Vietnamese Labor-Management Relations: Restructuring and Coping with the Global Economic Crisis

This article explains how the key stakeholders interact in labor-management-state relations in Vietnam within the context of the global economic crisis. After national reunification at the end of the Vietnam War (1954-1975), Vietnam developed a centralized command economy (1975-1986); the socialist government controlled all aspects of the Vietnamese economy including the prohibition of market interactions (although these interactions always existed underground). However, economic shambles and grassroots protests — inspired by Gorbachev’s glasnost (openness, in which Vietnamese people were allowed to talk openly and honestly between 1986–89 about the problems they knew) and perestroika (political reform, the willingness of some top Vietnamese leaders to apply Gorbachev’s reforms in Vietnam but that did not materialize) — led to the Sixth Party Congress (1986-1991). The ensuing legislation recognized domestic private and foreign capital interests in addition to state interests: the “doi moi” period (renovation, or the market system). Then the disintegration of the Soviet Bloc in 1989 helped push Vietnam to open up even more and integrate into the global market system, calling itself a “market economy with socialist orientation.” The lifting of the twenty-year-old U.S. trade embargo (1975-1994) and normalizing of diplomatic relations in 1995 accelerated Vietnam’s integration into the global capitalist system and opened the floodgate for foreign direct investment (FDI) in Vietnam. Playing by the rules of the neo-liberal world, the state uses the law to maintain its legitimacy controlling labor-management relations by regulating labor, labor unions, FDI, and their interactions. But this rule by law—not by decrees—is not to be confused with rule of law to which the one-party state run by the Vietnamese Communist Party (known as the party state) does not subject itself to scrutiny.

Having fully integrated into the global market system, Vietnam has been deeply impacted by the global economic recession. In the period from December 2008 to the first quarter of 2009, at least 171,000 people lost their jobs or were underemployed. For Vietnamese workers working overseas (about 467,000), over 7,000 people had returned home early because of lay-offs or underemployment. The government and the unions had provided assistance to both groups of workers to help them recoup back wages and contributions to the social insurance fund and by lending money to returning workers at low interest rates so they can enroll in vocational schools and search for jobs. The labor unions provided job search skills, job training in their own facilities, loans to pregnant workers and working mothers with small children, funds to assist laid-off workers, and seed money to poor families so they can make a living and be self-sufficient. I now turn to fundamental elements of labor relations in a restructuring economy which, on the one hand, enables timely intervention on the workers’ behalf and, on the other hand, sustains a delicate balance between a pro-FDI state and the worker-oriented labor unions.

The Vietnamese Labor Code—which became effective in January 1995—is progressive, encompassing basic labor rights and interests (work and pay conditions, benefits and allowances, and special stipulations for women workers), and legalizes the right to strike. The Ministry of Labor, Invalids and Social Affairs (MOLISA) works with the labor unions (the Vietnamese Confederation of Labor – VGCL) to implement the Labor Code, plays a key role in drafting labor and union laws, as well as obtaining technical assistance from the International Labor Organization (ILO) on collective bargaining skills and tripartite labor-management-state relations. The relations between MOLISA, which tends to be more tolerant towards the market system and the VGCL, which is more pro-labor, are not without conflicts (see Tran 2007a and 2007b for further details).

Economic Restructuring

The structural transformation after 1986 reflects how the market economy planted deep roots in Vietnam and how Vietnam situates itself in the global market system. The state acknowledged the legitimacy of capital interests (both foreign and domestic) by charging the Vietnamese Chamber of Commerce and Industry (VCCI) in 1990 to represent management, participate in policymaking and implement some trade-related policies. However, in practice, the VCCI does not represent management, because it lacks a nationwide presence and does not control the budgets of its member firms. Additionally, it does not represent FDI factories, which have their own chambers of commerce lobbying for their interests.
Another significant transformation allows state capital to morph from one form to another. Since 2002 the state has implemented a process called “equitization” (a euphemism for privatization) by selling shares of many state-owned enterprises (SOEs) to both domestic and foreign investors, which is expected to be completed by 2010. But the state and the military still own large and strategic industrial enterprises: almost 2,000 enterprises in public-utilities, oil and gas, military and defense. As of August 2008, 75% of 5,041 state-owned enterprises (from local areas, state ministries and conglomerates) had been privatized, 15% were dissolved or declared bankrupt. The remaining 10% were merged with other entities or leased (Le Dang Doanh, October 2008).

This privatization process is plagued with shortcomings and long-term social consequences. In preparation for privatization, most former SOEs were undervalued, because many key assets—such as land values—were omitted from the calculations intentionally. While former state workers were encouraged to buy shares at discounted prices so they could jointly own the enterprise, in reality, most had to sell their shares prematurely at low prices, known as “selling young rice,” to make ends meet. Most state workers were classified “redundant” and laid off, while managers were able to keep their jobs (General Statistics Office of Vietnam 2009). Many laid-off workers—older and with limited skills—did not receive a one-time severance pay (about USD $313), and had a difficult time finding other jobs in competition with younger migrant workers. Management stands to gain since, after privatization, the real values increased and so did share prices. It is not a coincidence that public land and facilities of those privatized SOEs have become invaluable—that is, turned into rental units—benefit only a minority, who work in management, and not the workers (Laborer, various articles in July 2009).

**Labor force and protests in a global subcontracting system**

The shares of employees in three sectors (domestic private, state and foreign capital) not only reflect how the Vietnamese workers manufacture consumer products for the world, but also how state capital morphs into private forms that evade state monitoring. With a 45-million-person labor force, 23.7 millions are in agriculture, forestry and fishing, and 21.3 millions are in non-farming, non-fishing retailers and factories (Statistical Yearbook 2008, pp. 51, 53). Most wage-earners are in manufacturing, making apparel, textile and leather shoes. Since 2007, the percentage of workers in the private sector grew from 50 to 53.3%; the state sector declined from 28 to 23.9%; and the foreign direct investment (FDI) sector remained at 22%.

Subcontracting for the global market without job security and stability—in which workers earn on average less than USD $100 per month with constant overtime during peak season without proper compensation and underemployment during slow season with non-livable pay—has given rise to many labor-management conflicts, mostly erupting in factories with capital and management from Taiwan, South Korea, Hong Kong and Japan. Workers led the protests in 2006—with the support of the labor press and the labor unions—in one of the first export processing zones in Hochoiminh City, winning a 40% increase in minimum wage in FDI sector, which had been frozen for the previous ten years. Then again, workers led the strikes in 2007 that pushed FDI factories to actually implement the 2006 minimum wage law. These strikes effectively pushed the state to also increase the minimum wage in the domestic and state sectors: 20% increase from 2008 to 2009. As reported by the Hochoiminh Labor Federation on the first six months of 2009, strikes now spread beyond East Asian investors to some European countries, and beyond the traditional industries (textile/garment/shoes) to electronics, furniture and services (consultancy, food services). Workers complained repeatedly about basic violations of labor rights and interests in flexible global production system such as pay, overtime work, bonuses, labor contracts, social insurance and healthcare (Tran 2008).

**Vietnamese General Confederation of Labor (VGCL) and Its Labor Press Forum**

Having to function in the market system forces the labor unions to be constantly making adjustments to hold on to their role in representing workers. The command economy (1954-1975 in the socialist North, and 1975-1986 in the reunified Socialist Republic of Vietnam) presented the unions with no adversarial relation between labor and management (all state-owned); the unions acted as a conveyor belt between the workers and the party to make sure that workers met the party’s production quotas. But since the onset of the “doi moi” era, the unions have been consciously finding ways to function in the market system, to overcome their capacity weakness so they maintain their power in all aspects of labor-management relations, including leading protests—the key condition for strikes to be legal. Structurally, the unions are well organized by
The labor press, the official forum of the unions, very much ensconced within the state and labor union structure, uses connections and knowledge within the system to expose chasms within the state structure and to mediate among competing state and union interests on labor organizing vis-a-vis foreign capital (Tran 2007a and 2007b). The labor newspapers continue to walk a fine line between serving its main constituencies (workers), and responding to the political agendas of the party state and the labor unions. Evidence abounds: the newspaper coverage of the minimum wage victory in 2006; its limited coverage due to censorship after Vietnam’s ascension to the WTO in November 2006; inadequate government intervention to help workers cope with inflationary impacts in 2008; and some local state turning blind-eye to and allying with underground FDI which disadvantaged workers. But the Labor and Laborer—two major labor newspapers—continue to offer many forums for workers to voice their discontent, receiving their complaints via office visits, email access and 24-hour hotline phone numbers, in many cases to inform the journalists about impending strikes for their coverage. Once workers’ grievances are exposed in these public forums, where perpetrators are put on the spot, all stakeholders often come together to address workers’ requests.

In conclusion, as labor-management-state relations have become much more complex in a neo-liberal world with capital—including state capital—morphing into poorly regulated forms and often violating labor rights and interests, the role of the media and the labor unions have become increasingly significant. While both are still part of the state apparatus, they have cracked open a space for labor discontent, and created forums for workers’ rights and interests. As the state engages in developing a legal framework to sustain their legitimacy in the global market system, dialectically, the media and the unions also appeal to the laws to protect themselves on workers’ behalf.

References

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