

Nike's Supply Chain in Vietnam: Labour Rights Violations and Corporate Accountability

Klaus M. Schmidt Flores

Asia Team – 21/03/2025



© Pum Vương from Pexels: <https://www.pexels.com/photo/ship-sailing-on-the-body-of-water-near-the-city-buildings-10830101/>, published on 8 December 2021.



Riviermarkt 5, 2513 AM The Hague, Netherlands



+ 31 62 72 41006



info@ghrd.org



<https://www.ghrd.org>

CONTENTS

INTRODUCTION	3
1. A History of Exploitation	4
1.1. Early Exposures and Public Scrutiny	4
1.2. Nike's Initial Pledge for Reform Vs. Actuality.	4
2. The Hidden Truth about Vietnam's Footwear and Textile Industry	5
3. Has Nike Changed?	5
4. The Role of Legislation and Consumer Activism	6
5. Conclusion	7
6. Sources	8

INTRODUCTION

Nike, Inc., a global manufacturer of athletic footwear and apparel, has long relied on its manufacturing hub in Vietnam, as nearly 50 percent of the company's footwear production originates from this source (Nike Inc., 2023). However, this dependency has come at the expense of utilising inexpensive labour, putting the company under constant criticism due to ongoing claims of breaches of international labour rights standards. Said claims are based on the utilisation of child labour, exploitative working conditions, the infringement of labour rights, and wage theft. These instances not only highlight the systemic issues surrounding supply chain manufacturing obligations and accountability standards but also raise fundamental questions regarding corporate responsibility and the international obligations that multinational corporations hold in ensuring ethical and fair labor practices.

Despite Nike, Inc. addressing previous controversies with the implementation of Corporate Social Responsibility (CSR) initiatives, critics argue that the implementation of these reforms fails to address the fundamental issues of these problems. This report addresses the complexity of Nike's supply chain, their efforts towards accountability on the presence of past and current labour rights infringements, as well as the broader ramifications for their corporate responsibility. Additionally, the international legal frameworks, in combination with the advocacy for consumer protection, will be addressed in order to assess how multinational corporations are supervised and held accountable for their supply chain operations.

1. A History of Exploitation

Even though Nike, Inc. has established itself as a global leader within the athletic footwear and apparel market, the company has faced a history of scrutiny over abusive practices within its supply chains, violating labour rights. The company's business model of outsourcing its operational manufacturing to low-cost labour markets has been an additional source of criticism as it prioritises profit while enabling exploitative working conditions. Since the 1990s, fundamental questions on Nike's CSR policies and the efficiency of their self-regulatory practice have risen, as claims of labour rights violations stemming from child labour to wage theft have been uncovered.

1.1. Early Exposures and Public Scrutiny

In the 1990s, the exposure of human rights abuses occurring within Nike's supplier facilities in Vietnam, China, and Indonesia made the company face international investigation. The involvement of human rights organisations and journalistic investigations has frequently highlighted and uncovered evidence of the exploitative practices of forced labour, wage theft, and hazardous workplace environments. Despite Nike's pledging to reform its supply chain towards implementing ethical labour practices, reports documenting abusive management have come to light on how factory employees, primarily young women, have been subjected to physical punishment.

Since the 1990s, Nike has faced ongoing labour rights controversies, primarily over widespread systemic abuse within their supply chain factories. A 1997 Ernst & Young audit on one of their Vietnamese factories illustrated that 77 percent of their employees were suffering from respiratory complications due to being exposed to carcinogenic toxin levels 177 times higher than the legally permissible limits (Greenhouse, 1997). Additionally, this audit illustrated how Nike factory employees were subjected to forced overtime shifts whilst facing minimum remuneration (Vietnam Labor Watch, 1997).

These ongoing issues reflect how reasonable doubt is placed on Nike's commitment to the implementation of international obligations protecting their workers' labour rights, even whilst facing scrutiny on their corporate accountability. In addition, the scandal unveiling these practices has led to protests, consumer boycotts, and the rise of criticism from international human rights organisations. Instances that have damaged Nike's brand reputation led the company to commit to implementing and improving their labour conditions, as well as increasing their supply chain transparency to prevent and protect labour rights.

1.2. Nike's Initial Pledge for Reform vs. Actuality.

As a response to international pressure, Nike launched a series of CSR initiatives aiming to improve working conditions and protect labour rights. To achieve this, Nike pledged to enforce stricter labour standards, increase transparency, and conduct independent supplier audits. These new policies were announced in 1998 through a public statement from Nike's CEO at the time, Phil Knight, admitting to past failures (Vietnam Labor Watch, 1997). During this announcement, it was also made public that Nike was committing to improving workplace security standards, raising wages, and reducing overtime hours (Vietnam Labor Watch, 1997).

Despite these assurances, reports made in the 2000s to 2010s identified that Nike's supply chain labour violations were still recurrent. According to the 2010 Workers Rights Consortium (WRC) report, employees located within Nike-affiliated factories in Vietnam were still being subjected to local labour law violations, with workers being forced to work excessive hours without proper remuneration (Workers Rights Consortium, 2010). Furthermore, with the involvement of labour rights organisations exposing cases of wage theft in 2017, as workers were being denied legally mandated bonuses and working benefits, Nike's commitment to ethical labour practices was once more questioned.

2. The Hidden Truth about Vietnam's Footwear and Textile Industry

Although claiming to have a zero-tolerance policy on child labour practices, indirect sourcing practices raise concerns. Customarily, large corporations, Nike included, are reliant on subcontractors and home-based workers, an act that involves minimal oversight. A 2024 report conducted by the United States Department of Labor has identified that Vietnam is a high risk country for child-labour practices within footwear and textile production factories (Vogue Business, 2024); a matter that is intrinsically caused by the socio-cultural element of necessity giving way to children having to work in unregulated sectors to economically support their families.

Despite evidence of utilising child labour further down the supply chain to meet manufacturing needs, instances of Nike utilising child labour may not always be directly linked to their factories. These practices are most evident within the sourcing of raw materials, such as cotton, leather, and rubber, areas which remain largely unmonitored, therefore enabling abusive labour practices to remain unnoticed.

3. Has Nike Changed?

Despite Nike's implementation of monitoring programs and CSR policy initiatives throughout the years, reports suggest that the underlying issues persist. For instance, in 2016, an investigation conducted by the WRC into Hansae Vietnam, one of Nike's major suppliers, revealed that factory workers were subjected to further instances of forced overtime conditions and wage theft, in addition to the exposure to dangerous chemicals and intense heat, which resulted in recurrent incidents of employees fainting on the factory floor (Worker Rights Consortium, 2017). An instance that led workers to voice their concerns was met with reprisal through means of verbal and physical harassment from their supervisors.

Despite intervening and responding to the WRC report findings, instead of guaranteeing and implementing long-term structural changes, Nike decided to sever its ties with Hansae Vietnam. This corporate decision faced critics arguing that such action demonstrates Nike's preference for avoiding accountability rather than enforcing systemic improvements.

4. The Role of Legislation and Consumer Activism

The company's track record involving labour rights violations in Vietnam brings to light overarching concerns on the corporate accountability standards held by the global supply chain market. Despite Nike's implementation of supplier codes of conduct in combination to the utilisation of third-party monitoring, the question on effective enforcement measures remains. Supply chain manufacturers maintain policies of chasing higher profits through means of coercive exploitative conditions (Reuters, 2024).

The reliance on subcontractors stemming from an outsourcing policy, combined with the implementation of aggressive cost-cutting tactics, has led to the creation of structural barriers to ensuring compliance with labour rights. This allowed for suppliers to increase production demands at the expense of their workers' welfare. The implementation of such corporate practices can be seen within Nike's *modus operandi* (Nike Labor Practices Report, n.d.). Additionally, as aforementioned, Nike's reliance on self-regulatory practices raises concerns over the corporation's commitment to ethical labour practices.

In response to these industry practices, stricter corporate accountability regulations have been pursued by government agencies, as well as advocacy groups internationally. An example is the 2024 European Union's Corporate Sustainability Due Diligence Directive, which mandates that multinational corporations are to actively identify, mitigate, and prevent human rights abuses within their supply chains (Reuters, 2024).

5. Conclusion

The history of Nike's presence in Vietnam, highlighting the ethical challenges of supply chain manufacturers, serves as an example that corporate accountability needs to go beyond the rhetoric. Effective change requires the existence of binding regulation, independent monitoring, effective enforcement mechanisms, and worker empowerment programs, in addition to a moral shift in commitment towards ethical labour practices. In line with the effect of consumer awareness and public human rights activism campaigns, such as the #WhoMadeMyClothes, placing accountability on these industry practices is essential, given how these corporations are instrumental in safeguarding the protection and dignity of the workers fueling their billion-dollar industry.

6. Sources

- Doyle, M. (2024, October 17). *The overlooked child labour problem in fashion's supply chain*. *Vogue Business*. Accessed 21 March 2025.
<https://www.voguebusiness.com/story/sustainability/the-overlooked-child-labour-problem-in-fashions-supply-chain>.
- Greenhouse, S. (1997, November 8). *Nike shoe plant in Vietnam is called unsafe for workers*. *New York Times*. Accessed 21 March 2025.
<https://www.saigon.com/nike/news/ny110897.htm>.
- Nike Inc. (2023). *Corporate Responsibility Report*. Accessed 21 March 2025.
<https://about.nike.com/en/impact>.
- Nike Labor Practices Report. (n.d.) *Our Commitment to Human Rights*. Accessed 21 March 2025. <https://about.nike.com/en/impact>.
- Reid, H. (2024, December 8). *Extreme heat puts garment factory workers at risk, study shows*. *Reuters*. Accessed 21 March 2025.
<https://www.reuters.com/business/extreme-heat-puts-garment-factory-workers-risk-study-shows-2024-12-08/>.
- Vietnam Labor Watch. (1997). *Nike Labor Practices in Vietnam*. Accessed 21 March 2025. <https://www.saigon.com/nike/reports/report1.html#labour%20law>.
- Worker Rights Consortium. (2017). *Hansae Vietnam*. Accessed 21 March 2025.
<https://www.workersrights.org/factory-investigation/hansae-vietnam/>.