



# HOW OXFAM HAS WORKED WITH UNILEVER TO ENHANCE ITS SOCIAL IMPACT

This case study is notable for how one of the UK's foremost companies, Unilever, engaged with Oxfam's request to conduct a 'gap analysis' between the company's labour rights policies and the reality on the ground for workers. Following the research in Vietnam, for which the company provided unprecedented access to its staff and suppliers, Unilever adopted a Framework for Fair Compensation covering all of its direct employees globally and strengthened its sustainability plan and supply chain policies. A progress review in 2016 documented positive changes in policy and practices. Factors contributing to success included prior campaigns by unions and non-government organizations, Unilever's openness to listen and learn, and Oxfam's 'critical friend' style of engagement, which built on relationships of trust established over time and at multiple levels.

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# SUMMARY

There is a growing body of evidence that good labour practices, including living wages,<sup>1</sup> gender equality and worker representation are not just good for workers, but can have significant business benefits in relation to retention rates, worker engagement and management-worker relations.<sup>2</sup> Yet despite this evidence, global labour markets are characterized by low wages, precarious employment, gender gaps, inequality and the dismantling of labour rights.<sup>3</sup>

This case study is notable for how one of the UK's foremost companies, Unilever,<sup>4</sup> which is known for its strong commitment to sustainability, engaged positively with Oxfam to understand the gaps between the company's policies and the reality for workers, and subsequently took steps to enhance its social impact. The United Nations (UN) Guiding Principles on Business and Human Rights, published in 2011, were used as a reference framework for an innovative study.<sup>5</sup>

Oxfam's advocacy engagement with Unilever on workers' rights began in the early 2000s and contributed to a joint 'poverty footprint' study in Indonesia assessing the net impact of Unilever's operations published in 2004.<sup>6</sup> In 2009, the company was the subject of damaging campaigns highlighting labour issues in its agricultural supply chain.<sup>7</sup> The following year, Oxfam proposed an independent study of conditions for workers, and Unilever agreed. Vietnam was chosen as the location, a country where the company directly employed around 1,500 people (58% women) to produce home, personal care and food products<sup>8</sup> and had a sizeable supply chain of nearly 25,000 people.

*'We [Unilever] ... welcomed the proposal by Oxfam, one of our key NGO partners, to conduct this ground-breaking study in Vietnam [which] has many insights and lessons to offer us.'*

Paul Polman, 2013, CEO of Unilever from 2009–2019.

In order to ensure the findings were independent, Oxfam designed the study, funded the research and wrote the report. Unilever provided unprecedented access to its staff, operations, data and suppliers in the country, overcoming one of the biggest challenges facing non-government organizations (NGOs) conducting research in this area.

The initial report published in 2013<sup>9</sup> drew the company's attention to a range of concerns about wages and working conditions, at a corporate strategy level, at its own factory near Ho Chi Minh City and in its Vietnam supply chain.

The 2013 Oxfam report set a baseline for future developments. In 2016, a follow-up report found a number of important improvements to Vietnam's global policy and practice.<sup>10</sup> Human rights were better integrated into the corporate Sustainable Living Plan through a pillar called Fairness in the Workplace led by a new role of Global Vice President for Social Impact.<sup>11</sup> Unilever had also replaced its compliance-based Supplier Code with a Responsible Sourcing Policy that encouraged suppliers to improve standards over time.<sup>12</sup> Most significantly, Unilever had put in place a new Framework for Fair Compensation covering all direct employees, approximately 169,000 employees globally.<sup>13</sup>

*‘The outcomes of the Oxfam Vietnam report played an important role in shaping our Framework for Fair Compensation’*

Rachel Cowburn-Walden, Global Director, Human Rights Stewardship (2020).

Regular constructive dialogue with global trade union federation IUF<sup>14</sup> continued and was extended to include dialogue with IndustriALL.<sup>15</sup> This subsequently led to, amongst other things, a memorandum of understanding recognizing both trade unions<sup>16</sup> and a framework agreement covering temporary workers.<sup>17</sup> Additionally, the then CEO of Unilever, Paul Polman, started talking publicly about the importance of social as well as environmental impact, about fair/living wages not being the norm in global supply chains and about the importance of smart regulation.<sup>18</sup>

When returning for the 2016 follow-up report, Oxfam found a number of improvements in Unilever’s Vietnam factory including wage increases and greater supplier awareness of Unilever’s expectations. But a range of systemic issues identified in the first study also remained. This led to dialogue within the company and between Oxfam and Unilever about where the company could go further, particularly in relation to its business practices, enhancing gender equality, and advocacy to governments.<sup>19</sup>

The collaboration, and action taken by Unilever demonstrate key ways in which a multinational company can address human rights issues in its own operations. But significant gaps still remained in relation to standards in the global supply chain, where a company has less leverage to prevent harms and achieve positive social impact.

For this reason, Oxfam has publicly welcomed the announcement by Unilever of a wide-ranging set of new commitments in January 2021 to enhance its social impact further. This includes actions to ensure ‘everyone who directly provides good and services to Unilever will earn a living wage or a living income by 2030, directing Euros 2 billion of procurement spend to suppliers owned and managed by people from under-represented groups, and introducing more flexible employment options.’<sup>20</sup>

*‘Unilever’s plan shows the kind of responsible action needed from the private sector that can have a great impact on tackling inequality, and help to build a world in which everyone has the power to thrive, not just survive. We welcome Unilever’s commitments for living wages and farmer incomes in the global supply chain – an important step in the right direction – and are proud to have been a partner of Unilever as it formed this ambitious new plan. We will work alongside Unilever as it crucially implements its commitments, helping it to deliver for under-represented groups, to accelerate their systemic changes and to shift industry practice and laws.’*

Gabriela Bucher, Oxfam International Director, January 2021.

## INSIGHTS

A range of factors internal and external contributed to Unilever’s improvements to global labour policy and practice including prior campaigning and engagement by trade unions and other NGOs. Some of the specific success ingredients relating to Oxfam’s engagement and relationship with Unilever included:

- Unilever's openness to learn in order to achieve positive social impact and a good quality supply chain;<sup>21</sup>
- The backing and leadership of a range of managers including the then CEO, Paul Polman, who firmly believed that 'we have to work with government and civil society' and the Chairman of Unilever Vietnam;
- Mutual respect and relationships of trust between Oxfam and Unilever built over time at a range of levels;
- Oxfam's independent, critical and constructive style of company engagement, known as a 'critical friend';
- The use of rigorous research methodologies.

# 1 THE CHALLENGE

Working for a big profitable multinational, whether in their plants or supply chains, should offer a route out of poverty and respect for people's rights. But at the time Oxfam and Unilever agreed to do the first study, Unilever had for some years been the target of campaigns by global trade union federations and NGOs – notably the IUF, IndustriALL, The Netherlands Trade Union Confederation (FNV)<sup>22</sup> and the Centre for Research on Multinational Corporations (SOMO)<sup>23</sup> highlighted labour abuses in countries including India and Pakistan,<sup>24</sup> particularly relating to Unilever's outsourcing of jobs.<sup>25</sup>

As a result, the company knew that action needed to be taken. In 2010, Unilever launched its Sustainable Living Plan,<sup>26</sup> and in 2011 it made a public commitment to the newly published UN Guiding Principles on Business and Human Rights. Oxfam used these as a framework for a 'gap analysis' case study in Vietnam between Unilever's policies and the reality for workers in Vietnam, building on parallel influencing by the unions as well.

As well as these 'push factors' there were 'pull factors' in that Unilever saw a motivated workforce as key to its business success:

*'People must be the source of the company's value. Unilever must be best in class as we charge a premium for our brands, so we must invest in training and working conditions...We compete on operating efficiency, quality, specification of products and responsiveness to customer demand. All this requires an empowered and skilled workforce...All Unilever's analysis shows that where there are good conditions and empowerment of employees, the factory has the best results.'*

Unilever's Vice President Global Supply Chain in an interview with the Oxfam research team, 2011



The Cu Chi Factory near Ho Chi Minh city, Unilever Vietnam (2012) © Unilever

The wider global context was that many companies' supply chains were rife with violations of human, labour and women's rights. Forced labour, hidden suffering, in-work poverty and gender discrimination is the norm and woven into their fabric, as highlighted by many Oxfam publications.<sup>27</sup> Root causes include business law and models that prioritise short term profit inadequate regulation by governments, lack of worker representation in the workplace, business practices that undermine labour standards and over-reliance on private commercial audits that do not take account of workers' vulnerabilities. For example, workers do not commonly raise issues if they believe this could put their jobs at risk and would rather suffer in silence or move on to the next employer in the hope of being treated better there.

Nationally, Vietnam's political and legal context placed limitations on freedom of association and the right to collective bargaining. The State allowed only one legal labour union federation in the country, the Vietnam General Confederation of Labour (VGCL), and all unions were required to join it. Trade unions at enterprise level were not independent from enterprise management, and most of the union leaders worked in managerial positions and did not represent workers in an independent way.

Like many other countries, there were also gaps in compliance with labour regulations, partly due to limited official inspections and law enforcement. For instance, working hours were limited in law to 48 hours per week but widespread non-compliance was normal. The minimum wage was estimated by the VGCL trade union to meet only 40-46% of a worker's minimum expenses per month.<sup>28</sup>

It was commonplace for workers to put in working hours well beyond the legal limit of 48 hours per week, with one survey finding 67 hours a week being the norm.<sup>29</sup> Disputes between employment agencies and contracted or 'sub-leased' workers were also common and there were nearly 1,000 wildcat (unofficial) strikes in 2011, with many workers calling for higher wages.<sup>30</sup> Yet the living wage was a relatively new concept at the time. Many companies were sceptical of the concept either in principle (on market competition grounds) or because there was a lack of agreement on what a living wage should be and almost no credible benchmarks.

At the level of Unilever Vietnam, the 2011 context was one of a growing operation and sales in an emerging economy, but with a traditional style of people management and limited exposure to societal expectations on human rights.

As of 2020, Vietnam's minimum wage is third highest in ASEAN and 46th globally as a percentage of per capita GDP. However, it remains behind Lao and Myanmar, and is rising slower than GDP, gradually reducing labour's share of GDP.<sup>31</sup>

## 2 OXFAM ENGAGEMENT WITH UNILEVER

Oxfam works with a number of big private companies to help achieve lasting systemic changes in policy and practice as part of its mission to reduce poverty and inequality, but its relationship with Unilever is unique. It began 20 years ago when Oxfam began conducting a Poverty Footprint study of Unilever in Indonesia,<sup>32</sup> which led to collaborative work on sustainable agriculture including a new inclusive supply chains project (Project Sunrise).<sup>33</sup> Then in 2009, when entering into the Project Sunrise partnership with Unilever, Oxfam initiated an advocacy dialogue to address concerns about whether Unilever had adequate policies and practices in place to manage labour rights risks, since public campaigns and reports by other organizations were highlighting a range of issues at the company.<sup>34</sup>

A year or so later, Oxfam proposed an independent study, and Unilever agreed. Vietnam was chosen as the location, as the company employed around 1,500 people (58% women) there to produce home, personal care and food products<sup>35</sup> and had a sizeable supply chain of nearly 25,000 people. Oxfam's country management team were open to learning from the opportunity to engage with a multinational company, and its programme included a labour rights focus.

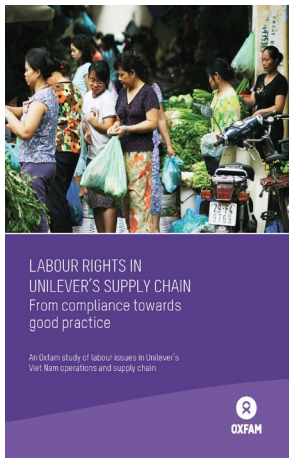
*'We [Unilever]... welcomed the proposal by Oxfam, one of our key NGO partners, to conduct this ground-breaking study in Vietnam [which] has many insights and lessons to offer us.'*

Paul Polman, 2013, CEO of Unilever from 2009–2019.

The purpose of the research was to assess the gap between Unilever's policies and the reality for workers in Vietnam, recommend ways the company could operationalize the new UN Guiding Principles on Business and Human Rights, and identify indicators that could be used to measure future progress. In order to maintain its independence, Oxfam designed the studies, funded the research and wrote the reports, giving Unilever an opportunity to comment only.

Unilever provided unprecedented access to its staff, operations, data and suppliers in the country, overcoming one of the biggest challenges facing NGOs conducting research in this area. It was agreed Oxfam would return after three years to assess what had changed. Unilever also prepared the ground with their suppliers and facilitated a range of management interviews. Ways of working were covered by a Memorandum of Understanding that was

signed by the respective CEOs in 2011 and included an agreed process for managing any differences that might arise.



The 2013 Oxfam report (based on research conducted in July 2011) was a 'gap analysis' between Unilever's policies and the reality for workers, with a case study in Vietnam.



The 2016 Oxfam progress report (based on research conducted in July 2015) assessed what had changed in the intervening four years and why, where Unilever could go further, and the systemic challenges to achieving further positive change.

## THE 2013 REPORT

### Box 1: Objectives of the first Vietnam study

The first study had two objectives:

1. To assess the labour standards in Unilever's operations and wider supply chains in Vietnam, taking into account international standards and local conditions.
2. To develop a set of principles and measures that could guide Unilever and other companies in fulfilling their social responsibilities.

In total, 198 people were interviewed for the first study, including 94 workers. Around half of these workers were men and half were women, and interviews were conducted both on-site and off-site). External stakeholders consulted included the Vietnam Ministry of Labour (MOLISA), VGCL and wages experts. At the global level, the team interviewed four Unilever managers and four informants from stakeholder organisations (IUF, ILO Better Work, SOMO and Rainforest Alliance). In Vietnam, the team focused on locations where Unilever had significant influence – its own factory, business partners and its 48 suppliers – with a 'deep dive' into three of these, and interviewed local experts and stakeholders.

### Box 2: What issues did the study assess?

The study assessed Unilever's policies and management processes against the UN Guiding Principles of:

- commitment;
- integration into the business and implementation with suppliers;
- tools and processes for due diligence; and
- remediation via grievance mechanisms.

- It also looked at four labour issues:
- freedom of association and the right to collective bargaining;
- wages;
- working hours; and
- contract labour.

**Figure 1: Study research methodology**

| FOCUS   | LEVEL                   | METHOD   |
|---|-------------------------|--|
| The team assessed Unilever against international principles and indicators of good practice.                        | GLOBAL LEVEL            | Literature review.<br>Four interviews with Unilever management.<br>Four interviews with global stakeholders.   |
| The team assessed Unilever against international principles and indicators of good practice.                        | NATIONAL CONTEXT        | Literature review.<br>21 interviews with national stakeholders.<br>Stakeholder reference group and workshop on the Living Wage.<br>Development of a 'wage ladder'  |
| The team looked at how far Unilever enabled workers to realise their rights with a focus on the four labour issues. | UNILEVER VIET NAM       | Consultation workshop and interviews with nine UVN managers at head office.<br>Interviews with 12 managers and the union at Cu Chi factory, 25 employees of UVN and 18 employees of a labour provider.<br>Feedback workshop for UVN. |
| The team conducted telephone interviews with 48 suppliers to understand their policies and management processes.    | 48 SUPPLIERS            | Telephone survey.  |
| The team looked at labour rights at three selected suppliers, with a focus on the four labour issues.               | 3 'DEEP-DIVE' SUPPLIERS | Interviews with six managers (two at each of the three suppliers).<br>Interviews with 51 workers.  |

In total 198 interviews were conducted, of which 94 were with workers.

**Figure 2: Location of research areas**



## GLOBAL LEVEL FINDINGS

The report confirmed significant gaps both in the management and reporting of labour standards at global level and between corporate policy and the reality on the ground for workers in Vietnam.

At a global level:

- human and labour rights were missing from Unilever’s Sustainable Living Plan and the company’s strategy;
- there was no dedicated capacity on human and labour rights;
- there was a Supplier Code but with a traditional compliance-based focus, rather than a rights-based focus demonstrating a Human Rights Due Diligence approach;

- there was no commitment to a living wage, only to the legal minimum wage; and
- there was engagement with international trade unions such as IUF and IndustriALL but no formal agreements.

## FINDINGS IN VIETNAM

### Workers were disempowered and grievance mechanisms not trusted

Workers in Unilever's own factory were found to be deeply disempowered. They lacked a safe space to talk frankly about their concerns, despite Unilever's global commitment to freedom of association and collective bargaining. Managers of the factory did not have a strong interest in or good understanding of workers' needs, interests or providing access to information. There was also a lack of recognition of workers' vulnerability when they do speak up. There were international and national hotlines available at the time the research was conducted, but these were not frequently used. Workers were not aware of the global (English language) hotline and did not trust the Vietnamese one, saying it was 'too sensitive' for them to use. This meant that potentially severe labour violations were unlikely to come to the company's attention.

*'We truly want the company to create a mechanism for us to report our concerns. The union cannot do this job because the union leaders are paid by the company. They only listen to us without reporting to the management. The other channels such as hotline and emails are too sensitive for us to use.'*

Worker in Unilever's Vietnam factory, 2011

### Wages fell short of a living wage

Oxfam found Unilever's working assumption that production workers were paid well above a living wage in its own operations to be unreliable.<sup>36</sup> In fact, one in four of the workers in its factory earned a starter wage not much above \$2 per person per day (the international poverty line).

*'I worked for Unilever Vietnam since 2002 and now have three kids. However, my two elder sons dropped out of school because I could not afford the school fees.'*

Worker in Unilever's Vietnam factory, 2013.

Oxfam used a 'wage ladder' – commissioned from consultants Ergon Associates – to show that while wages exceeded the national and international poverty line and the legal minimum wage, they fell well short of a living wage for the semi-skilled and contracted workers. In the wider supply chains, audits found that most suppliers also did not pay more than the legal minimum wage to the lowest skilled workers.

*'With the issue of a living wage rising up the business agenda and nearly 7,000 UK employers now accredited living wage employers, we hope this case study helps*

*companies understand and address this key component of poverty reduction and respect for human rights.'*

Rachel Wilshaw, Workers' Rights Senior Manager, Oxfam.

## **Some workers had second jobs**

Working hours in the Unilever factory in Vietnam were not found to be excessive, but several workers complained that they needed a second or even third job to make ends meet, making overall working hours extremely long for many.

*'We cannot live on the current salary. Therefore, after working hours (usually my shift ends at 2pm) in the factory, I have to work as a waitress in a café from 3–9 pm to have enough money to cover all family costs.'*

Worker in Unilever's Vietnam factory, 2013.

## **The majority of workers were 'contingent labour' and not directly employed**

More than half the workers in the factory were sub-contracted to a third-party labour contractor, which paid much lower wages and offered fewer benefits. These workers expressed concern about unequal treatment, disguised employment and repeat temporary contracts, especially given there was an unclear separation of roles between direct Unilever employees and third-party workers. Many were migrant workers but by Oxfam's calculation they did not earn enough to support a dependent. The majority were women.

## **Precarious work and excessive hours were common in the supply chain**

In a 'deep dive' into three suppliers, wages were found to be lower than at Unilever's factory, with a reliance on excessive overtime to enable workers to earn enough to get by. Two of the three suppliers studied were found to pay wages just above the legal minimum, which did not enable workers to meet their basic needs, especially in state-owned enterprises where the applicable minimum wage was lower. One supplier had working hours well in excess of national law, another relied on a high ratio of temporary workers on precarious contracts. The third supplier had a range of good practices: multi-skill training, better wages, effective grievance mechanisms, high satisfaction and low worker turnover. However, there was no evidence that these good practices were linked to Unilever's policies or incentivized by its practices. Whilst Unilever had good leverage and long-term relationships with its suppliers, its sourcing practices contributed to low wages and precarious work.

# 3 STRUCTURAL CHANGES AND IMPACTS ON POVERTY

Unilever described Oxfam's study as a wake-up call, saying publicly that there were 'issues that needed fixing at three levels – overall global policy and business practices, specific findings in our own Vietnam operations, as well as issues that Oxfam was focused on such as living wage and freedom of association.'<sup>37</sup>

Oxfam's 2013 report prompted a range of CEO-level commitments, including a 'sustainable living review' in every country of operation (90+), mitigation of the casualization of labour, mainstreaming of human and labour rights into the business, training workshops on best practice for staff and suppliers and a review of grievance mechanisms.

Yet Unilever suffered less public criticism than expected from disclosure of the issues in its operations and supply chains. Indeed, the more critical findings got less attention than the company's transparency in opening itself up to Oxfam's scrutiny.

The recommendations in Oxfam's 2013 report provided the incoming Global Vice President for Social Impact, a role created directly after the report was published, with a roadmap towards better practice. The company took meaningful steps on human and labour rights and its inaugural human rights report in 2015 referenced lessons learned from the study.

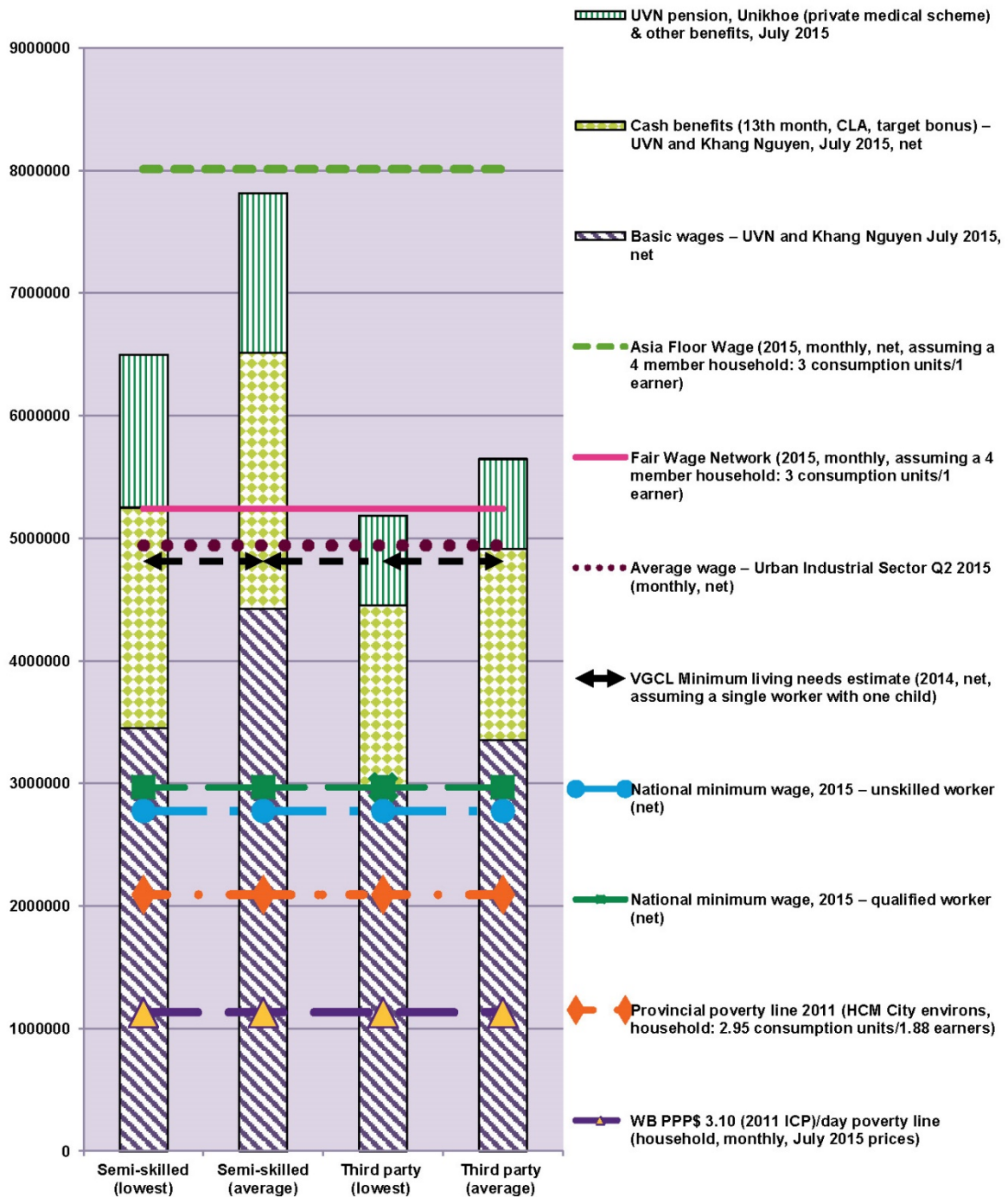
The then CEO Paul Polman started talking publicly about the importance of social as well as environmental impact, about fair/living wages not being the norm in global supply chains and about the importance of smart regulation.<sup>38</sup>

Four years after the original baseline study, the Oxfam research team reformed to review Unilever's progress, leading to a report in July 2016.<sup>39</sup> For this follow-up research, 117 people were interviewed or involved in focus group discussions. The second report assessed:

- progress by the company at a global level;
- what had changed for workers in Vietnam in terms of employment conditions, including wages; and
- outstanding challenges applicable to Unilever and the wider fast-moving consumer goods sector.

The 2016 review found that the company's overall commitment to respecting human and labour rights had been strengthened as a result of effective leadership across the business, but that some critical implementation challenges remained that would require a systemic approach to address. The findings are explored in more detail in the next sections.

**Figure 3: Wage ladder: wages and benefits at Unilever factory in HCM City with wage and poverty benchmarks (VND monthly)**



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

## Progress at a global level

At a global level, the 2016 Oxfam review found that Unilever had made significant improvements to policies and management processes, including:

- Human rights were better integrated into the corporate Sustainable Living Plan via a Fairness in the Workplace pillar,<sup>40</sup> and the work led by a new Global Vice President for Social Impact role.<sup>41</sup>
- The compliance-based Supplier Code had been replaced with a Responsible Sourcing Policy that provided greater clarity about Unilever's expectations of suppliers, a framework for continuous improvement over time, and a living wage approach covering workers in all supply chains.<sup>42</sup> It also published a new Responsible Business Partner Policy<sup>43</sup> and a Respect, Dignity and Fair Treatment Policy.<sup>44</sup>

A review of compensation was conducted at its global factory sites.<sup>45</sup> Through this, the company identified 6,288 employees in 25 countries earning wages below certified living wage benchmarks and embarked on a programme of remediation.<sup>46</sup> A new Framework for Fair Compensation was adopted covering all Unilever direct employees globally, approximately 169,000 people in 2016.<sup>47</sup>

A positive legacy from this initiative has been to catalyse Unilever's progress towards integrating Corporate Social Responsibility (CSR) and sustainability into the core business. Whereas Unilever's Sustainable Living Plan was previously rather separate from the business strategy, sustainability is integrated into the new corporate strategy, Compass.<sup>48</sup>

## Progress in Vietnam

In Vietnam, the Oxfam team found the following areas of progress in the four years to 2016:<sup>49</sup>

- A more open management style and attitude among Unilever's factory managers when communicating with workers, and slightly enhanced worker voice. Workers told Oxfam that Human Resources managers, who had previously been perceived as distant, now listened to them, and grievance mechanisms had been improved. However, workers were still not in a position to bargain collectively with management.
- Wages had increased in real terms for the 1,249 workers in Unilever's Vietnam factory, of whom 59% were women. For the lowest paid workers (employed by a third party and 67% women), wages had increased by 71% since 2013. For semi-skilled workers the increase was 48% and for skilled workers 31%. The main factor was the doubling in value of the minimum wage over the four-year period (67% in real terms), but action by Unilever contributed as well.
- A higher proportion of workers – 69% compared with 45% in 2013 – were directly employed by Unilever. In total, 87 contract workers in the factory had been brought into Unilever's direct employment, meaning improved wages and benefits.<sup>50</sup>
- In the wider supply chains, no measurable improvements in job quality were found that could be attributed to Unilever's actions, although there was some evidence of steps taken to tackle excessive working hours and contract labour. Some workers did report

increases in income, but these were due to suppliers' own bonus schemes and not to action by Unilever.

- Suppliers were clearer about Unilever's expectations, following training and guidance on the new Responsible Sourcing Policy. In the progress review,<sup>51</sup> Oxfam found that 70% of suppliers surveyed said that they risked losing Unilever as a customer if labour issues were found but not addressed, compared with 17% in 2011. Unilever subsequently provided training to all suppliers on its new Responsible Sourcing Policy, which could in time improve working conditions for hundreds of thousands of people employed in its global supply chains.



Some of the 55 workers employed by Unilever and its suppliers who were interviewed for the 2016 Oxfam study. © Oxfam.



After Oxfam's 2013 study, Unilever Vietnam introduced a monthly 'chat with management' in its factory and strengthened its range of grievance mechanisms. © Unilever.

Other impacts in Vietnam: The case study offered many suggestions to policy makers on ways to improve their legal standards, incentivize improvements and enforce existing laws. It offered insight to civil society organizations on how they can support groups of workers to

organize themselves to raise their voice and access information needed to improve their conditions. And an unlooked-for benefit, according to a report author, was that it offered academics in Vietnam useful methodologies for researching the perspectives of workers.

Unilever managers both globally and in Vietnam reported how much they had learned and benefited from Oxfam's research.

*'We are excited and thankful about Oxfam's study. We want your help to benchmark Unilever with other companies and to learn about best practices from other parts of the world.'*

J.V. Raman, former Senior Vice President and General Director, Unilever Vietnam.

*'We are tracking in Vietnam what was recommended in the Oxfam report and acting on that. This is adding enormous value.'*

David Ingram, Senior Vice President Supply Chain, Asia.

*'Thanks to Oxfam's report, we have had a better understanding of what labour rights are all about and how we can better address those issues.'*

Nguyen Thi Tam Trang, Vice President of Human Resources, Unilever Vietnam.

## 4. CHALLENGES

A range of challenges remained after the second 2016 study (see the traffic light summary of progress and challenges in Table 1). These included:

- integrating respect for human rights in the company's commercial decision-making;
- ensuring business practices that enable good labour standards in the supply chain;
- ensuring gender equality;
- finding scalable ways to address systemic issues (e.g. inadequate minimum wages); and
- measuring and reporting on progress.

A number of significant unintended impacts for women workers were identified during the progress review. Oxfam found that all 87 third-party jobs brought into its direct employment went to male workers. This was despite the fact that women made up two-thirds of the pool of workers from which recruitment took place. In fact, over the four year period, the percentage of women employed in the factory (directly and by a third party) fell from 59% to 28%, a significant drop.

Researchers sought to understand why this had happened. Unilever Vietnam personnel acknowledged that male workers were more likely to be promoted and pointed to the different education and training of male versus female workers. Oxfam researchers posited other possible factors including the trend towards higher-technology equipment, which male workers may have been seen as more suited for, and shift patterns which may not have taken account of women's greater domestic burden.

In relation to workers' levels of satisfaction, in the 2016 study, workers in the Unilever factory still did not see their wages as fair or adequate, and there had been little improvement in the lives of workers in the wider supply chains either. This finding may indicate the limitations of one company influencing the complex structure and dynamics affecting workers in its supply chains, and suggests the need for more effective government regulation and enforcement and strengthening of workers organizations and voice. Yet as with other multinational companies, at the time Unilever appeared to lack a clear strategy to engage with governments on these issues.

A number of systemic issues remained unresolved after the 2016 study. For instance, Unilever's business practices still did not enable good labour standards in the supply chain. Suppliers were sceptical that improving the quality of jobs was achievable within the terms of their business relationships at the time. In fact, 80% said they did not think that the additional costs they would incur would be rewarded, since prevailing business practices were geared more at minimising costs than at raising standards.

## 5 HOW CHANGE AT SCALE WAS ACHIEVED

Unilever sees itself as a sector leader on sustainability, and therefore as having a role in seeking to influence the wider sector and governments. From the company's perspective, the 2013 Oxfam study gave an independent insight into their business which it was hard to gain internally. As one of the report's authors commented, 'Oxfam's assessment identifies risks Unilever didn't know it had.'<sup>52</sup> The report also provided a roadmap towards better practice, which was used by the incoming Global Vice President for Social Impact to guide implementation of the company's commitments.

*'Open, frank dialogue and understanding of the challenges and opportunities, particularly at the local level, have been a key part of this work, with learnings on both sides.'*

Unilever human rights report 2017.<sup>53</sup>

From Oxfam's perspective, the study enabled it to undertake constructive but critical dialogue with a major company that was in a position to drive positive change in the wider sector.

Vertical scaling was achieved by:

- Unilever using the findings from the Vietnam study to improve its own global labour policies and practices; and
- the Vietnamese government taking an interest in the findings at a time of high public debate about unofficial strikes and low wages.

Horizontal scaling was achieved by:

- Unilever using the Vietnam study to directly influence labour practices in its plants in 25 other countries of operation;
- dissemination of the findings to the Vietnamese public, Vietnam National Assembly, wage experts and policy makers, which contributed to discussions about the level of the legal minimum wage and about lifting restrictions on freedom of association; and
- Oxfam and Unilever staff sharing learning to influence the global Fast Moving Consumer Goods sector through institutions such as AIM-Progress, the Ethical Trading Initiative and the UN Global Compact.

A range of factors internal and external contributed the changes made by Unilever. Around 2009, campaigning by trade unions and non-government organizations (NGOs), together with labour disputes in India and Pakistan, led Unilever to engage with the global union federation IUF and sensitized Unilever to the need for change, creating a window of opportunity for Oxfam. The publication of the United Nations (UN) Guiding Principles on Human Rights,<sup>54</sup> just as the study was being designed, provided a helpful new way to look at a company's core business performance. It opened up discussions about how human rights due diligence could best be operationalized by a multinational company and achieved at scale (see Boxes 1 and 2).

Some of the specific success ingredients relating to Oxfam's engagement and relationship with Unilever included:

- Unilever's openness to listen and learn in order to achieve positive social impact and a good quality supply chain.<sup>55</sup>
- The backing and leadership of a range of managers including the then Unilever CEO, Paul Polman, who firmly believed that 'we have to work with government and civil society' and the General Director of Unilever Vietnam, J.V. Raman.
- Mutual respect and relationships of trust between Oxfam and Unilever built over time and at a range of levels.
- Oxfam's independent, critical and constructive style of company engagement, known as the 'critical friend' approach, and its use of rigorous research methodologies to provide an evidence base for its findings.
- Unilever staff in the headquarters encouraged staff in Vietnam to engage constructively with the researchers' more critical findings, which was outside their comfort zone.

## 6 DURABILITY

Unilever's changes in policy and practice affected, and should continue to affect, workers in all 90 countries where it has operations, if improvements on the ground are sustained.

However, on conducting the follow-up research, Oxfam found that there had been significant changes in personnel both in Unilever's Vietnam factory management and in Unilever's global team (procurement, corporate responsibility). It is not clear whether in the four-year

period between studies, incoming staff were aware of Oxfam's gap analysis until they were asked to read it before the progress review was conducted. This raises a question about the extent to which knowledge gained through NGO/company engagement gets embedded or is lost over time once individuals move on.

A range of systemic issues identified in the first study remained after the second study, including low levels of worker empowerment, gender inequality and low wages, particularly in the supply chain. This is consistent with an economic context in which companies committing to improve supply chain standards are undercut by the exploitative practices of competitors, made possible by weak government regulation and enforcement and low levels of worker representation, whilst markets fail to reward respect for human rights.

Not long after the Oxfam progress report was published, Unilever was the subject of a hostile takeover bid by the US multinational Kraft Foods.<sup>56</sup> Unfortunately, progress in the area of social and environmental impact had very little bearing on this takeover battle, which focused squarely on commercial performance and shareholder returns, suggesting improvements in human rights are not yet issues that are required or rewarded by the market.

But there are signs of positive change, including increased interest by investors in the human rights performance of investee companies. Nearly 7,000 employers are accredited living wage employers in the UK,<sup>57</sup> living wage schemes are in development in other countries,<sup>58</sup> and some brands and retailers have announced commitments to a living wage for some high-risk food commodities.<sup>59</sup>

Some governments have begun to take steps to strengthen regulations. In the UK, US and Australia, for example, steps have been taken to tackle modern slavery, while 2019 saw European Union rules banning unfair trading practices (UTPs) by supermarkets and large buyers. There is also growing momentum in Germany and the European Union more widely for companies to be held legally accountable if they fail to take measures to prevent and mitigate human rights violations along their supply chains (mandatory human rights due diligence). And in Vietnam there have been recent changes to the legal framework covering labour rights and trade union freedoms.<sup>60</sup>

## 7 LOOKING TO THE FUTURE

The collaboration, and action taken by Unilever demonstrate key ways in which a multinational company can address human rights issues in its own operations. But significant gaps still remain in relation to standards in the global supply chain, where a company has less leverage to prevent harms and achieve positive social impact.

For this reason, Oxfam has publicly welcomed Unilever announcing a wide-ranging set of commitments and actions in January 2021 to achieve further social impact in a range of ways. This includes actions to ensure 'everyone who directly provides good and services to Unilever will earn a living wage or a living income by 2030, directing Euros 2 billion of

procurement spend to suppliers owned and managed by people from under-represented groups, and introducing more flexible employment options.<sup>61</sup>

*'Unilever's plan shows the kind of responsible action needed from the private sector that can have a great impact on tackling inequality, and help to build a world in which everyone has the power to thrive, not just survive. We welcome Unilever's commitments for living wages and farmer incomes in the global supply chain – an important step in the right direction – and are proud to have been a partner of Unilever as it formed this ambitious new plan. We will work alongside Unilever as it crucially implements its commitments, helping it to deliver for under-represented groups, to accelerate their systemic changes and to shift industry practice and laws.'*

Gabriela Bucher, Oxfam International Director, January 2021.

## 8. TIMELINE

- 2000s Unilever was subject to a number of ongoing labour disputes and civil society campaigns highlighting labour issues and precarious work.
- 2009 Oxfam initiated an advocacy engagement with Unilever on labour rights issues.
- 2010 Both parties agreed the terms of reference for an Oxfam 'gap analysis' with a case study in Vietnam.
- 2011 UN Guiding Principles on Business and Human Rights published.
- 2011 Oxfam research undertaken at a global level and in Vietnam, with Unilever's support.
- 2013 Oxfam published its first independent report, *Labour Rights in Unilever's Supply Chain: From Compliance towards Good Practice*. Co-ordinated launch of the report in Ho Chi Minh City.
- 2015 Unilever agreed the terms of reference for a progress review and subsequently Oxfam research was undertaken by the same research team.
- 2016 Oxfam published a second report, *Labour Rights in Vietnam: Unilever's Progress and Systemic Challenges*.
- 2016 onwards Ongoing dialogue on human and labour rights, living wages and gender equality.

# ANNEX 1: OXFAM'S ASSESSMENT OF UNILEVER'S PROGRESS

**Table 1: Oxfam's assessment of Unilever's progress against recommendations between 2013 and 2016**

| Summary of Oxfam's recommendations to Unilever based on the 2013 report |  | Gap analysis based on 2016 report   |
|---|--|---|
| 1.  | Adjust policies and business model to deliver better quality jobs, including commitment to a living wage and reduction in precarious work.   | Gaps tackled through better policies, including on wages and secure employment, helped by leadership.   |
| 2.  | Better align procurement and business processes through [Responsible Sourcing] policy, training buyers on labour standards and incentivizing suppliers to raise them.  | Some gaps tackled through engaging procurement, internal training and engaging suppliers.<br>Business practices enabling good labour standards remain a major gap in all multinational company supply chains.             |
| 3.  | Strengthen the due diligence process to take better account of people's vulnerabilities that prevent them from speaking out, and track effectiveness.  | Innovation needed to go 'beyond audit'.   |
| 4.  | Work with other parties to promote scalable ways to realize rights and increase collective leverage, including advocacy work with governments.   | Some gaps tackled through working with others to increase collective leverage.<br>Scalable ways to address systemic issues (e.g. inadequate minimum wages) remain a major gap in all multinational company supply chains. |
| 5.  | Address the Vietnam-specific concerns at the Unilever factory and with suppliers.  | Some specific concerns tackled, but more work needed.   |
| 6.  | Integrate into the Sustainable Living Plan, and/or public reporting process, measurable targets for labour rights and job quality.   | Unilever acknowledges more is needed on measuring and reporting.  |
| Unilever's commitments based on the 2013 report: global level           |  |   |
| 1.  | Ensure it promotes sustainable livelihoods for all its workers and those in its supply chains, including through conducting a market by market 'sustainable living' review in the 38 countries in which it operates. | Gap tackled on fair compensation for its own employees, but further implementation needed.  |
| 2.  | Mitigate the 'casualization' of labour within its workforce wherever possible.   | Commitment to direct employment in its manufacturing roles, other than labour that is seasonal or only needed for a defined time.   |

|  |   |   |
|--|---|---|
| 3.   | Invest in ensuring the Supplier Code is understood and acknowledged by all Tier 1 suppliers.  | Suppliers aware of expectations, but more implementation needed.  |
| 4.   | Ensure it meets the same standards (in its own operations) as it expects of suppliers.  | Gaps tackled in Vietnam and globally, but more implementation needed.   |
| 5.   | Partner with others to mainstream the integration of human and labour rights by business.   | Leadership shown, but more is needed to mainstream integration (e.g. gender equality, living wages, etc.) in the supply chains. |
| 6.   | Set key performance indicators on human and labour rights and report progress on an annual basis.   | Unilever acknowledges more is needed regarding measuring and reporting progress.  |
| Unilever's commitments based on the 2013 report: Vietnam level |   |   |
| 7.   | Organize human and labour rights training workshops for internal business stakeholders, including the factory leadership in Vietnam and key suppliers, in order to promote best practice. | Staff engaged systematically, more needed to gain buy-in of suppliers.  |
| 8.   | Work with its 80 top suppliers to address non-compliance issues with the Supplier Code.   | Working hours and contract labour have been tackled, but more is needed (e.g. on grievance mechanisms and living wages).        |
| 9.   | Review the worker grievance mechanisms for permanent and temporary workers to ensure they are more accessible, predictable and transparent.   | Good progress based on active listening to workers, but more to do for the most vulnerable.                                     |

# ANNEX 2: CASE AT A GLANCE

|  |  |
|--|--|
| <b>Case study name</b>                       | <i>How Oxfam worked with Unilever to enhance its social impact</i>   |
| <b>Location and type</b>                     | <ul style="list-style-type: none"> <li>• Unilever’s global supply chain as of 2011: 97,000 employees and 76,000+ suppliers.</li> <li>• Unilever’s Vietnam supply chain as of 2011: 1,539 working in the Unilever factory and 24,690 in the supply chain in total</li> </ul>  |
| <b>Country Indicators</b>                    | <p><b>Vietnam</b></p> <ul style="list-style-type: none"> <li>• <b>Income:</b> lower middle-income country (World Bank, 2019<sup>62</sup>)</li> <li>• <b>Inequality:</b></li> <li>• <b>Human Development Index (HDI):</b> ranked 118 out of 189 countries (UN Development Programme, 2018)</li> <li>• <b>CIVICUS rating:</b> ‘closed’ civic space (CIVICUS, 2019), although contested by civil society organizations in Vietnam<sup>63</sup></li> <li>• <b>Gender Gap:</b> ranked 87 out of 153 countries, (WEF,2020)<sup>64</sup></li> <li>• <b>Fragility:</b> ‘Warning’ (Fund for Peace, 2019)<sup>65</sup></li> <li>• <b>Climate Risk:</b> ranked 6<sup>th</sup> out of 181 countries for 1999-2018 (Eckstein et al., 2020).<sup>66</sup></li> </ul>   |
| <b>Time period</b>                           | From 2009 to 2016, with some ongoing advocacy at UK level on labour rights, living wages and gender equality issues beyond Vietnam.  |
| <b>Theme/systemic issue</b>                  | Economic inequality  |
| <b>Type(s) of poverty reduction achieved</b> | Improved wages, worker voice, income security, workplace benefits and greater awareness of gender inequalities. <sup>67</sup>  |
| <b>Scale of poverty reduction achieved</b>   | <p><b>Globally</b></p> <ul style="list-style-type: none"> <li>• Unilever made a number of changes to global policy (affecting 90 countries of operation), including integrating human rights into its global practices and raising the wages of 6,288 of its lowest paid employees in 25 countries.</li> </ul> <p><b>At Unilever’s Vietnam Factory<sup>68</sup></b></p> <ul style="list-style-type: none"> <li>• <b>Wages:</b> four years after the first study, Oxfam found that the wages of 1,249 workers (59% women) were higher in real terms. This was due mainly to increases in the legal minimum wage and to a lesser extent to action by the company. For the lowest paid workers (employed by a third party, 67% women), wages increased by 71%. For semi-skilled workers, wages increased by 48%. For skilled workers, wages increased by 31%.</li> <li>• <b>Voice:</b> Workers’ voice had been slightly enhanced by better management–worker dialogue and a worker election process.</li> <li>• <b>Security:</b> A higher proportion of workers – 69% compared with 45% in 2011 – were directly employed by Unilever, meaning improved wages and benefits.</li> </ul> <p><b>In the Vietnam supply chain</b></p> <ul style="list-style-type: none"> <li>• In the Vietnam supply chain, there was some evidence that steps had been taken to tackle excessive working hours and contract labour.</li> </ul> |

|                                      |   |
|--------------------------------------|---|
| <b>Structural changes</b>            | <ul style="list-style-type: none"> <li>• Improved corporate policy and management processes relating to human and labour rights.</li> <li>• In Vietnam, changes in attitudes and behaviours of management in relation to workers, allowing more space for dialogue and more freedom for workers to express their opinions safely.</li> </ul>  |
| <b>Routes to scale</b>               | <ul style="list-style-type: none"> <li>• <b>Company level:</b> learning from the Vietnam study was vertically scaled into Unilever global policies and practices and horizontally scaled into Unilever factories in 90+ countries.</li> <li>• <b>Other companies:</b> influencing other companies, via dissemination of the report via relevant channels and e.g. joint presentations at meetings of the Ethical Trading Initiative<sup>69</sup> and the UN Forum on Business and Human Rights.<sup>70</sup></li> <li>• <b>The Vietnamese government:</b> the case study offered many suggestions to policy makers on ways to improve their legal standards, incentivize improvements and enforce existing laws.</li> <li>• <b>Civil society:</b> the study offered insights to civil society organizations on how they can support workers to raise their voice and access the information needed to improve their conditions.</li> <li>• <b>Academics:</b> the study offered researchers in Vietnam to think about useful methodologies for gathering perspectives from workers.</li> </ul> |
| <b>Types and quality of evidence</b> | <p>Medium quality evidence of improved employment structure, wages and management worker dialogue in the Unilever Vietnam factory, from Oxfam's 2016 research report using qualitative research methods, attributable in part to Oxfam's engagement as agreed by Unilever. At a global level, evidence for policy strengthening and wage increases for the lowest paid employees in 25 countries is from Unilever. Any other impacts on wellbeing are inferred.</p>   |
| <b>Key actors involved in case</b>   | <p>Oxfam (GB and Vietnam), Unilever PLC (global and Vietnam), international and local trade unions, and policy makers in Vietnam.</p>   |

# NOTES

1 A 'Living Wage' means a 'decent wage' and is defined as remuneration received for a standard work week by a worker in a particular place sufficient to afford a decent standard of living for the worker and their family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events. <https://www.globallivingwage.org/about/what-is-a-living-wage/>

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<https://policy-practice.oxfam.org.uk/publications/labour-rights-in-vietnam-unilevers-progress-and-systemic-challenges-614926>

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Oxfam is an international confederation of 20 organizations networked together in more than 67 countries, as part of a global movement for change, to build a future free from the injustice of poverty. Please write to any of the agencies for further information, or visit [www.oxfam.org](http://www.oxfam.org)

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