUSION

5.1. KEY RESEARCH TAKEAWAYS

FIRST-TIER SUPPLIERS INDIRECTLY CONTRIBUTE TO THE INFORMAL SECTOR'S GROWTH BY DISPLACING OLDER WORKERS AND THOSE WITH CHILDCARE DUTIES

First-tier suppliers indirectly contribute to the growth of the informal sector by excluding workers above a certain age or those with childcare responsibilities from formal employment.

In this study, large **first-tier suppliers** adopted **practices observed from the informal sector**, such as implementing a piece-rate system based on incoming orders, in place of wages. This leads to lower income and financial stability for the workers.

Informal workshops provide opportunities for laid-off workers, but **vulnerabilities** related to pay and employment instability are more pronounced at the informal level.

While the risk of child labour remains low, it is likely to increase with the growth in demand and greater production volumes. Children are frequently present in the facilities due to very limited childcare options for workers. There are also **no decent work opportunities for youth**⁶ throughout the supply chain, and informal workshops are ill-equipped to provide apprenticeship-style employment.

The **compliance system of purchasing companies often pushes workers into lower tiers**, as these systems frequently **overlook the needs and vulnerabilities of workers**, doing little to effectively protect the interests of vulnerable workers and promote their rights, including their children.

⁶ Decent work opportunities for youth provide for people for 15 and 24: (1) employment with age-appropriate tasks; (2) social protection; (3) labour standards and rights at work; and (4) social dialogue.

5.2. RECOMMENDATIONS FOR COMPANIES

In this section, we present recommendations for companies seeking to make impact in their supply chain management. These recommendations encompass responsible purchasing practices, increased engagement with sourcing communities, support for vulnerable workers, and a re-evaluation of zero-tolerance policies.

RECOMMENDATIONS

01 TRANSITION TO RESPONSIBLE PURCHASING PRACTICES

- ▣ The pressure from short lead times and low pricing is ultimately transferred onto workers and their families. International buyers should collaborate with supplier management to develop a more sustainable purchasing strategy, and to reduce workforce precarity which contributes to child labour risk;
- ▣ The buying companies should also investigate supplier pay system reforms and consult with local stakeholders, including civil society organisations and local policymakers, to explore potential solutions.

02 INCREASE ENGAGEMENT WITH SOURCING COMMUNITIES

- ▣ Companies should enhance engagement with supplier communities and conduct stakeholder consultations to better understand the production process and informal supply ties.
- ▣ This should include comprehensive risk mapping and assessment of worker vulnerabilities to address any negative impact on families and risk to children.
- ▣ Companies should prioritize stable, long-term supplier relationships in their sourcing strategy, as means of supporting stable livelihood and resilience of the supply chain workforce – directly relevant to child labour risk mitigation.

03 RAISE AWARENESS AND STRENGTHEN SUPPORT FOR VULNERABLE WORKERS

- ▣ Companies, in cooperation with suppliers, should provide support for formal vocational training and apprenticeship opportunities for youth aged 15-17.
- ▣ Suppliers should expand and improve worker childcare support to retain more experienced staff.

04 RE-EVALUATE ZERO-TOLERANCE POLICIES

- ▣ While zero-tolerance policies may work well for compliance reports, they may not always be conducive to the welfare of workers and suppliers on the ground, for example pushing vulnerable youth into informal economy lacking any oversight.
- ▣ Companies should reassess policies and consider whether the current approach is constructive and effective enough to improve supplier practices and reduce risks for the workers involved.

APPENDIX

APPENDIX I: DETAILED INFORMATION ON WORKERS' STATISTICS FROM ALL TEN FACILITIES

Table 1: Worker statistics from all ten facilities

Facility	Workforce Aug 2023*	Max workforce during high season*	Average age	Youngest worker Aug 2023*	Percentage of female workers
Facility 1	14	20	40	36	100%
Facility 2	12	35	32	27	95%
Facility 3	12	15	22	17**	30%
Facility 4	10	50	30	25	90%
Facility 5	10	40	29	N/A	99%
Facility 6	20	50	40	13**	99%
Facility 7	8	17	30	25	90%
Facility 8	23	40	35	27	100%
Facility 9	3	15	35	27	75%
Facility 10	8	10	32	N/A	90%

* The fieldwork was conducted in August 2023, a period that all interviewed managers described as the most challenging since their establishment.

**The 17- and 13-year-olds are the children of a facility manager and a couple of facility workers. They are currently full-time students but also support their parents in their spare time.

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The Work: No Child's Business alliance aims to ensure that children and youth are free from child labour and enjoy their rights to quality education and (future) decent work. The alliance is run by the Save the Children Netherlands, UNICEF Netherlands and the Stop Child Labour Coalition. The programme is supported by the Netherlands Ministry of Foreign Affairs.

The Centre has been the implementation partner in Vietnam to work with the private sector in the garment, textile and footwear industry.

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