

VIETNAMESE TEXTILE AND APPAREL INDUSTRY IN THE CONTEXT OF FTA: THE LABOUR AND SOCIAL IMPACTS



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- II. Working condition in Vietnamese textile and apparel sector
- III. How to make Vietnamese textile and apparel industry to benefit from development

Part I

Profile of Vietnamese textile and apparel industry

1. Context

- Vietnam's textile and apparel sector has seen fast and sustainable growth over the past years, playing an important role in national socio-economic development
- Export value of textile and garment products in recent years has been ranking number two in the country's total export revenue
- Ensuring working conditions, essential benefits for workers in general and in textile and apparel sector in particular should also be paid more attention to improve living standards for workers and ultimately increase productivity to meet further requirements under the context of international economic integration

2. Fact situation of apparel and textile industry's performance

2.1. Overview

- Currently there are about 6,000 textile and apparel enterprises in the country; attracting more than 3.5 million workers
- The majority of enterprises in the private sector (84%) are concentrated in the South East (60%).
- Garment enterprises account for about 70% of the total number of businesses in the industry with main export method of CMT (Cut, Make, Trim) (85%)

Table 1: Overview of Vietnamese textile and apparel industry

Indicators	Unit	Value
Number of companies	Companies	6,000
Enterprise scale	People	SMEs of 200-500+ account for a large proportion
Company structure based on ownership		Private (84%), FDI (15%), State-owned (1%).
Company structure based on operation		Sewing (70%), spinning (6%), weaving/knitting (17%), dying (4%), ancillary industries (3%)
Geographical allocation of company		North (30%), Central and plateau (8%), South (62%).
Number of employees	People	3.5 million
Average income per worker	VND	4 million
Number of working days per week	Day	6
Number of hours worked per week	Hour	48
Number of shifts per day	Shift	2
Value of textile export in 2013 (excluding fiber)	US\$	17.9 billion
Value of textile and apparel imports in 2013	US\$	13.5 billion
Main export markets		United States, EU, Japan, South Korea
Main import markets		China, South Korea, Taiwan
Major export products		Jackets, shirts, pants
Method of production		CMT (85%); others (15%)
Lead time	Day	90 – 100

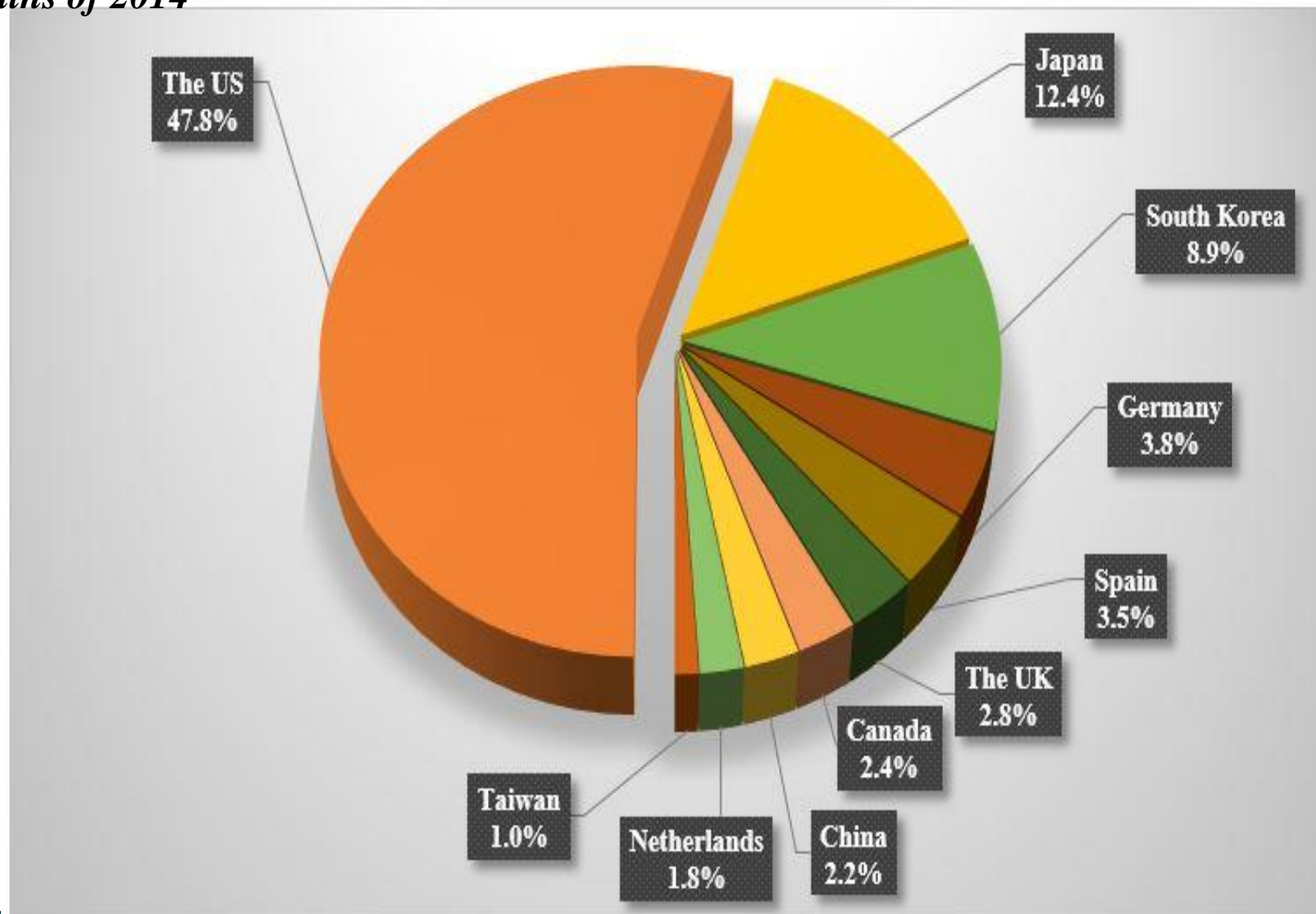
Source: Vietnam Textile and Apparel Association

2. Fact situation of apparel and textile industry's performance

2.2. The industry's competence

- Vietnam is now ranked among the world's top five textile and apparel-exporting countries.
- In 2014, Vietnamese exports of textile and apparel products continued growing, reaching a record \$24 billion - an increase of 19 percent over 2013.
- The sector's traditional export markets such as the US, EU, Japan and expanding to new export markets such as Korea, Taiwan, the Middle East, and Singapore as well as marketing to the domestic market

Chart 1: Vietnam's textile and garment export structure by market in the first 8 months of 2014



Source: General Department of Vietnam Customs

Part II.

Working conditions in Vietnamese textile and apparel sector

2.1 Total employment

In Vietnam, textile and apparel is high growth labour intensive industry and rapidly expanded; female workers account for over 80%.

In 2015, workers in textile and apparel sector makes up quite high, about 25% of total workers in manufacturing industry in Vietnam.

Table 3: Number of workers by gender through years

Unit: workers

Year	2010	2011	2012	2013	2014	Q2/2015
<i>Total</i>	<i>1,629,556</i>	<i>1,651,394</i>	<i>1,793,409</i>	<i>1,848,875</i>	<i>1,999,051</i>	<i>3,833,589</i>
Male	329,049	366,978	363,801	406,511	454,687	803,996
Female	1,300,507	1,284,415	1,429,608	1,442,364	1,544,364	3,029,593

2.2. Occupational safety and health (1)

Over 80 per cent of textile and garment enterprises inspected in 2015 violated policies about working duration, rest periods and other labour safety regulations

Table 4: The percentage of violation case of working environment regulations

Case of working safety and hygiene violation	%
Not yet developed plan of working safety for enterprise	42.11
Developed plan of working safety but the content does not meet requirements or appropriate to fact working condition of enterprise	13.82
Do not implement and follow content developed or inadequately implement the plan	4.61
Plan for ensuring safety in work is not adequate to working environment of surveyed enterprises; not based on result of working environment measurement	4.61
Develop plan of working safety without asking workers for comments	10.53

2.2. Occupational safety and health (2)

- ▶ Over half of workers claimed to suffer from occasional headaches, while a third suffered from occasional dizziness.
- ▶ 25 per cent-plus of workers reported suffering from occasional fatigue or back or muscle ache.

Table 5: Type and frequency of sickness experienced by factory workers, %

<i>Sickness experienced by worker</i>	<i>Frequency with which sickness experienced</i>			
	<i>Never</i>	<i>Occasionally</i>	<i>Often</i>	<i>Every day</i>
Severe fatigue	67.9	27.4	4.4	0.3
Severe headache	35.0	51.5	12.8	0.7
Severe stomach pain	70.6	21.1	7.9	0.4
Severe skin problems or rashes	88.8	8.8	2.2	0.2
Severe dizziness	58.9	34.2	6.7	0.2
Severe back ache or muscle ache	60.9	28.4	9.7	0.9
Severe hunger	84.9	11.5	3.1	0.6
Severe thirst	79.2	16.2	4.3	0.3

2.3 Working hours

- ✓ Number of overtime hours decreased rapidly
- ✓ Male workers tend to work longer hours than female ones;
- ✓ Female workers also reported less leisure time than men, while retaining full time responsibilities at home.

Table 6: Number of average overtime of workers in textile and garment sector by gender

Unit: hour/week

Year	2011	2012	2013	2014	2015
Male	12.12	10.69	8.34	10.76	10.07
Female	12.09	11.37	10.05	10.62	9.4
<i>Average</i>	<i>12.09</i>	<i>11.31</i>	<i>9.92</i>	<i>10.63</i>	<i>9.45</i>

Source: ILSSA's calculation based on result of survey on Labour and Employment in 2014 and 2015

Table 7: The percentage of working hour violation in textile and apparel enterprises

Cases of working time violation	%
Violate regulation of working time in working day/week	7.89
Violate regulation of rest time during work	4.61
Violate regulation of rest hour among shifts	1.32
Violate regulation of working time for female workers breastfeeding children under 12 months of age; female workers working in hazardous industries, having pregnancy aged over 7 months; female workers are in period	14.47
Violate regulations of leave per week, year, leave on holiday, leave with paid	23.68
Violate regulation of overtime working hours	39,47

Source: Labour Inspection campaign in textile and apparel industry, Ministry' Inspectorate, Ministry of Labour, Invalids and Social Affairs, 2015

2.4. Wage

The average wage of workers in textile and apparel sector is equivalent to 92% of manufacturing industry's one and 90% of total average wage in all sectors/industries of the country.

Table 8: The monthly average wage by sector/industry *Unit: 1,000VND*

Year	2014	Q2/2015
Textile and apparel sector	4.068	4.019
Manufacturing industry	4.346	4.392
All sectors/ industries	4.470	4.468

Source: ILSSA's calculation based on result of survey on Labour and Employment in 2014 and 2015

2.4. Wage (cont.)

Women's average hourly wages (excluding bonuses) are just 85% of men's.

Due to, women tend to be sewers and helpers, while men are usually in higher paid occupations working as cutters and mechanics. Men are three times more likely than women to be supervisors

Table 9: Monthly average wage of workers by gender

Year	2014	Q2/2015
Male	4.454	4.860
Female	3.945	3.792

Source: ILSSA's calculation based on result of survey on Labour and Employment in 2014 and 2015

Table 10: Violation of wage payment regulation

Cases of wage payment violation	%
Violate regulation of minimum wage payment	7.24
Violate regulation of paying for overtime work or night shift work	11.18
Violate regulation of payment for work in leave day or without leaving as regulated	23.68
Late wage payment	0.00
Not develop payroll, rate of payment and submit payroll to relevant agencies at district level	30.92
Violate regulation of payment for 30 minutes of taking rest for female workers who are in period	21.71
Impose fine or cutting wage instead of applying penalty for discipline violation	3.29

Source: Labour Inspection campaign in textile and apparel industry, Ministry' Inspectorate, Ministry of Labour, Invalids and Social Affairs, 2015

2.5. Training

Although the need for every worker to receive training is particularly acute for certain subjects, such as work hours, pay procedures and safety and health, the workers reporting to have received basic skills training seems, at first glance, to be very low,

Table 11: Induction training received by factory workers

<i>Type of training received</i>	<i>%</i>
Basic skills	55.1
Labour law	45.4
Work hours	45.3
Safety and health	41.8
Pay procedures	40.5
Overtime practices	38.7
Time regulation	38.7
Worker rights	38.2
CBA training	35.3
Fines	34.7
Grievance procedures	22.5

2.6. Respect and welfare

Table 12: Approachability of supervisors and trade union representatives, as perceived by factory workers

Level of comfort felt by workers when seeking help from relevant actor	From supervisor (%)	From trade union representative (%)
Very comfortable	76.6	73.1
Somewhat comfortable	15.5	16.0
Uncomfortable	5.7	7.6
Very uncomfortable	1.8	1.7
Prefer not to answer	0.3	0.5
Do not know	0.2	1.1

Source: The Better work's report on Worker perspectives from the factory and beyond, 2012

2.7. Sexual and harassment and verbal and physical abuse in factories

Almost 10 per cent of workers expressed concern over verbal abuse, with the main response being to discuss the issue with colleagues

Table 13: Workers' concerns regarding sexual harassment and verbal and physical abuse in factories

<i>Level of worker concern regarding sexual harassment and verbal and physical abuse</i>	<i>Sexual harassment (%)</i>	<i>Verbal abuse (e.g. shouting, vulgar language)(%)</i>
Felt concern	3.1	9.6
Discussed with co-workers	1.3	6.8
Discussed with supervisor or manager	1.0	2.8
Discussed with trade union representative	0.7	1.1
Considered resigning	0.3	0.8
Threatened or mounted a strike	0.2	0.4

III. THE STRATEGY FOR VIETNAMESE TEXTILE AND APPAREL INDUSTRY DEVELOPMENT UNTIL 2015 AND ORIENTATIONS TO 2020

3.1. Development prospects of the industry

- ▶ Vietnamese textile and apparel industry is forecasted to get further growth rate in the forthcoming years due to advantages from global economic recovery and TPP agreement

Table 15: Export turnover of Vietnamese textile and apparel industry until 2025 in forecast, billion USD

Major products	Before entry into TPP	Growth rate (%)	After entry into TPP	Growth rate (%)
Textile	26.0	12.9	38.9	49.6
Garment	113.0	51.9	164.9	45.9
Total export revenue	239.0	67.9	306.9	28.4

Source: Prof. Peter Petri, Brandeis University, March, 2013

3.3. Strategy for textile and apparel industry's development

(Decision No. 36/2008/QĐ-TTg of the Prime Minister, approving the strategy on development of Vietnamese textile and apparel industry until 2015 and orientations to 2020)

- Overall objectives

To develop textiles and garments into a key and spearhead export industry; increasingly meet domestic consumption demands; to create many jobs for society; and raise the industry's competitiveness and steady integration into regional and global economies.

- Specific objectives

Growth rate, %	2008-2010	2011-2020
Production growth	16-18%	12-14%
Annual export growth	20%	15%

3.3. Strategy for textile and apparel industry's development

a) Development goals and orientation

Target	Unit of calculation	Implemented in 2006	The whole industry's target		
			By 2010	By 2015	By 2020
1. Turnover	USD million	7,800	14,800	22,500	31,000
2. Export	USD million	5,834	12,000	18,000	25,000
3. Employment	thousand people	2,150	2,500	2,750	3,000
4. % of localization	%	32	50	60	70
5. Key products:					
- Cotton fiber	1,000 tons	8	20	40	60
- Synthetic fiber	1,000 tons	-	120	210	300
- Assorted fibers	1,000 tons	265	350	500	650
- Fabrics	million m2	575	1,000	1,500	2,000
- Garments	million products	1,212	1,800	2,850	4,000

Part IV

Solutions to enhance benefits and labour rights for workers

4.1.SWOT analysis of Vietnam textile and apparel industry in terms of labour lance (1)

Strengths	Weaknesses
<ul style="list-style-type: none">• The number of people in working age in Vietnam is large, while the textile and apparel industry is labor-intensive.• Young labour force• Labor costs for textile and apparel industry are low in Vietnam, while skills are highly appreciated.	<ul style="list-style-type: none">• Most textile and apparel enterprises of small and medium scale >> questions for decent work implementation• Increase of labour costs due to increase of Minimum wage compared to productivity increase• Rigidity of labour code• Overtime limit• No strategic training for human resources for high quality textile and apparel production team and design team to increase the ability to compete with other countries.

4.1. SWOT analysis of Vietnam textile and apparel industry in terms of labour force (1)

Opportunities	Challenges
<ul style="list-style-type: none">• Vietnam's deeper integration into the economy over the region and the world facilitates better production market for workers .• Vietnam's commitment to economic reform and development has created attractiveness to investors, not only by products but also by labour standards and social protection for workers• FDI in Vietnam textile and apparel industry continued to increase, especially in the starting period of entry in TPP and EU-Vietnam FTA >>> higher opportunities to Enterprises with FDI often have advanced level of technology >>> to implement better work programs	<ul style="list-style-type: none">• Skill enhancement is challenging• Reduce competitive advantages of low costs industry >>>• The labour market institutions change slowly• Future of Trade Union and the role to protect workers rights• Gender issues• Migration issues

4.2 Solutions/recommendations

a) Main directions of labour code amendment (to submit to National Assemble by 2017)

- ▶ Labour standards: Labour working hours, overtime (increase from 300 hours per year to 450 or 600)
- ▶ Retirement age increase (55-62 for women; 60-52 for men)
- ▶ Wage and labour productivities: Living wage, fair payment
- ▶ Occupational Safety and Health
- ▶ Labour relations: Trade union, collective bargaining, labour contract.. Labour institution, strike

b) For migration policies

Migration policies should be better protect migrant workers

- ▶ Remove residential barriers: all labor and social protection policies should be based on “human rights”
- ▶ More attention should be given to”
 - Migration flow from rural to urban (reduce informal employment)
 - Women migrants to be treated more
 - Migrants to big cities (Hanoi, HCM)

c) Trade union law

- Assure the rights of freedom of association of workers
- TPP plan: Vietnam commit to remove monopoly position of Vietnam General Confederation of Labour
- With US withdraw from TPP: The process may delay, but can not ignore.

d) Social insurance law (to be revised)

- Set up social protection floor for all citizens: Remove differences in law for formal and informal sector (minimum social guarantee for social insurance) >>> for SME and MSEM's
- Promote compliance practice
- Increase quality of serves

e) Better human resource development to meet new challenging

- ▶ Organizing courses high skill staffs: for economy-technical managers, legal officials, and sale officials, technicians and skilled workers
- ▶ Combining long-term training with short-term training, full-time training with in-service training, domestic training with overseas training
- ▶ Regularly organizing courses for providing collegial and secondary degree training and training workers.

Thanks you