

# ILR New Conversations Project



SUSTAINABLE LABOR PRACTICES IN GLOBAL SUPPLY CHAINS

## Social Dialogue in the 21<sup>st</sup> Century

Mapping Social Dialogue in Apparel: **Vietnam**

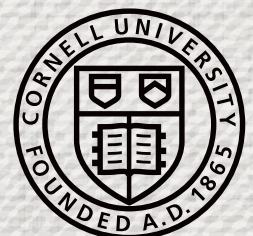
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DO QUYNH CHI

RESEARCH CENTER FOR EMPLOYMENT RELATIONS



Cornell University School of Industrial and  
Labor Relations & The Strategic Partnership for  
Garment Supply Chain Transformation



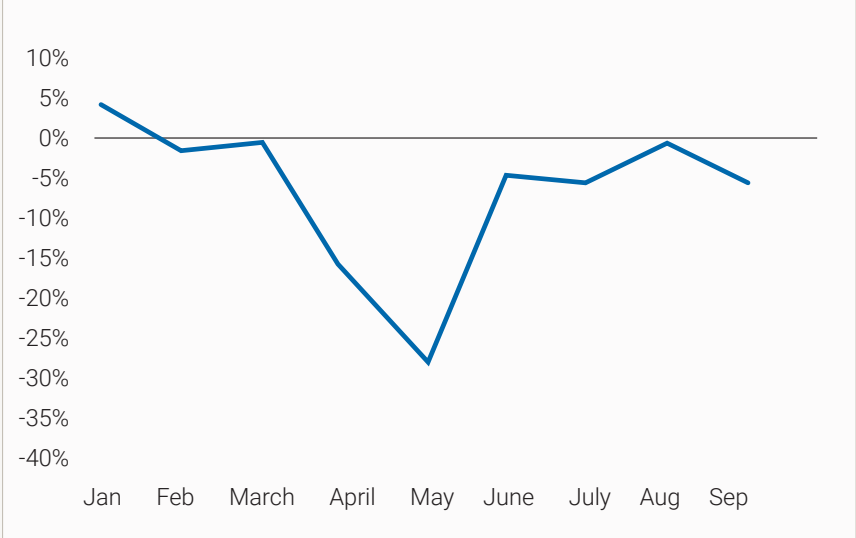
## ABBREVIATIONS

CBA	Collective Bargaining Agreement
ERC	Research Center for Employment Relations
FOL	Federation of Labor
FWF	Fair Wear Foundation
GTU	Grassroot trade union
HCMC	Ho Chi Minh City
ICTU	International Confederation of Trade Unions
ILO	International Labor Office
IR	Industrial Relations
IZU	Industrial zone union
MECBA	Multi-Employer Collective Bargaining Agreement
MOLISA	Ministry of Labor, Invalids and Social Affairs
MW	Minimum Wage
TU	Trade union
VCP	Vietnam Communist Party
VGCL	Vietnam General Confederation of Labor
VITAS	Vietnam Textile and Apparel Association
WFTU	World Federation of Trade Unions

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## Vietnam COVID-19 Garment Industry Impacts

State of COVID-19 <sup>1</sup>	<p>As of January 5, 2021,</p> <ul style="list-style-type: none"> <li>• Confirmed COVID-19 cases: 1,497</li> <li>• COVID-19 deaths: 35</li> <li>• Case-Fatality: 2.3%</li> <li>• Deaths/100K Pop: 0.03</li> </ul>																				
Year on year US & EU imports from Vietnam 2020 vs 2019 show an overall 9% decrease from January to September 2020 with imports falling 33% in May and rebounding to a 7% decline in September.	 <table border="1"> <caption>Year on year US &amp; EU imports from Vietnam 2020 vs 2019</caption> <thead> <tr> <th>Month</th> <th>Change (%)</th> </tr> </thead> <tbody> <tr> <td>Jan</td> <td>4%</td> </tr> <tr> <td>Feb</td> <td>-2%</td> </tr> <tr> <td>March</td> <td>-1%</td> </tr> <tr> <td>April</td> <td>-15%</td> </tr> <tr> <td>May</td> <td>-33%</td> </tr> <tr> <td>June</td> <td>-5%</td> </tr> <tr> <td>July</td> <td>-6%</td> </tr> <tr> <td>Aug</td> <td>-1%</td> </tr> <tr> <td>Sep</td> <td>-7%</td> </tr> </tbody> </table>	Month	Change (%)	Jan	4%	Feb	-2%	March	-1%	April	-15%	May	-33%	June	-5%	July	-6%	Aug	-1%	Sep	-7%
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Sep	-7%																				
Length of apparel industry lockdown	None.																				
Job losses or workforce capacity reduction percentage	<p>As of December 2020, there have been 32.1 million people aged 15 and higher nationwide negatively affected by COVID-19. These include those who lost their jobs, went out furlough/took a time of work alternately, had reduced working hours, suffered income reduction, etc; in which those with income decrease account for 69.2 percent, those with staggered working hours/layoffs and rotating leave at 39.9 percent, and those having to quit working or stop their economic activity at 14 percent.<sup>3</sup></p>																				
Government support specific to apparel industry	None.																				
Characterization of social dialogue activities	<p>No national data on social dialogue activities during the pandemic. Dialogue at enterprise level largely ad hoc and informal.</p> <p>At higher level, the Prime Minister met with the business associations of industries affected by the pandemic. Tripartite minimum wage negotiations tense as VGCL rejected MOLISA and VCCI proposal for no wage increase and left the table.</p>																				

1. Data from the Johns Hopkins University Coronavirus Resource Center

2. Imports refer to imports of products with HS commodity codes 61, 62, 63, and 64. Data from UN Comtrade.

3. <https://www.gso.gov.vn/en/data-and-statistics/2021/01/covid-19-impacts-on-labour-and-employment-situation-in-quarter-iv-of-2020/>

# 1. Introduction

The apparel, textile, and footwear<sup>1</sup> industry has an important role in Vietnam's economy. It has not only grown rapidly over the last two decades to be the country's second biggest export industry, after electronics, but also one of the most labor-intensive with a labor force estimated in 2019 at nearly 3.9 million people (ILOSTAT). However, the apparel industry has also met with a number of labor challenges including wildcat strikes, high labor turnover, and labor shortages (CNV 2015; Do 2017). There have been numerous attempts by the Vietnam government, trade unions (Vietnam General Confederation of Labor), NGOs and international organizations to address these labor issues, such as revision of the labor legislation, promotion of collective bargaining and social dialogue. Particularly, in a commitment to the Comprehensive and Progress Trans-Pacific Partnership (CPTPP) and the EU-Vietnam Free Trade Agreement (EUFTA), Vietnam ratified ILO Convention 98 on the right to collective bargaining and plans to ratify ILO Convention 87 on freedom of association by 2023. These major changes in the labor legislation are expected to influence significantly labor relations in the garment industry.


This study is a part of *Social Dialogue in the 21<sup>st</sup> Century*, a collaborative project of Cornell University's New Conversations Project and the Strategic Partnership for Supply Chain Transformation (Fair Wear Foundation, CNV Internationaal, and Mondiaal FNV) on the future of social dialogue in global supply chains, focusing specifically on apparel and footwear. The study will examine the capacity, strengths, weaknesses, and interactions of trade unions, employer associations, government institutions, civil society organizations, international organizations, and multi-stakeholder initiatives. Furthermore, the report will examine current case studies of social dialogue and identify specific experiments that may be suitable for further research and potential up-scaling. The report also includes updates on the impacts of the COVID-19 pandemic on the apparel and footwear industries in Vietnam. The research is based mainly on the desk review of previous studies and reports on labor relations in Vietnam garment industry.

The report is structured as follows: after the Introduction, Section 2 provides a general context of labor relations in the garment industry. The context includes a brief overview of the history of the garment industry, the structure of the sector, the development of export and import of textile and garment and the emerging labor issues in the industry.

Section 3 discusses the roles of different stakeholders in social dialogue in the garment industry in Vietnam, ranging from the trade unions, governmental agencies, employer organizations, international organizations and civil society organizations. Instead of describing the stakeholders, the report focuses on their roles and influences in the context of labor relations, especially concerning the garment industry.

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1. Use of the term "apparel" refers to apparel, footwear, and textiles.



Section 4 zooms in the specific labor relations institutions including social dialogue, freedom of association, and collective bargaining. Section 4 also presents the recent experiments in promoting social dialogue in the garment industry.

Section 5 examines the impacts of COVID-19 on the apparel industry and workers, social protection and relief responses, and the extent of social dialogue in response to the crisis. Section 6 provides concluding remarks.

## 2. General Context of Labor Relations in the Garment Industry

### 2.1. Historical Development

The apparel industry has a long tradition in Vietnam, starting in 1889 with the establishment of Nam Dinh textile complex (Hill 1998). After the country's reunification in 1975, the state-owned garment companies mainly produced for the domestic market and exported a small proportion to the socialist countries in Eastern Europe. By 1995, exports accounted for only 10.4 percent of garment and 29.5 percent of textile production of the industry and the total garment export value was USD 1.02 billion (UNIDO 1998). After the collapse of the Soviet bloc, the garment industry plunged into crisis. The remaining companies started to find new markets for exports thanks to the lifting of the US trade embargo in 1995 and the first landing arrival of foreign-direct investment. But the growth of the garment industry was mainly boosted by the 2002 U.S.-Vietnam Bilateral Trade Agreement and later, Vietnam's accession to the WTO in 2006. Between 2002 and 2008, Vietnam's garment export value increased at the annual rate of 22 percent. The global economic recession and internal economic difficulties have slowed down the growth of Vietnam's garment sector since 2008 but the industry has still maintained an average export growth rate of 12 percent (GSO 2016). In 2001, there were only 1,031 textile and garment companies (FPTS 2016); by the end of 2017, this number was 8,464, among which 6,700 were garment manufacturers while the rest are producers of yarn, fibers and fabric (VINATEX 2020). The textile and garment industry has maintained a relatively high productivity: in the period of 2011-2015, the productivity of the industry was 76 million dong/person/year (USD 3,300) or 11.6 percent higher than the national figure. However, the productivity growth rate in the industry was only 0.4 percent/year, much lower than the national growth rate of 4.33 percent/year (GSO 2015).

## 2.2. Structure of the Industry

The center of the industry is Ho Chi Minh City and the neighboring region with 58 percent of garment and textile companies. The second biggest hub is Hanoi and a few Northern provinces such as Nam Dinh, Thai Binh, Hung Yen, accounting for 27 percent of the total number of garment and textile companies. The average size of textile and garment companies is small, only 180 workers/firm. There are only 30 companies with more than 5,000 workers. The employment in the industry has grown from over 400,000 in 1990 to a peak of nearly four million in 2019 (see Figure 1). The industry accounted for 35.5 percent of the country's total manufacturing employment in 2019 (ILOSTAT).

Vietnam Textile, Apparel, & Footwear Employment (1991-2019)

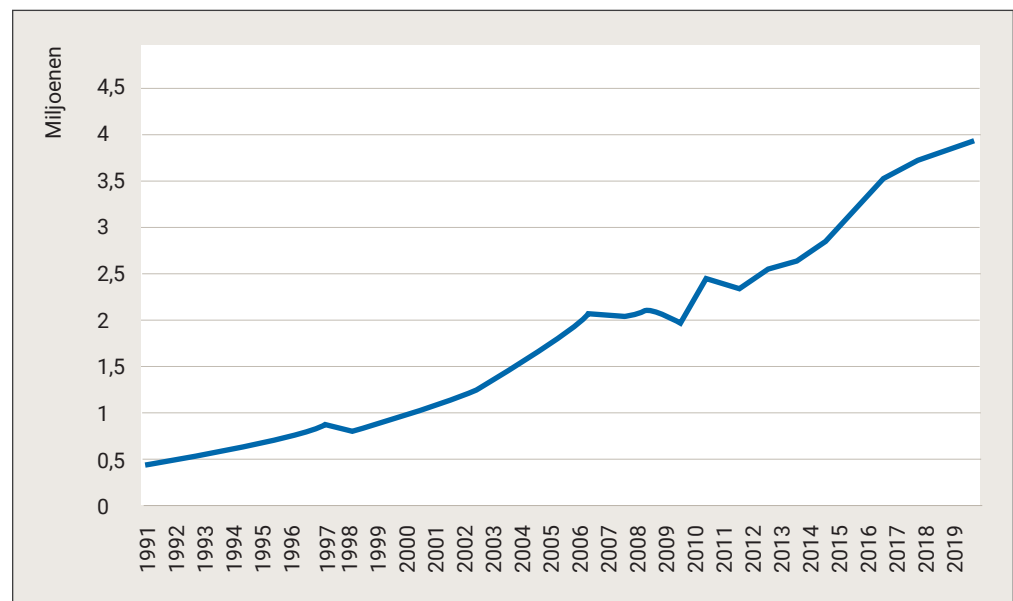


Figure 1 Data points are based on the latest available national labor force surveys. Data refer to ISIC 13-15.  
Source: ILOSTAT

In terms of production, Vietnam has recorded fast growth in fiber, textile and garment (see Table 1). Fiber production grew at the rate of 29.4 percent/year in the period of 2012-2016 while that figure for textile is 9.4 percent/year and 16.4 percent/year for clothing.

**Table 1: Production of fiber, fabric and clothes**

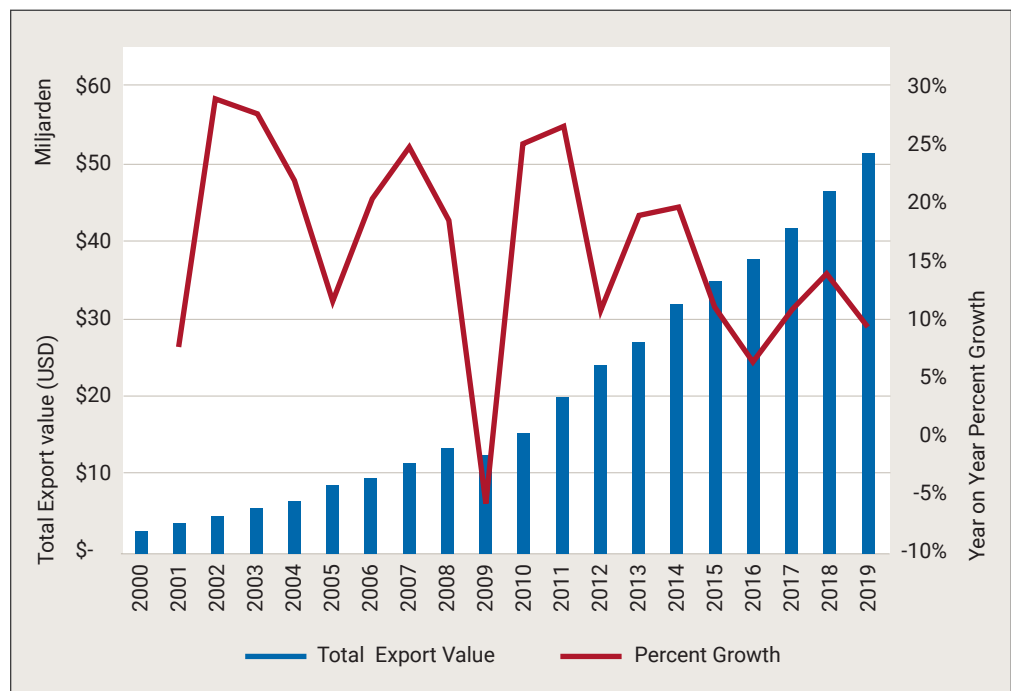
Year	Fibers (thousand tons)	Fabric (million m2)	Clothes (Mil. Pieces)
2012	810.2	1176.9	2604.5
2014	1560.0	1346.5	3706.5
2016	2173.9	1685.8	4730.4
2018	1,400	2850.0	N/A

Source: VINATEX (2020)

## 2.3. Export of Textile and Garment

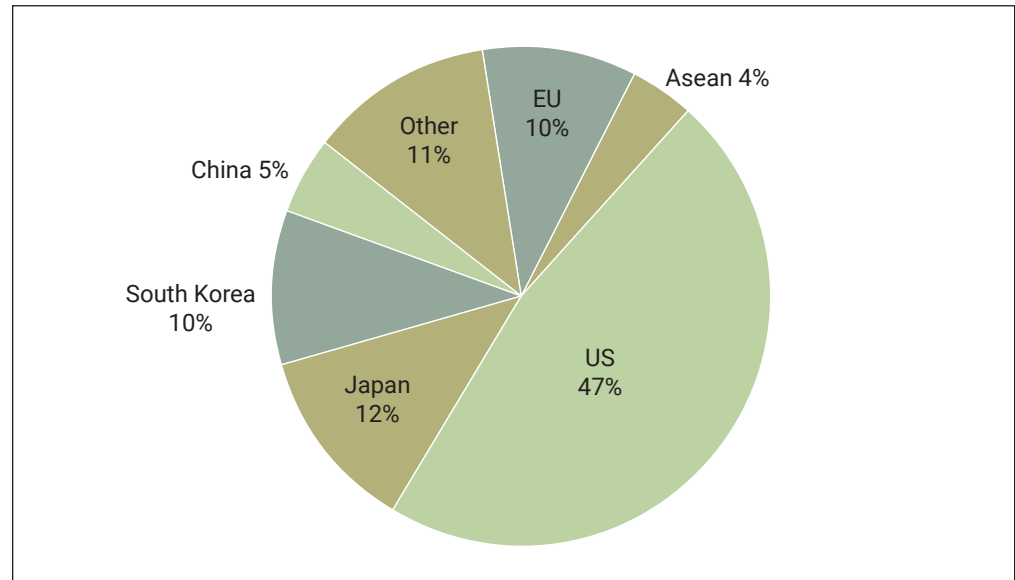
Together with fast growth of production, the export value of the apparel and footwear industry has increased steadily from USD 3.6 billion in 2001 to USD 50.8 billion in 2019 with the average year-on-year growth rate of 16 percent (see Figure 2). The industry experienced negative export growth in 2009 due to the impacts of the 2008 financial crisis. 2016 was also a difficult year for garment export from Vietnam due to the withdrawal of the U.S. from the TPP, which seriously affected Vietnam's biggest garment market (see Figure 3 for main export markets). However, the industry recovered between 2017 and 2019 and export value in 2019 peaked at USD 50.8 billion.

Figure 2: Garment and textile export value (bn. USD) and annual growth rate



Source: UN Comtrade HS Codes 61, 62, 63, 64

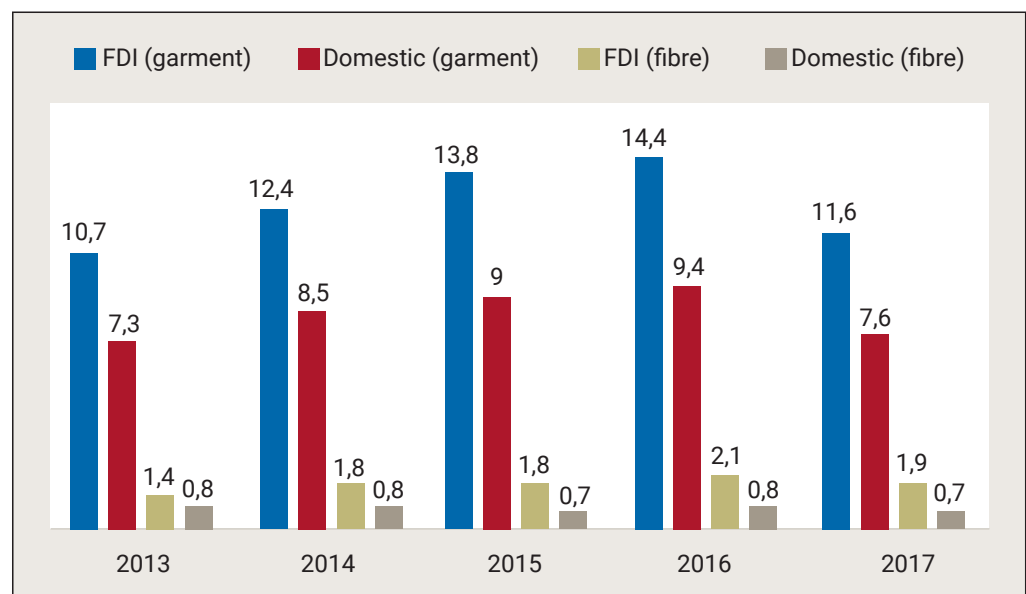
Figure 3: Vietnam garment export markets in 2020



Source: General Statistics Office (January 2021)

Although the garment industry has grown significantly over the past 20 years, mostly thanks to fast expansion of the export markets, it should be noted that it is foreign-owned companies that have contributed more than 70 percent to the overall export value of the sector (Do 2017). The textile and garment industry was the second biggest FDI-receiving industry, attracting USD 5 billion of FDI between 2011-2016 (FPTS 2016). As shown in Figure 4, the FDI sector accounted for 60 percent of the garment export and over 70 percent of fiber export in the period of 2013-2016 while domestic fiber exports stagnated and garment exports grew at a much slower rate.

Figure 4: Export of garment and fiber by FDI vs. Domestic companies (bn. USD)



Source: FPTS 2016

With 95 percent of garment exports from Vietnam made through international buyers, the brands (lead firms) have been playing a crucial role in shaping the garment industry of Vietnam. The biggest fashion brands sourcing from Vietnam include Nike, Adidas, Levis, and Inditex (Zara), among others. Vietnam has grown to be a major footwear exporter. According to 2019 data from UN Comtrade<sup>2</sup>, Vietnam was the world's second largest exporter of footwear after China, accounting for approximately 13 percent of world exports. In fact, in 2019, 49 percent of Nike's footwear sourcing came from Vietnam (Nike, 2019).

## 2.4. Dependence on Imported Materials

The garment industry of Vietnam relies heavily on imports of materials, especially fabric, mostly China. While importing a lot of fabric and materials, Vietnam has been exporting two-thirds of its own fiber and fabric (FPTS 2016). There are three main reasons for this shortage of locally-made materials:

First, the production of fiber and fabric requires a much larger investment than the manufacturing of garments. The average investment per job in garment is USD 3,000 while that in fiber and textile is USD 200,000 (FPTS 2016). Therefore, an average textile and dyeing factory requires an investment of USD 2-5 million to install the water processing and disposal systems that meet the national standards. A number of provinces such as Vinh Phuc, Bac Giang, Phu Tho, and Ho Chi Minh City refused investments in dyeing and textiles given fears of the adverse environmental impacts.

Second, Vietnam has not developed apparel industrial clusters in which the fiber, textile and garment factories are located closely enough to save transportation time. As a consequence, the transportation of materials from China to Vietnam is faster and less costly than transportation within Vietnam (see Table 2 for an example).

**Table 2: Transportation time and cost of fibre from China vs. within Vietnam**

	Export of fiber to China	Transporting fiber within Vietnam
Time	4-5 days	10-20 days
Cost	3-3.5 cent/kg	6 cent/kg

Source: FPTS 2016

Third, as most garment companies are producing on cut-make-trim (CMT) and 'free-on-board' (FOB-1) contracts, the buyers either purchase the materials beforehand or specify the sources of materials for the products. The local companies, therefore, will not have the choices in sourcing fabric and materials in these cases.

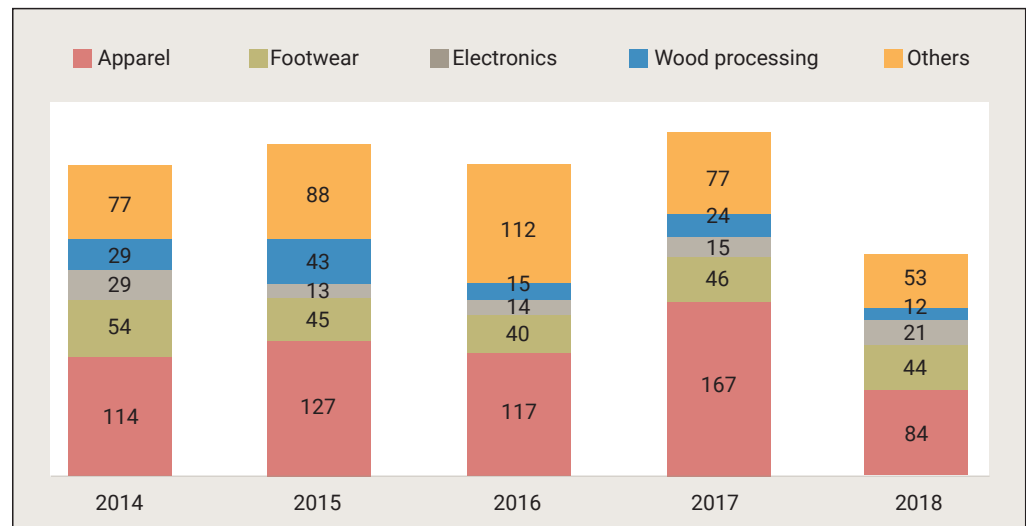
2. UN Comtrade data HS Code 64

## 2.5. Labor Issues in the Garment Industry

At the workplace level, the shortage of effective representation of workers in labor relations has been the most serious root cause of many labor problems ranging from the dearth of collective bargaining and ineffective handling of grievances to prolonged violations of workers' rights. To protect their own rights and interests, the workers choose among 'voice' – going on official or wildcat strikes – or 'exit' – quitting the jobs – or 'acceptance' – keeping silent and accepting the situation.

The garment industry remains the most strike-hit sector, accounting for 40 percent of the national strike<sup>3</sup> incidence (Figure 5) according to VGCL data. The footwear and electronic industries experienced a mild reduction in strikes while the wood-processing industry has seen an upward trend in proportion of strikes since 2013, and the absolute number of strikes in the country has fallen over the same period.

Figure 5: Strike incidence by sectors, 2014-2018



Source: VGCL strike statistics

By enterprise ownership, the Korean and Taiwanese investors remain the most strike-hit groups, accounting for over 60 percent of strikes in the country (VGCL 2019). According to the provincial unionists, strikes happened mostly in new Korean and Taiwanese firms while the more established ones have been able to prevent labor conflicts by creating channels for labor-management communication and grievance-handling as well as coordinating with one another in wage adjustments.

However, there is a growing trend of strikes in the privately owned domestic enterprises (POEs). The POEs have an increasing proportion of strikes, increasing from 18.1 percent of national strike incidence in 2010 to 38.3 percent in 2015. Again, this trend signals growing labor relations problems in the PDE sector, which is much more difficult to track due to its fragmentation and smaller workforces at the factory level.

3. It is important to note that all strikes in Vietnam are wildcat strikes given the regulatory restrictions for "legal" strike  
See Anner & Liu 2016

## 3. Key Stakeholders in Social Dialogue

### 3.1. Trade Unions

The historical background of the VGCL and its long-lasting alliance with the ruling party granted the VGCL a special position in the political regime. It is one of the socio-political organizations subordinate to the Party-controlled 'Fatherland's Front'. In addition, the special role and status of the VGCL as the sole representative of all workers in Vietnam is underlined in Article 10 of the revised State Constitution of 2012. In previous revisions of the constitution, there had been attempts to submerge the trade unions, like all the other mass organizations, under Article 9 of the Constitution covering the Fatherland's Front<sup>4</sup>, which may have led to the possibility of workers setting up unions that are not necessarily affiliated to the VGCL. However, the VGCL leadership managed to sustain its special political position in the framework of the Constitution as the only national union organization. However, the trade union did not use its power to, for instance, have the "right to strike" mentioned in the Constitution.

The VGCL chairperson has a seat in the powerful Central Party Committee and each of the key union officials at national and local level is given a Party position. The national union reports directly to the Central Party Secretariat (*Ban Bi thu*) and submits its major plans and strategies to the Party leaders for approval before they are publicized (Clarke et al. 2007).

According to figures provided by the VGCL<sup>5</sup>, total membership increased from 6.7 million to 10.5 million between 2008 and 2019. The union density was 43.5 percent in 2018. However, the union density in the private and foreign-owned sector was only 33 percent in 2018, much lower than the union density of 90 percent in the state-owned enterprises (SOEs). Since the Vietnamese government is gradually 'equitizing' these enterprises – this is reinforced by upcoming Free Trade Agreements that may create a more level playing field between state-owned, private Vietnamese and foreign enterprises – pressure is growing on the VGCL to learn how to organize in non-state enterprises.

The structure of the VGCL is rather complicated, with geographical branches in all 63 provinces, in districts, larger cities, etc. In addition, there are sectoral trade unions in 22 sectors, and enterprise unions in state conglomerates either reporting directly to the VGCL in Hanoi or to federations of labor in industrial zones.<sup>6</sup> All this makes industrial action and representation of unions in important industries quite difficult. For the

4. Vietnam Fatherland's Front is an umbrella group of pro-government "mass movements" in Vietnam, and has close links to the Communist Party of Vietnam and the Vietnamese government. It is an amalgamation of many smaller groups, including the VGCL, Youth's League, Women's Union, Peasants' Union, and Veterans' Union, among others.

5. Report by VCGCL to foreign guests of the 11th VGCL Congress, Hanoi, 28th July 2013

6. See the structure of VGCL here: <http://www.congdoan.vn/gioi-thieu/he-thong-to-chuc-cdvn-493>

garment industry, there is a Vietnam National Union of Textile and Garment Workers (VNUTG) under the VGCL, operating as a national sectoral trade union. The organization was only established in 2007, having been part of a larger general union before. Its membership is comprised of about 130,000 workers, of whom about 80 percent come from the state-owned VINATEX conglomerate. The remaining 20 percent are in private Vietnamese companies, and nearly none in the FDI segment (ILO Vietnam 2020b).

Apart from the VNUTG, there are three provincial garment sectoral unions in Hanoi, HCMC and Binh Duong, which have different membership and report to the provincial Federation of Labor. Most of the garment and textile enterprise unions, however, are affiliated directly to district or provincial chapters of the VGCL. Trade union representation in the textile and garment sector, therefore, is fragmented and divided among various provincial federations of labor and the VNUTG without any coordination among these branches. This makes trade union representation in the textile and garment sector, one of the most important industries in Vietnam, quite ineffective.

As the membership of the garment sectoral trade unions, either at national or provincial levels, concentrates mainly in the state-owned (or formerly state-owned) sector, the motivation for genuine social dialogue has been weak. The state-owned garment companies have duly conducted quarterly labor-management dialogues and annual workers' congress as required by the law but mostly as a formality. The demand for social dialogue has been most pressing among the strike-prone companies, which are mainly foreign-invested ones (ILO Vietnam 2020b). As the organized FDI garment companies are mainly affiliated to the regional FOLs, there have been attempts by the local unions to promote social dialogue.

VGCL is affiliated to the World Federation of Trade Unions (WFTU), which was the international union organization of socialist countries. In 2011, the chairperson of VGCL was elected the vice chairperson of WFTU. VGCL is not an affiliate of the International Trade Union Confederation (ITUC), the biggest international union organization in the world.

### **3.2. Employer Associations**

As Vietnam law does not allow foreign-owned companies to join industrial business associations (BAs) as official members, the business associations in the garment industry includes only Vietnamese companies (both private and SOEs). The foreign-owned companies, if any, are associate members that do not have the right to decision-making in the BAs. Therefore, the foreign-owned firms are more closely associated with the BAs of their nationalities, the most prominent of which include: the Japanese Business Association of Ho Chi Minh City (JBAH) which represents Japanese firms in 5 southern provinces with 893 members, Korea Chamber of Commerce (KORCHAM) which represents 650 members in the central and southern regions; and the Council of Taiwanese Chambers of Commerce (CTC) which represents 1,600 Taiwanese companies in southern provinces of Vietnam (ILO, 2017). These foreign BAs often have headquarters in HCMC and/or Hanoi and sub-committees for their

members in each province. The foreign BAs are currently most active in HCMC, Dong Nai, Binh Duong, Long An, Ba Ria-Vung Tau, Tay Ninh, Hai Phong, and Ha Noi. The sub-committees of JBAH, KOCHAM, CTC and CBAH meet almost monthly to discuss various issues ranging from coordination in adjustment of MWs, land rent, security, taxes and customs to human resource management (ILO Vietnam 2020b).

They also agree upon certain common policies. For instance, all Korean firms use the same bank (Shinhan); the bigger Korean companies outsource to smaller Korean firms in the same IZ or district; both the Japanese and Korean groups agree upon the same wage package for rank-and-file workers and prevent labor poaching by not recruiting workers from other member companies. The sub-committees also send representatives to policy dialogues with the provincial authorities and consult their members on policy lobby and advocacy issues. Binh Duong PC meets with the BAs twice per year whereas DOLISA and the FOL met with the foreign BAs occasionally when an urgent issue emerges (such as adjustment of MWs).

Vietnam Chamber of Commerce and Industry (VCCI)<sup>7</sup>, a member of the International Employer Organization (IOE), is the umbrella organization representing employers at the national level. In the past 5 years, VCCI has been active in coordinating with foreign BAs, especially AmCham and EuroCham, in consulting the business community on legal changes (such as the revision of the Labor Code in 2007 and 2012). VCCI is a member of the National Wage Council; yet, VCCI has not been active in engaging in social dialogue at the regional and enterprise levels.

In the garment industry, the Vietnam Textile and Apparel Association (VITAS) has emerged as an important player. With an official membership of over 400 Vietnamese companies and associate membership of over 1,000 FDI companies, VITAS is the most influential business association in the apparel industry. VITAS is also a permanent member of the National Wage Council and engages directly with governmental ministries such as the Ministry of Trade and Industry (MOIT), among others, to draft policies for the industry.

### **3.3. Ministry of Labor, Invalids and Social Affairs (MOLISA)**

The TPP and EVFTA negotiations have placed MOLISA in the spotlight of the political landscape since 2015. Officials from MOLISA have been the permanent members of the negotiation teams and they have also had the chance to report directly to the powerful members of the Politburo (interviews with MOLISA officials, 2018).

The latest revision of the Labor Code started in 2015 when the TPP negotiation was wrapped up and Vietnam, then, was already committed to major changes in the labor legislation provided in the Vietnam-US Consistency Plan (an annex to the TPP agreement). MOLISA had already produced two drafts of the new Labor Code for public de-

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7. <https://vcci.com.vn/gioi-thieu-chung>

bate. However, after President Trump withdrew from TPP, the second draft of the Labor Code was taken down from the Government website without explanation. The law revision was halted for more than a year. The revision process was resumed in 2017 when the EU parliament increased their pressure on the government for a concrete commitment to legal labor reform before the approving the EVFTA. Mr. Bernd Lange, Chairman of the International Trade Committee of the EU Parliament, made it clear to the Vietnamese leaders that the core labor rights must be included in the revised labor code or the EVFTA would be in trouble:

*“the increasing pressure by the Commission shows that Vietnam is finally starting to take labor rights more seriously... [I] have made this point on many occasions when engaging with Vietnamese counterparts, that the ball is in Vietnam’s court. It is in their own hands whether they take the agreement seriously and reflect this in the upcoming revision of their labor law, or if they want to risk running into serious trouble during the ratification process.”* (Interview with Mr. Bernd Lange by FES Asia, 2 February 2018).<sup>8</sup>

The pressure from the EU Parliament and the mounting internal demand have resulted in Vietnam’s ratification of ILO Convention 98 in June 2019 and commitment to ratify ILO Convention 87 in 2023. The 2019 Labor Code passed by the National Assembly in 2019 and took effect on January 1, 2021 includes the provisions on the establishment of worker representative organizations (WROs), or the enterprise unions that are independent of the VGCL.

Despite these positive changes, the Labor Code remains ambiguous about the conditions for the WROs to be established and implement their rights to collective bargaining and strike organization. As stated by some NGOs, the Labor Code should “promote the WROs to represent workers rather than focusing on managing them” (Interviews with the local NGOs, June 2019).

### 3.4. Civil society organizations

The political space for civil society organizations (CSOs), especially the labor non-governmental organizations (NGOs), has been increasingly restricted. Directive 102 of the Party Central Committee on disciplines of Party members issued in 2017 provides that Party members are not allowed to collaborate with civil society organizations (Article 7.3). Violations of this provision may result in dismissal from Party membership. The CSOs are allowed to implement technical assistance projects via the VGCL-affiliated trade unions but not able to engage in organizing.

There is a close link between the local and international labor NGOs in Vietnam due to the fact that international NGOs are not allowed to conduct their own activities but they must collaborate with a local partner organization. On the other hand, the local

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8. Link to the full interview:  
<https://www.fes-asia.org/news/labour-standards-in-trade-agreements-must-be-taken-more-seriously/>

NGOs rely on the sponsorship from the international NGOs to sustain their work. The key international NGOs in the labor field include: Friedrich Ebert Stiftung (FES), APHEDA, Oxfam, Fair Wear Foundation (FWF), Fair Trade, Rosa Luxembourg Stiftung (RLS), CARE International, Kenan Institute and CNV Internationaal. The most active local labor NGOs are Center for Development and Integration (CDI), LIGHT, SDRC, Life and CGFED.

The above-mentioned NGOs have managed to maintain constant contacts with the governmental agencies, especially the MOLISA, VGCL and the Social Affairs Committee of the National Assembly when it comes to labor issues. FES, APHEDA and, recently, CNV Internationaal have been working closely through various technical assistance projects with the VGCL. CARE, CDI, Light and other members of the M-Net (Migrant Network) have worked with different departments of MOLISA, especially the Legal Affairs Department to push for legal proposals (Interviews with CDI, Light and CARE Vietnam). In 2019, for instance, the M-Net made two comments to the drafts of the Labor Code Revision. However, the Social Affairs Committee of the National Assembly that has been more active in engaging the NGOs in policy debates. The NGOs have been frequently invited to policy discussions organized by the Social Affairs Committee while that has rarely been the case for MOLISA or VGCL.

## 4.0 Institutional Framework for Labor Relations

### 4.1 Social Dialogue

The 2012 Labor Code and Decree 60/2013/ND-CP on grassroots democracy made regular labor-management dialogue compulsory. All enterprises of at least 10 employees are required to issue the grassroots democracy regulations and organize quarterly labor-management dialogues and the annual workers' congress. According to MOLISA's report on the implementation of the 2012 Labor Code, 60 percent of the unionized enterprises have developed the grassroots democracy regulations (MOLISA 2018). A survey of 139 enterprises by MOLISA in 2016 showed that 30 percent of the surveyed companies have organized dialogues every month; 52 percent have had dialogues every quarter; 4 percent have held dialogues every 6 months and 14 percent have held dialogue once per year (MOLISA 2018). However, the quality of these workplace dialogues have not been '*up to expectations*', according to MOLISA, as many enterprises conducted dialogues as a formality without engaging workers. The enterprises found the provisions on workplace social dialogue rigid and difficult to implement as social dialogue may take different forms and frequency depending on the needs of each company.

As a result, Decree 60/2013/ND-CP was replaced by Decree 149/2018/ND-CP, which grants enterprises the freedom to provide for themselves the forms and frequency of dialogues in their own grassroots democracy regulations.

According to some recent empirical studies on social dialogue in the manufacturing sector, genuine labor-management dialogue and effective grievance handling are rare (Do 2017). One of the main reasons is the weakness of the enterprise unions, which are rarely engaged into dialogues with the management on workers' behalf nor addressing worker grievances. Another reason is the shortage of effective channels for labor-management dialogues and grievance-handling in these companies. The management usually leave it for the team supervisors to communicate with the workers and handle their grievances without providing a proper dialogue system.

### 4.2 Freedom of association

All trade unions in Vietnam must affiliate to the Vietnam General Confederation of Labor. As noted above, Article 10 of the 2013 Constitution provides that the VGCL has the mandate to represent all Vietnamese workers. As the VGCL is closely linked to the Vietnam Communist Party (VCP) which claimed itself 'the pioneer of the working class', the monopoly of VGCL has a crucial importance for the monopoly and legitimacy of the VCP.

However, as discussed earlier, under the pressure of the commitments to the CPTPP and EVFTA, the Vietnam government ratified ILO Convention 98 on the right to collective bargaining in June 2019 and commits to ratifying ILO Convention 87 on Freedom of Association by 2023. Although the ILO Convention 87 has not been ratified, the establishment of independent unions has been incorporated in the 2019 Labor Code, which takes effect on 1 January 2021.

The 2019 Labor Code Revision includes articles on ‘worker representative organizations’ (WROs) which are independent unions from the VGCL. The Labor Code Revision allows for the establishment of WROs in enterprises but not association at higher level and the WROs shall not have political affiliation. The WROs have the right to represent their members in collective bargaining, social dialogue and dispute settlement although the Labor Code does not specify on the conditions for the WROs/grassroots unions to take up these rights. For instance, the law provides that only the most representative organization can conduct collective bargaining with the employer but specifies no definition of the most representative organization.<sup>9</sup> The WROs also need to be registered at the local labor administration but the registration procedure remains unclear, which raises concerns about possible discrimination against certain WROs.

The implementation of freedom of association as described in the Revised Labor Code faces two main challenges: first, the government’s approach to contain and control WROs instead of promoting them; and second, the shortage of support (such as legal advice, training and resources) to the workers to set up WROs. It is expected that the rank-and-file workers will not jump to the idea of setting up WROs unless they receive strong support from governmental and non-governmental organizations. In the end, walking out in wildcat strikes remains a safer and much less complicated option for the workers.

There are also concerns about the possibility of employers using the new regulations to establish ‘yellow unions’; however, upon consideration of the current situation of the VGCL-affiliated enterprise unions, this may not be the biggest threat.

## 4.3 Collective bargaining

### National Wage Council

In 2012, the revised Labor Code provided for the formation of the National Wage Council (Article 91.2, 2012 Labor Code). As such, in August 2013, a tripartite National Wage Council was established consisting of fifteen members with equal representation from MOLISA, the VGCL and the VCCI. Due to the importance of MWs for the garment industry, VITAS is a permanent member of the minimum wage negotiation team from employers’ side. The national garment industry union also has a seat in the VGCL’s MW negotiation team.

9. These benchmarks for the WROs are supposed to be regulated by the Government in a guiding decree. By the time of writing, there is no information about when such a decree will be issued.

The mandate of this consultancy body is to deliberate on and produce recommendations on minimum wage adjustment for the Government's consideration and decision, based on direct consultations within the Council in order to share information and improve consensus in a proposal for regional minimum wage adjustment. Since 2013, the National Wage Council has met annually to discuss the new regional minimum wages.

At the beginning of each annual round of negotiation in the National Wage Council, each party will consult their own members and develop their own proposal for the new minimum wage. Then, at the annual meeting of the NWC, each party defends their proposal while negotiating for the new minimum wages, which takes effect at the beginning of the next year. The negotiation among the three parties in the first year of 2013 was formal with MOLISA taking lead and the other two parties adopted the government's proposal swiftly. However, the negotiation in 2014 reflected a real bargaining process at the national level when both VCCI/VCA and the VGCL became more representative of their members. In the first round of negotiation in 2014, concerns about the economic difficulties facing enterprises by the VCCI and MOLISA pressured the VGCL to reduce their proposal to 18.5 percent.<sup>10</sup> MOLISA, however, asked the VGCL to accept a more moderate increase of 14 percent but the VGCL representatives showed their opposition by leaving the negotiation table. The next day, the then-VGCL Chairman, Dang Ngoc Tung, in an interview with Lao Dong Daily, the newspaper of the VGCL, stated that the minimum wage must be increased at least by 18.5 percent to catch up with the minimum living needs.<sup>11</sup> The National Wage Council met again and finally agreed to the increase of 15.1 percent with an approval rate of 63 percent.

In recent years, the rate of annual MW increase has slowed down. In 2018, the increase was 6.5 percent and in 2019, it was 5.5 percent. In 2020, due to the impacts of the COVID-19 pandemic, the National Wage Council decided not to increase the regional minimum wages for 2021.

There have been complaints from the business community about the lack of transparency about the methodology used by each party to make the proposals as well as the need to have independent experts as members of the National Wage Council. As a result, the 2019 Labor Code provided for the incorporation of two independent experts in the National Wage Council.

## Garment Sectoral Collective Bargaining Agreement

This is the first multi-employer CBA in Vietnam, signed between the Vietnam Textile and Apparel Association (VITAS) and the VNTGU. The first phase ran for one year from April 2010, the second phase for two years from June 2011, the third phase covered 3 years until 2017 and the current one is running until 2020. The current phase covers 80 enterprises counting 120,000 workers, which is a reduction from the third phase, which used to include 100 companies and 140,000 workers or about 6 percent of the

10. Media coverage of the negotiation at the National Wage Council in 2014 can be found here: <http://laodong.com.vn/cong-doan/de-xuat-luong-toi-thieu-vung-nam-2015-tang-151-231690.bld>

11. <http://laodong.com.vn/cong-doan/chu-tich-tong-ldldvn-dang-ngoc-tung-luong-toi-thieu-vung-i-nam-2015-can-dat-34-trieu-dongnguoithang-229651.bld>

total garment and textile workforce. The enterprises covered by the agreement are all former SOEs that are members of VITAS (ILO Vietnam 2020c).

The CBA is composed of 16 articles including eight articles related (directly and indirectly) to wages and incomes. Article 10 concerning the lowest wages for workers in normal working conditions has been revised regularly in order to comply with the frequent changes in regional minimum wages and developments in the garment and textile sector. The current and third phase of the pilot CBA agreed on the lowest compensation rates, which in 2014 were higher than the Government provisions by between 17 percent-26 percent, depending on the region. However, in 2017, the member companies only committed to pay 14 percent higher than the applicable MWs. It should be noted that the lowest compensation is not the basic wage; instead, it is the total income, which includes basic wages, allowances, bonus and other cash-based benefits from the jobs that a worker receives. So in fact, this rate is just slightly higher than the MWs.

### **Collective bargaining at enterprise level**

By the end of 2018, there were 28,876 effective enterprise-level CBAs covering 5.8 million workers. This means that the collective bargaining coverage of the waged employment in 2018 was 24.6 percent (ILO Vietnam 2020b)

According to the VGCL, 60 percent of the unionized enterprises were covered by CBAs in 2018. However, the National Industrial Relations Report 2019 jointly developed by the ILO Vietnam and MOLISA pointed out that the quality of the enterprise-level CBAs remains limited: only 15 percent of the effective CBAs resulted from actual labor-management bargaining (ILO 2020). One of the key reasons is the fact that the enterprise unions do not have the necessary independence from management and sufficient bargaining power to negotiate with the employers (ILO 2020: 30). As a result, between 2016 and 2020, a number of experiments were initiated to promote actual collective bargaining.

## **4.4 Experiments**

### **VGCL pilots on multi-employer collective bargaining agreements (MECBAs)**

In 2014, ILO Vietnam and VGCL started multi-employer bargaining pilots which aimed at using the upper-level unions (provincial, district or industrial zone unions) – which are supposedly stronger than the enterprise unions and independent of the employers – to negotiate with the employers. By 2016, there had been three successful pilots producing agreements with a group of seven electronic companies in Hai Phong, four tourism companies in Da Nang, and four garment companies in District 12 of Ho Chi Minh City. In the agreement with garment companies in District 12, the federation of labor (FOL) of District 12 represented the enterprise unions of the four companies to negotiate with the management (ILO Vietnam 2016).

The four companies in the District 12 pilot included two Korean firms and two Vietnamese private ones. The pilot agreement covered 3,352 workers and had the term of one year. However, the benefits gained for the workers from this MECBA were not significant. The key provisions of the agreement included an attendance allowance of VND500,000/person/month (or USD 22/person/month) and a meal allowance of at least VND 13,000/person/day (or USD 0.60). These provisions were the same as, or slightly higher than, the allowances already paid in these four companies. There was no agreement on wages, bonuses and other working conditions.<sup>12</sup>

Between 2016 and 2020, while ILO Vietnam continued their pilots with VGCL, extending to Binh Duong, Dong Nai, Quang Ninh, among others, CNV Internationaal joined in the promotion of multi-employer bargaining with a project to promote social dialogue and multi-employer bargaining in the garment companies in Van Lam district of Hung Yen, a province neighboring Hanoi. The project used a bottom-up approach in which each participating company nominated a core group of a total three representatives from management, enterprise union leadership, and rank-and-file workers. The core groups received trainings from CNV and VGCL on how to conduct dialogue. Van Lam district unionists also visited the garment companies to encourage effective dialogue. After the first phase, the project managed to persuade five companies to join the multi-employer bargaining agreement, covering 4,000 workers. In 2020, CNV Internationaal supported the VGCL in signing two more MECBAs for garment companies in Thu Duc and Tan Binh district of Ho Chi Minh City (see Table 3).

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12. ILO Vietnam. 2016. Evaluation of Industrial Relations Pilots by ILO and VGCL, Phase 2 (2015-2016). Working Paper (Link to report: [http://ilo.org/wcmsp5/groups/public/-asia/-ro-bangkok/-ilo-hanoi/documents/publication/wcms\\_649344.pdf](http://ilo.org/wcmsp5/groups/public/-asia/-ro-bangkok/-ilo-hanoi/documents/publication/wcms_649344.pdf))

**Table 3: Effective multi-employer bargaining agreements in 2020**

MECBAs	Sector	Province	No. of enterprises	No. of workers covered	Term
Trang Due electronic Korean companies Electronics		Hải Phòng	19	7,000	2019-2022
Da Nang tourism companies	Tourism	Đà Nẵng	10	2,700	2018-2020
Dong Nai wood-processing companies	Wood processing	Đồng Nai	6	12,303	2019-2020
Garment companies in Linh Trung IZ	Garment	HCMC	5	5,921	2019-2020
Quang Nam kindergartens	Education	Quảng Nam	10	27	2019-2021
Binh Duong wood-processing companies	Wood processing	Bình Dương	16	9,730	2019-2020
Garment companies in Van Lam	Garment	Hưng Yên	5	4,000	2019-2020
Ha Long tourism companies	Tourism	Quảng Ninh	28	4.600	2018-2020
Garment companies in Tan Binh	Garment	HCMC	4	1,215	2020-2021
Garment companies in Thu Duc	Garment	HCMC	6	3,727	2020-2021
Total			109	51,223	
Source: compiled by the author					

By the end of 2020, there were 10 effective MECBAs covering 109 companies and 51,223 workers (Table 3).<sup>13</sup> In 2019, the ILO Vietnam (NIRF Project) conducted a survey of the companies participating in the three MECBAs in Binh Duong, Da Nang and Hai Phong.<sup>14</sup> According to this survey, the key motivation for the BAs and their members to join in these bargaining initiatives was to improve labor-management relations. Nearly one year after the signing of the MEBAs, the biggest positive impact for the participating companies was the improvement of workers' satisfaction (Figure 6). As a result, the MEBAs helped the employers to stabilize their labor force (Figure 7) and facilitate the recruitment of new workers.

Figure 6: Employers' evaluation of MEBAs' impacts on Business Performance (%)

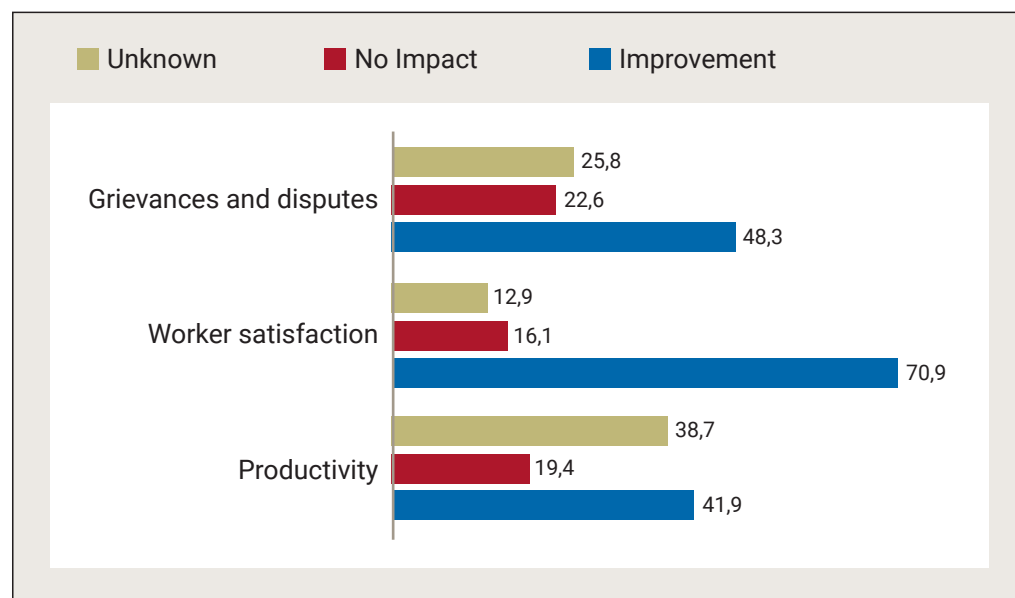
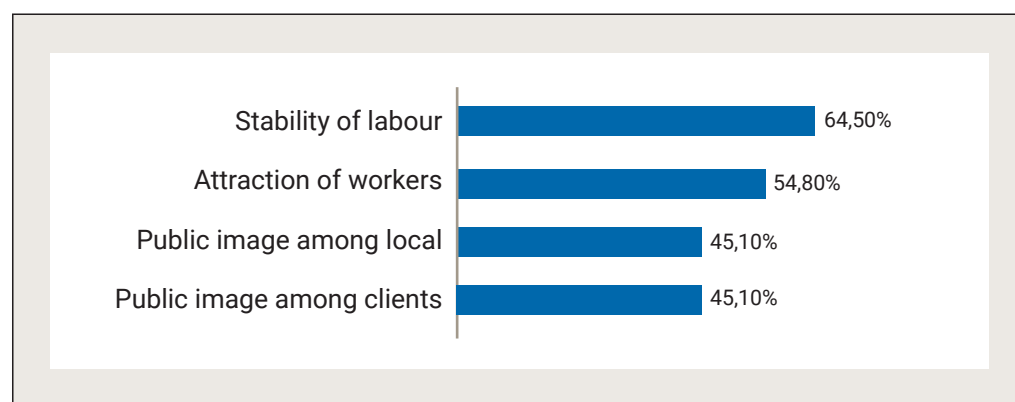


Figure 7: Positive impacts of MEBAs on Employers



Source: ILO Vietnam (2020)

13. For a detailed evaluation of the MECBAs by 2020, please refer to the following ILO study: [https://www.ilo.org/hanoi/informationresources/Librarydocumentationcenter/WCMS\\_747753/lang-en/index.htm](https://www.ilo.org/hanoi/informationresources/Librarydocumentationcenter/WCMS_747753/lang-en/index.htm)

14. Out of 46 participating companies, 31 companies (67.4%) responded to the survey.

The initial success of MECBA pilots has made the VGCL issue a master plan (Number 840) on “improving social dialogue and collective bargaining period 2019-2023”. According to this plan, VGCL will try to increase the number of MECBAs and quality of CBAs. For example, VGCL indicated that it would increase by 50 percent the number of companies or grassroots trade unions participating in VITAS’ CBA. It will also investigate and make a list of companies within the same sector or the same region to organize multi-employers collective bargaining (ILO Vietnam 2020b).

### **Better Work Vietnam’s initiative to reform enterprise union leadership**

Better Work is a global project by the ILO and IFC. In Vietnam, the project focused first on the garment sector and has extended to the footwear industry. Better Work Vietnam (BWV) now has approximately 400 apparel and footwear companies as members, accounting for nearly 30 percent of the labor force of the industry. With the goal of promoting the international labor standards, BWV has conducted a number of initiatives to improve labor-management dialogue and freedom of association. The first was the PICC (Performance Improvement Consultative Committee) model, which has been set up in all member companies to facilitate labor-management dialogue on work-related issues. The members of PICC include not only the management and the union representatives but also worker representatives elected by the rank-and-file workers at production line level.<sup>15</sup> The PICC model encourages more participation of the rank-and-file workers apart from the official union officers.

In a further step, since 2016, Better Work Vietnam has urged its member factories to increase the proportion of rank-and-file workers in the union executive board and gradually remove managers from the enterprise union. Specifically, the chairperson of the enterprise union should be a worker rather than a manager. Initially, the initiative was met with strong opposition from the management as well as the VGCL officials who argued that rank-and-file workers may not be capable enough to serve as the union chairperson.<sup>16</sup> However, with the request from the brands and Better Work’s plan of publicizing member factories’ violations, there have been an improvement among its members to remove management from the enterprise unions (Better Work, 2019).

15. For more information about PICC model, see:

[https://www.ilo.org/global/about-the-ilo/newsroom/features/WCMS\\_233415/lang-en/index.htm](https://www.ilo.org/global/about-the-ilo/newsroom/features/WCMS_233415/lang-en/index.htm)

16. Interview with Better Work Vietnam representative, August 2016

## 5.0 COVID-19 and Vietnam's Apparel and Footwear Industries

### 5.1 Overview of COVID-19 Impacts

The COVID-19 pandemic hit Vietnam in January 2020 but was controlled effectively by quick measures of the Government. By mid-January 2021, there had been over 1,500 cases and 35 deaths.<sup>17</sup> There have not any new community-infected cases since 2 September 2020. Yet, the economic shocks stemming from the pandemic have hit the domestic economy and workers hard.

The first economic shock came from the closure of Vietnam's border with China on 31 January 2020, which resulted in the disruption of up to 70 percent of material supply for many industries such as garment, footwear, and electronics (nhandan.com, 2020). Also, the lockdown in China meant a serious drop in demand for quite a few industries including tourism and hospitality<sup>18</sup>, wood and furniture, and agricultural products. On 6 March 2020, Vietnam stepped into the second phase of the pandemic with further restriction of gatherings, which significantly reduced domestic consumption of non-essential products and services. In the middle of March 2020, the United States and many European countries applied lockdown measures, which have led to the third economic shock, particularly to the export sector of Vietnam. At the time of writing, although the lockdown has been removed in Vietnam and several Asian countries, the United States and Europe remain heavily affected by the pandemic. Therefore, the recovery of the economy may not be as swift as expected.

According to the General Statistics Office, by the end of September 2020, there were 31.8 million people aged 15 and over negatively affected by COVID-19. Among them, 68.9 percent of people suffered income reduction, albeit to a small degree, nearly 40.0 percent reduced working hours/took time off work alternately/worked in alternate schedules and about 14.0 percent went on furlough or suspended their business activities.<sup>19</sup> The number of people in work is at its lowest level for a decade, and the rate of underemployment is at 5 year high. Most of the workers who have lost jobs are in the industrial processing, wholesale and retail, transportation and storage, and accommodation and food & beverage sectors.

According to the Ministry of Industry and Trade (MOIT), the amount of orders for the garment and footwear industries dropped by 70 percent in April and May 2020 (Chung Khoan, 2020). A survey by the Research Center for Employment Relations (ERC) in

17. Data from Johns Hopkins University Coronavirus Resource Center accessed January 13, 2021

18. Chinese tourists account for over 30 percent of in-bound guests for Vietnam tourism industry (GSO 2017)

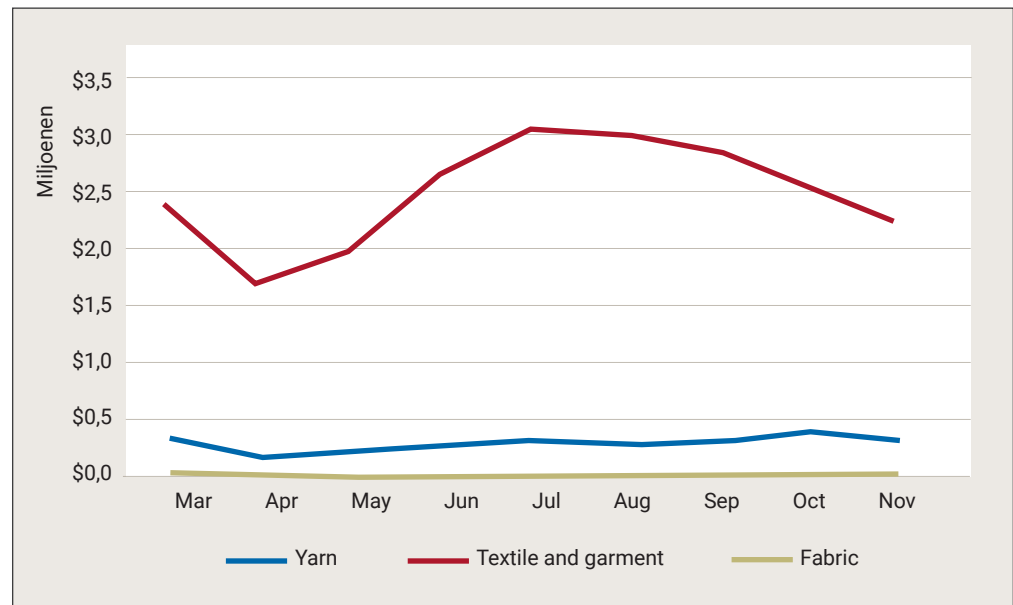
19. [https://www.gso.gov.vn/default\\_en.aspx?tabid=768&ItemID=19787](https://www.gso.gov.vn/default_en.aspx?tabid=768&ItemID=19787)

June 2020 found that 78 percent of footwear exporters and 84 percent garment exporters suffered from cancellation of over 30 percent of their in-process orders (ERC 2020).<sup>20</sup> This survey also showed that only 8.9 percent of garment and footwear factories were paid in full for the materials purchased for the cancelled in-process orders and 10.1 percent factories received full payment for the labor costs for producing the cancelled orders. Around 19 percent factories were promised that the buyers will pay a part of the materials and labor costs used for the cancelled orders and approximately 9 percent got no payment at all.

For the orders that have already been completed/shipped, over 50 percent of the factories still face delayed payment for a part or the whole of the order. Some factories expect the delay to last until 2021.

By the end of August 2020, the exports of garment have shown signs of recovery. However, as shown in Figure 8, the exports of other textile products have not recovered especially yarn and fabric. The growth of Vietnamese garment exports to the US can be attributed to the US-China trade war and the shift of orders by US brands from China to Vietnam.

Figure 8: Export value of apparel products (USD), March-November 2020



Source: General Statistics Office (January 2020)<sup>21</sup>

By the end of 2020, the total export value of apparel and textile was USD 34 billion, a drop of 9.2 percent from that in 2019. Still, the recovery of the garment industry has been quicker than expected by the government and business associations in the first half of the year.

20. FES&ERC. 2020. Survey of the impacts of COVID-19 on the GSCs of garment, footwear and electronics (upcoming)

21. By the time of writing, the statistics for December 2020 were not available

## Impacts on Apparel and Footwear workers

According to VITAS and LEFASO, by June 2020, over one million garment/footwear workers had already lost their jobs. The rest suffered from a loss of around 40 percent of their income (Kinh Doanh, 2020). The crisis has been particularly devastating for workers who migrate internally for work: on the one hand, their income and jobs are at risk (87.9 percent of surveyed migrants have either lost their jobs or suffered from income reduction); on the other hand, due to social distancing and lockdown measures, they were separated from their families in their home villages for months. According to the ERC-ILO survey, nearly 90 percent of the migrant workers with children have to cut down on their food expenses and over 40 percent have reduced the food expenditure to minimal and below-minimum levels (ERC-ILO 2020).

As many as 86.9 percent of workers have experienced anxiety, pessimism, insecurity, and negative mood changes. The impacts are significantly more prevalent among workers who are parents (including the married and single parents), women and most extensive among the female migrants who have children (ERC-ILO 2020).

## 5.2 Social Protection and Stimulus Packages

Support package for workers: In April 2020, the Government launched a package of USD 3 billion to support informal workers (street vendors, construction workers etc.) who lost their income due to the COVID-19 pandemic and workers furloughed or laid-off by companies but not eligible for employment benefits. Eligible worker receives a transfer of VND 1 million to 1.8 million (USD 40-80) per month for 3 months. By June 2020, however, only one-third of the package was reimbursed with over 90 percent of the beneficiaries being informal workers.

Zero-interest loans for companies: the Social Policy Bank also offers zero-interest loans to companies to pay 50 percent of minimum wage for furloughed workers. However, the eligibility criteria remains too high for many companies to access to these loans.

Suspension of social insurance contribution and union tax: the affected companies are also eligible for suspension of 3 months' contribution to the pension fund and union tax (2 percent of wage bill). This suspension of contribution does not affect workers' benefits.

The United States government provided two support packages totaling USD 9.5 million for Vietnam, focusing on the private sector, to recover from COVID-19 (US Embassy Hanoi, 2020). The EU also pledged a package of USD 350 million for ASEAN countries to overcome the COVID-19 pandemic,<sup>22</sup> but it remains unclear how Vietnam will benefit from this funding.

22. <http://baochinhphu.vn/Doi-ngoai/EU-huy-dong-378-trieu-USD-ho-tro-cac-nuoc-ASEAN-chong-dich-COVID19/394286.vgp>

## 5.3 Social Dialogue during COVID-19 crisis

### Dialogue at workplace level:

According to a survey by Vietnam Chamber of Commerce and Industry (VCCI), the economic shocks stemming from the COVID-19 crisis have forced 70 percent of companies to cut down on labor costs by reducing wages, furloughing and laying off workers (VCCI 2020). The 2012 Labor Code (Art. 98&116) requires the employer, in cases of force majeure, to discuss/negotiate with workers on the wage reduction and other labor-related measures.<sup>23</sup> A survey conducted in April 2020 by the International Labor Organization (ILO) in Vietnam and Research Center for Employment Relations (ERC), however, found that the majority of surveyed firms made unilateral decisions or chose to consult unit managers (63.4 percent in the firm survey and 54.1 percent in the worker survey) rather than consulting workers and their representatives.

Enterprise-level unions played a minor role in dialogue and bargaining between employers and the affected workers. In the firm survey, only 15.5 percent of employers consulted the enterprise-level unions on their cost-cutting measures and in the worker survey, only 4.11 percent of interviewed workers were represented by the GTUs in negotiating with the employers during the COVID-19 adjustment. The employers were usually forced to dialogue and negotiate when challenged by the workers (ERC-ILO 2020)<sup>24</sup>. According to the VGCL, 91 'wildcat' strikes occurred in the first five months of 2020, mostly due to the shortage of dialogue between management and workers when the adjustment measures were applied in response to the adverse impacts of COVID-19 (Viet Nam News, 2020).

### Dialogue at the provincial level

There have been cases of proactive actions by provincial unions to supporting workers affected by COVID-19. The IZ union of Hai Phong, for instance, initiated a negotiation with the local Korean Business Association for a three-step plan to sustain employment for workers. In the first step, the workers taking leave receive 70 percent of the basic salaries. In step 2, wages for workers are further reduced. Moreover, in the last step, workers take unpaid leave but their jobs are secured.<sup>25</sup> In another approach, the Dong Nai FOL monitors the lay-offs by companies and intervenes quickly to make sure that the employers do not use COVID-19 as an excuse to dismiss workers unfairly.<sup>26</sup> However, the unions in Hai Phong and Dong Nai have been quite exceptional compared to the whole union system. In other provinces, the unions have remained passive in negotiations with the employers during the adjustment process (ERC-ILO 2020).

23. Art. 98 (3) of 2012 Labour Code: where work has to be suspended, in the event of force majeure such as natural calamities, fires, dangerous epidemics, wars..., the wage paid during suspension shall be agreed by the two parties, but shall not be lower than the regional minimum wage provided by the Government.

24. Art. 116 (3) of 2012 Labour Code: In cases of taking unpaid leave other than leave stipulated in Clauses 1&2 of this article, the employee may negotiate and agree with the employer

25. Link to report: [https://ilo.org/hanoi/Whatwedo/Publications/WCMS\\_757929/lang-en/index.htm](https://ilo.org/hanoi/Whatwedo/Publications/WCMS_757929/lang-en/index.htm)

26. Interview with the chairperson of Hai Phong IZ Union, April 2020

## Dialogue at the national level

Business associations (BAs) have been particularly active in pushing for the government's support to affected factories. The Vietnam Chamber of Commerce and Industry (VCCI) organized regular (virtual and face-to-face) conferences between BAs, especially for garment, footwear, seafood processing, wood, tourism and aviation, and the Prime Minister to discuss the situation and recommend for governmental support. For workers, MOLISA has been the most active player in capturing the impacts on workers and proposing policy responses. Upon the proposal of MOLISA, the Government launched a support package of 62 trillion VND (USD 3 billion) for the affected workers.<sup>27</sup> The VGCL used their own budget to transfer VND500,000 (USD 20) for every affected union member. The VGCL pledged to help 1 million members (Tuoi Tre, 2020).

On 21 April 2020, VITAS and LEFASO joined with 60 garment associations in the world to call for states and international brands to act responsibly to minimize the adverse impacts on suppliers and rank-and-file workers in the supply chains (VITAS, 2020). On 22 June 2020, VGCL, VCCI, VITAS and LEFASO also issued a joint statement on collaboration to support the fashion industry in Vietnam and its workers to overcome COVID-19 pandemic. In the joint statement, the parties call the Vietnamese, European governments and other trade partners to support the affected workers and businesses and improve the responsibility of international brands in the supply chains.<sup>28</sup> These joint statements, however, served more as a formal commitment of the parties without real impacts.

The annual negotiations toward the adjustment of the regional minimum wages for 2021 just ended on 5 August 2020. This year, the VGCL proposed an increase of 2.5 percent starting from 1 January 2021 or 3.5 percent starting from 1 July 2021. However, both MOLISA and the employers' associations insisted on not raising the MWs for 2021 due to the adverse impacts of COVID-19 on the economy. It should be noted that Vietnam's GDP increased only 1.8 percent in the first half of 2020, the lowest in the past decade. Finally, the VGCL delegates left the negotiation room and the remaining 9 members of the National Wage Council unanimously voted not to raise the MWs for 2021.<sup>29</sup>

## Dialogue between buyers and suppliers the global supply chains

Regular and advanced discussion on orders, especially during the time of crisis, plays a crucial role for suppliers in finding alternative solutions to minimize negative impacts on their business and workers. According to the survey by FES and ERC, only 45.8 percent of garment and footwear factories reported that all of their buyers discussed with them in advance while 15.6 percent said that only a few buyers or none of the buyers engaged into discussion before deciding upon the orders. The rate of discussion is

27. Interview with the representative of Dong Nai FOL, April 2020

28. By the end of August 2020, only 30 percent of this package was reimbursed.

29. <https://www.cnvinternationaal.nl/en/our-work/news/2020/june/historic-joint-statement-signed-in-vietnamese-garment-industry>

higher in footwear than in the garment industry. However, the proportion of suppliers getting no advanced discussion from any buyer is higher in the footwear industry (24.6 percent).

The study also quoted a footwear supplier in Binh Duong who said:

*the buyer did not inform us in advance about the possibility of cancelling the order. Until the order was completed and we informed the buyer that we were ready to ship, they told us that the order is canceled. It was a big order and our company had to pay workers, bank loans and materials. It was too late for us to change the products to sell to other buyers.*

As much as 69 percent of the suppliers in the survey requested the buyers to discuss with them in advance about orders.<sup>30</sup>

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30. <http://baohinhphu.vn/Hoat-dong-Bo-nganh/De-xuat-khong-tang-luong-toi-thieu-vung-nam-2021/403267.vgp>

## 6.0 Conclusion

From a difficult starting point after the collapse of the Soviet bloc in the 1980s, the garment industry of Vietnam has experienced fast growth in terms of scale and export value over the past few decades. The industry has grown to be the second biggest export sector and the most labor-intensive industry of the country. However, the industry also faces a number of challenges: most of the garment companies remain at the lowest value-added section of the global value chains; the industry has also had many labor challenges ranging from wildcat strikes to high labor turnover.

Despite the efforts of the government to promote social dialogue at workplace by making labor-management meetings obligatory, social dialogue has not become a norm in the industry. One of the key reasons is the weakness of the enterprise unions and the division between the sectoral unions and regional FOLs which has seriously affected the representativeness of the trade unions in the garment industry. Similarly, the representation of employers in this industry is also fragmented among foreign business associations and sectoral associations at national and regional levels.

There have been experiments by the VGCL and international organizations to strengthen the enterprise unions and promote social dialogue in the garment industry. Better Work Vietnam, for instance, has been pushing for independence of the enterprise unions from the management by pushing for removing managers from the union leadership. The ILO and CNV Internationaal have worked with the trade unions to experiment multi-employer bargaining agreements of garment companies in Ho Chi Minh City and Hung Yen. The district federations of labor, in these experiments, have been able to negotiate with the employers on behalf of the participating enterprise unions; however, the benefits gained for workers were modest as the experiments were confined by the project timeline and the unions could not prolong the negotiations.

The fact that Vietnam allows for a form of freedom of association in the revised Labor Code promises significant changes in the labor relations landscape in the future. It remains unclear what the conditions for the establishment and practice of rights of the independent unions will be, but the existence of these unions is expected to create a leverage for the VGCL to reform and for other stakeholders to engage more into social dialogue.

The COVID-19 pandemic has been effectively contained in Vietnam; however, the economic impacts of the crisis on the export sector of the country have been significant and are likely to be long-lasting. In the apparel and footwear industries, the SMEs and their workers were among the first to be hit by the pandemic's economic impacts. The practices of the international brands have exacerbated the situation as orders have been cancelled and payment delayed or reduced.

There have been attempts at social dialogue at the enterprise, provincial and national levels to support the affected enterprises and protect the employment and income of the workers. Despite a small number of good practices, social dialogue has not been practiced on a large scale. The pandemic has also unveiled the dearth of dialogue between buyers and suppliers in the global supply chains, which has worsened the adverse impacts on the suppliers in Vietnam.



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