
Sancroft

NHS Supply Chain Country Profile: Vietnam

May 2016

Vietnam – Labour Standards and Ethical Trade Profile



Population	94,348,835 ¹
Main Religion	Out of the total population, approximately 24 million identify with one of the recognised organised religions Buddhists (12.2%), Catholics (6.8%), Caodaists (4.8%), Protestants (1.6%), Hoahaoists (1.4%), Muslims, Bahais, Hindus and other smaller groups (<1%) ²
Minimum working age	15 years old ³
Minimum wage (per hour per month)	Minimum Wages in Vietnam with effect from January 2016 in VND (VND Dong). Wages is differentiated across regions, with urban localities having a higher minimum wage ⁴ . The average across the four regions* is 2,850,000 VND Per Month 15,234 VND Per Hour (US\$127.17 Per Month US\$0.68 Per Hour)
Maximum working hours	8 hours per day, 48 hours per week. Working hours together with overtime must not exceed 12 hours per day ⁵⁶
Working week	Monday to Friday Maximum number of working days per week in Vietnam is 6.7
Main exports	Telephone and spare parts (19 %), textiles (14 %), electronics, computers and components (10 %), shoes and footwear (7 %) and other machinery, equipment, tools and spare parts (5 %) ⁸

* **Region 1:** 3, 500, 000 VND Per Month | US\$156.03 Per Month
(18 229 VND Per Hour | US\$0.81 Per Hour)

Region 2: 3, 100, 000 VND Per Month | US\$138.20 Per Month
(16 145 VND Per Hour | US\$ 0.72 Per Hour)

Region 3: 2, 700, 000 VND Per Month | US\$120.37 Per Month
(14 062 VND Per Hour | US\$ 0.63 Per Hour)

Region 4: 2, 400, 000 VND Per Month | US\$106.99 Per Month
(12 500 VND Per Hour | US\$ 0.56 Per Hour)

Context

Politics

Vietnam became a one-party Communist state in 1975 following reunification of the country. For the three decades prior to this, the country was embroiled in bitter conflict first against the colonial power France, then against South Vietnam and its US backers. In January 2016, Vietnam's Communist Party opened their twelfth congress. This five yearly meeting brings together approximately 1,510 delegates from around Vietnam who, behind closed doors and with no input from the Vietnamese population, select a Prime Minister, President, National Assembly Chairman and Party General Secretary; the country's de facto leader⁹.

As was broadly anticipated, the incumbent Party Chief, Nguyen Phu Trong, was reinstalled as leader quashing a challenge from his rival, the reformist Prime Minister, Nguyễn Tấn Dũng¹⁰. Trọng, Party Chief since 2011, is considered more conservative than Dũng, and closer to China. Analysts say this development likely marks a return to more consensus-based rule though do not anticipate a sea change in policy, either in foreign relations or economic affairs. Despite this, there are some fears that crucial economic reforms could be held up in the fast-growing country. Dũng, a two-term prime minister, has been praised for pushing a pro-business agenda and adopting a tough stance against Beijing in a territorial dispute over islands in the South China Sea.

In April 2016 Nguyen Xuan Phuc was elected to the post of prime minister by parliament. The General Elections, in which the public decide the National Assembly took place in Vietnam on 22 May 2016.

Economics

Vietnam is a development success story¹¹. Since the mid-1980s, through the Đổi Mới reform period, Vietnam shifted from a highly centralized planned economy to a socialist-oriented market economy. Beginning in 1986, the Đổi Mới political and economic reforms transformed the country from one of the poorest in the world to lower middle income status. The fraction of people living in extreme poverty has dropped substantially, and those remaining in poverty tend to belong disproportionately to ethnic minorities. The Vietnamese population is better educated and has a higher life expectancy than most countries with a similar per capita income. Within quarter of a century, per capita income increased from around US \$100 in 1990 to approximately US\$2,100 by the end of 2015. This per capita GDP growth rate translates as one of the fastest in the world, averaging 5.5% a year since 1990, and 6.4% in the 2000s. Vietnam's economy continued to strengthen in 2015, with an estimated GDP growth rate of 6.7% for the whole year. In September 2015, Bloomberg commented how Vietnam's economic growth in the third quarter, in contrast with the performance of its neighbours, was buoyed by foreign investments and export growth. Vietnam is forecast to post the strongest economic growth this year of six major Southeast Asian countries tracked by the Asian Development Bank.

Vietnam's 10 year Socio-Economic Development Strategy (SEDS) 2011-2020 is focused upon structural reforms, environmental sustainability, social equity, and macroeconomic stability. It defines three "breakthrough areas": promoting human resources/skills development, improving market institutions, and infrastructure development. The 2011-2015 Socio-Economic Development Plan identified three "critical restructuring areas" necessary to achieve the strategy's overarching objectives: the banking sector, state-owned enterprises and public investment. A recent draft of the Socio-Economic Development Plan (SEDP) 2016-2020 acknowledges the slow progress of the SEDP 2011-2015 reform priorities and emphasises the need to accelerate these to achieve the targets set in the 10-year strategy.

Demographics

Vietnam's population has grown rapidly in the past few decades and this trend is set to continue; the population is forecast to reach 100 million in 2025 before peaking at around 110 million in 2050¹². It is currently the fourteenth most populous country in the world; third in the region after Indonesia and the Philippines. Drivers behind this rapid population growth have shifted from high birth rates to longer life expectancy (forecast to be over 80 by 2050). Overall birth rate (2.09) is already below replacement level and in urban areas, it is 1.8 (lower than the UK). Whilst there is considerable internal migration, mainly rural to urban, levels of immigration and emigration remain low. Population density is also shifting, with new provincial pockets of affluence emerging beyond the traditional centres of Hanoi and Ho Chi Minh City.

At present, Vietnam is experiencing a 'demographic golden age'; a quarter of the population is aged between 10 and 24 and the median age is approximately 29. There are roughly seven people of working age for each pensioner and increasing GDP per capita is leading to one of the fastest-growing middle classes in South East Asia¹³. However, Vietnam will very quickly transition to an ageing population. In just 20 years between 2017 and 2037, the proportion of Vietnamese over 65 will double from 7% to 14%. This same pro rata increase took 115 years in France and 45 years in the UK, it is furthermore expected to take 26 years in China. By 2050 25% of the population will be over 60, with only two people of working age available to support each elderly person. These trends are already bringing challenges, notably with regard to healthcare: rates of cancer and Type 2 diabetes are on the increase whilst one in four people aged over 25 now suffers from hypertension or heart disease. These challenges will only become more acute, more quickly.

Labour Market Profile

Vietnam is working to create jobs to meet the challenge of a labour force that is growing by more than one million people every year. It is estimated Vietnam will reach its maximum number of working age population in 2040¹⁴. In 2015, the total labour force was estimated at 54.93 million. Labour force participation rate for females in Vietnam is 73.2%, whilst for men it is 82.5% (% male/female population ages 15+ who is economically active)¹⁵.

Industry Summary:

Labour Force Occupation (2012) ¹⁶	
Agriculture	48%
Industry	21%
Services	31%

Whilst agriculture does not contribute substantially to Vietnam's GDP, it accounts for a significant proportion of Vietnam's labour force. Main agricultural exports include rice, coffee, seafood and black pepper. Manufacturing is predominantly comprised of textiles and apparel, footwear, electronics and computer components. Tourism plays an important role in the service sector. In the past decade alone, Vietnam's exports have undergone significant transformation. Share of crude oil and agricultural exports has decreased, manufacturing exports including garments and footwear have remained relatively consistent though dipped slightly, and the once negligible share of high value export items has grown substantially.

Medical Technology

Vietnam continues to be seen as a potential market for foreign suppliers of medical equipment. This opportunity is considered significant in light of Vietnam's growing middle class, ageing health infrastructure and government prioritisation of the health care sector as a way to secure socio-economic development.

In 2005 the International Trade Administration reported that no sophisticated medical equipment was produced domestically in Vietnam and that approximately a dozen manufacturers made small-scale products officially licensed by the Ministry Of Health¹⁷. Manufacturing was limited to a few product categories, including but not limited to plastic gloves, bandages, drips, compresses, clothes, masks and syringes. An estimated 81.4% of Vietnam's medical device market was supplied by imports in the early 2000s. Despite the Vietnamese government establishing targets to modernise the medical technology industry by 2010, the Vietnamese medical market is still strongly dependent on the import of high-end equipment¹⁸.

However, the multiple advantages of lower overhead, lower labour costs in conjunction with a large well-educated workforce and greater technical capabilities are leading more medical product manufacturers to establish facilities in Asia. Analysts have speculated that Vietnam could follow the lead of China, which is further along the trajectory to aligning with Taiwan, South Korea and Singapore who have been manufacturing sophisticated medical devices for a number of years. Vietnam offers further potential as a manufacturer of medical devices because it offers an investor friendly regulator environment, has a number of established export processing zones and is signatory to a number of Free Trade Agreements.

Key Risk Areas

Companies sourcing from Vietnam will need to be aware that there is a risk of labour rights abuse within their supply chain. No global supply chain will be categorically free of issue and buying organisations have a responsibility to ensure that they are doing all they can to mitigate the risk of occurrence within their realm of business and, where an issue is discovered, take steps towards remediation. The below outlines the key risk areas pertinent to Vietnam and the areas in which a company sourcing from Vietnam may want to be particularly vigilant.

In Vietnam, this is especially pertinent because in the past few years in an effort to escape rising costs and an increasingly complex regulatory environment, a growing number of businesses have relocated their operations from China to Vietnam¹⁹. Located in a strategic position for foreign companies with operations throughout Southeast Asia, Vietnam is an ideal export hub to reach other ASEAN markets and is increasingly positioned as a premier "sourcing economy".

Compared with other developing markets in the region, Vietnam is emerging as the clear leader in low-cost manufacturing and sourcing. In 2015, it was estimated labour costs in Vietnam were approximately 50% of those in China and 40% of those reported in Thailand and the Philippines²⁰. The other side of this growth rate and effort to attract foreign investment is its negative impact upon labour rights. Lack of accountability for labour rights in Vietnam stems from weak legal frameworks, too few labour inspectorates and a political context inherently opposed to freedom of association and collective bargaining. These issues are further compounded by the private sector's informalisation of jobs, use of short-term contracts and exploitative commercial sourcing practices.

Freedom of Association and Collective Bargaining

Vietnam has not ratified the ILO Conventions on Freedom of Association and Collective Bargaining, but the right of association for Vietnamese citizens is protected by national law. Whilst the law prohibits anti-union discrimination, it does not provide adequate means of protection against it.

Restrictions on the right of workers to form and join organisations of their own choosing, restrictions on trade unions' right to organise their administration and categories of workers prohibited or limited from forming or joining a union constitute the realities of anti-union discrimination present in Vietnam²¹. For instance, the Vietnam General Confederation of Labour (VGCL) is the only trade union organization officially recognized in Vietnam, and it is a requirement that all unions in the country are affiliated with it. This is limiting not least because under the VGCL's own governing rules it describes itself as "a member of the political system under the leadership of the Communist Party of Vietnam."²²

Only workers with labour contracts over six months are allowed to join a trade union, grossly precluding access to freedom of association and collective bargaining of those most vulnerable employees stuck in a state of precarious employment. Repression of independent unions and inability of trade union representatives to represent workers in genuine negotiations with employers over wages has resulted in a number of wildcat strikes throughout Vietnam in 2000s. These peaked in 2011 with a total of 981 strikes. Due to a number of cumbersome barriers to lawful strike actions, most strike action in Vietnam is illegal.

Minimum Wage

A minimum wage was established in Vietnam in 1993, however from its outset it has been considered too low. Moreover whilst it was originally intended as a 'safety net' or rate below which no employer should pay, the minimum wage has in effect become the actual level of basic salary for workers²³. Despite a number of subsequent adjustments, Vietnam's minimum wage still fails to keep up with the country's rapidly rising cost of living. This is further exacerbated by the inflation Vietnam has suffered in recent times, meaning real wage levels have stagnated or fallen. As a consequence, Vietnamese workers have tended to take a second job or work excessive hours. Overtime in Vietnam is commonplace, and frequently undertaken in excess of legal limits. Under Vietnamese law, an employer may not have a worker perform overtime in excess of 200 hours per year²⁴.

Labour Contracts

There are three principal types of labour contracts in Vietnam: open-ended contracts; short-term contracts (over 12 months and under 3 years) and temporary or seasonal contracts (under 12 months). Vietnamese law provides that after two consecutive short-term contracts, the third must be open-ended and a temporary or seasonal contract cannot exceed 12 months²⁵. This regulation is frequently disregarded however, and its enforcement made more complicated by the presence of employment agencies and customary use of sub-contracting and sub-leasing. Whilst the Vietnamese government has been tolerant of these practices trade unions have voiced concern over the violation of workers' rights. In the absence of guaranteed employment, workers are more hesitant to vocalise their grievances.

Informalisation is another significant trend across Vietnam. Informalisation and sub-contracting have detrimental consequences for employment quality and labour conditions. These include workers having increasingly 'precarious livelihoods' (the result of unpredictable spans of time in the workplace) as well as greater vulnerability to exploitative commercial practices and abusive practices within the workplace. A survey conducted by ILO's Better Work Vietnam program moreover found that a number of factories in Vietnam had substantive health and safety violations. Findings included locked or inaccessible emergency exits, absence of the correct personal protective equipment, and frequent exposure by workers to hazardous substances²⁶.

Modern Slavery and Forced labour

In 2011, it was reported by Human Rights Watch that Vietnamese state authorities were requiring detainees in state-run "rehabilitation centers" to perform forced labour as part of their addiction

“therapy”²⁷. Some of the victims, mostly illegal drug users, were as young as 11 years old. Goods made by detainee forced labour have made their way into global supply chains: in 2011, Columbia Sportswear acknowledged that one of its Vietnamese contractors had subcontracted the production of jacket liners to a detention centre near Ho Chi Minh City. It was reported that the detainees were held for periods of two to four years without a hearing or trial in a court of law and forced to work under harsh conditions for little or no pay doing a range of repetitive tasks. Detainees were subject to frequent physical beatings or periods of solitary confinement as punishment for violating centre rules or failing to complete a daily quota.

Use of forced labour as drug treatment in this manner is a clear violation of international law, including ILO Convention 29, the International Covenant on Civil and Political Rights (ICCPR), and the Universal Declaration of Human Rights. In 2012, twelve UN agencies, including the ILO, World Health Organization (WHO), and United Nations Office on Drugs and Crime (UNODC), issued a joint public statement calling for the closure of compulsory drug detention centres, citing the use of forced labour and the lack of evidence-based drug treatment.

Trafficking

Vietnam is a source and, to a lesser extent, a destination country for men, women, and children subjected to sex trafficking and conditions of forced labour. Vietnamese women and children are subjected to sex trafficking abroad with many being misled by fraudulent labour opportunities and then sold to brothel operators on the borders of China, Cambodia, and Laos, while others are subjected to sex trafficking in Thailand and Malaysia²⁸. Some Vietnamese women who travel abroad for internationally brokered marriages, mostly to China and increasingly Malaysia, are subsequently subjected to domestic servitude or forced prostitution. An increasingly reported tactic is men using the internet to lure young women and girls from Vietnam overseas. Vietnamese organized crime networks recruit and transport Vietnamese nationals, especially children, to Europe. Trafficking of Vietnamese girls to the UK in particular has garnered media and government attention.

A negative side-effect of Vietnam’s industrial growth, trafficking of children from rural areas to cities is increasingly common²⁹. Gangs approach local officials in remote areas pretending to offer jobs or vocational training to children of the poorest families. Many families are happy to send their children away for such an opportunity, and the children then end up as forced labourers in factories in Vietnam’s urban centres.

Child Labour

Since 2012 Vietnam has featured in the U.S. Department of Labour’s annual list of products made with forced and child labour³⁰. Child labour continues to be a problem in Vietnam though the government is reasonably proactive in addressing it; Vietnam was the first country in Asia and the second country in the world to ratify the Convention on the Rights of the Child in 1990³¹. Vietnam’s General Statistics Office (GSO), with technical support from the International Labour Organization (ILO) conducted a nationwide survey on child labour: “The Viet Nam National Child Labour Survey 2012”³². The survey revealed that in 2012, of Vietnam’s child population (18.3 million), one-sixth (2.83 million) were engaged in some form of economic activity. Of these economically active children, 62% were understood as ‘child labourers’. In total, the survey estimated there to be some 1.75 million “child labourers” in Vietnam, accounting for 9.6% of the Vietnamese national child population.

In 2012 40.2% of Vietnamese child labourers were girls, and nearly 85% lived in rural areas. It was estimated 5% of child labourers would never attend school. Whilst Vietnam has made considerable achievements in universal education in light of the Law on Education and various support programmes, significant barriers, particularly in rural areas, still exist. Regarding the composition of sectors, about 67% worked in agriculture, 15.7% in construction/manufacturing and 16.7% in services.

It was found that child labourers were disproportionately at risk of employment in hazardous working environments.

Gender Discrimination

Young women make up the overwhelming majority of workers in Vietnam's export manufacturing industries, and most are of childbearing age³³. Vietnam's labour law mandates relatively generous maternity benefits, including the provision of paid leave to female workers following the birth of a child, a benefit that was increased from four to six months under amendments to the labour law in 2013. The enforcement of such legislation has been broadly ineffective however, and women remain vulnerable. To avoid paying the legally mandated benefits, employers have resorted to a number of discriminatory practices that violate international labour standards. These include contractual requirements for women not to become pregnant for a set period as a condition for employment, the instant dismissal of pregnant women, simply refusing to provide legally required maternity benefits or employing women on fixed-term contracts of shorter duration than those offered to male employees. Women are often offered contracts of only six months in length for example, since eligibility for maternity benefits requires employment of more than a year.

Governance

National Legislation

The main source of employment law in Vietnam is the Labour Code, originally passed in 1994. After lengthy negotiations, the National Assembly of Vietnam passed a new Labour Code in June 2012, effective from May 2013. Its stated aim was to improve labour market and industrial relations in Vietnam, setting forth several favourable changes to working conditions for employees. The main areas of revision related to labour contracts, work hours, labour outsourcing, internal labour rules, and foreign employees. Changes included increasing the minimum salary level during probation, increasing the number of public holiday days during which employees are entitled to fully paid leave and increasing maternity leave to six months³⁴.

Article 35 of the Constitution Of The Socialist Republic Of Vietnam (2013) also offers a degree of protection to workers, including the right of citizens to work and to select their career, job and workplace, that workers shall be provided equal and safe conditions of work and shall be paid a salary and enjoy leave according to policy and finally that discrimination, forced labour and employment of workers under minimum age of labour are strictly prohibited.

The Inspectorate of Ministry of Labour, Invalids and Social Affairs and Departments of Labour, Invalids and Social Affairs has responsibility both for inspecting compliance with the labour law and dealing with violations of the law.

International Trade Union Confederation (ITUC) Rights Index

The ITUC rights index uses a methodology that considers the standards of fundamental rights at work, in particular the right to freedom of association, the right to collective bargaining and the right to strike. Vietnam is not included in the ITUC Index.

International Standards

Vietnam has ratified a total of 21 ILO Conventions; of the 8 fundamental conventions 5 have been ratified: Forced Labour Convention (No. 29), Equal Remuneration Convention (No. 100), Discrimination (Employment and Occupation) Convention (No. 111), Minimum Age Convention, 1973 (No. 138) and Worst Forms of Child Labour Convention (No. 182). The ILO Conventions Vietnam has

yet to ratify include: Freedom of Association and Protection of the Right to Organise Convention (No. 87), Right to Organise and Collective Bargaining Convention (No. 98) and Abolition of Forced Labour Convention (No. 105)³⁵.

Other Useful Resources

Further information is available on the following websites:

- ILO Labour Law Database -
http://www.ilo.org/dyn/natlex/natlex4.countrySubjects?p_lang=en&p_country=VNM
- Transparency International Corruptions Perception Index
<http://www.transparency.org/country/#VNM>
- US State Department Database on Forced and Child Labour per product
<http://www.dol.gov/ilab/reports/child-labour/list-of-goods/>

¹ <https://www.cia.gov/library/publications/the-world-factbook/geos/vm.html>

² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/389940/CIG.Vietnam.Religious_Minority_Groups.v1.o.pdf

³ <http://www.tilleke.com/sites/default/files/Overview%20of%20Vietnam%20Labour%20Law.pdf>

⁴ <http://www.wageindicator.org/main/salary/minimum-wage/vietnam>

⁵ <http://www.tilleke.com/resources/legal-update-highlights-new-labour-code-vietnam>

⁶ http://www.amchamhanoi.com/wp-content/uploads/2015/08/Doing_Business_in_Vietnam_2015.pdf

⁷ <http://www.doingbusiness.org/data/exploreconomies/vietnam/labour-market-regulation>

⁸ <http://www.tradingeconomics.com/vietnam/exports>

⁹ <http://www.theguardian.com/world/2016/jan/27/vietnam-communist-party-elects-new-leaders-q-and-a>

¹⁰ <http://www.theguardian.com/world/2016/jan/21/vietnams-communist-party-meets-to-elect-leaders-for-the-next-five-years>

¹¹ <http://www.worldbank.org/en/country/vietnam/overview>

¹² <https://www.gov.uk/government/publications/vietnam-from-golden-age-to-golden-oldies/vietnam-from-golden-age-to-golden-oldies>

¹³ https://www.bcgperspectives.com/content/articles/consumer_insight_growth_vietnam_myanmar_southeast_asia_new_growth_frontier/?chapter=2

¹⁴ <http://www.asia-pacific.undp.org/content/dam/rbap/docs/RHDR2016/RHDR2016-full-report-final-version1.pdf>

¹⁵ <http://data.worldbank.org/indicator/SL.TLF.CACT.FE.ZS/countries/VN?display=graph>

¹⁶ <https://www.cia.gov/library/publications/the-world-factbook/geos/id.html>

¹⁷ <http://www.ita.doc.gov/td/health/vietnam05.pdf>

¹⁸ <https://books.google.co.uk/books?id=vqPwYZR41Z4C&pg=PA124&lpg=PA124&dq=Decision+18/2005/QD-TTg&source=bl&ots=2Sckst7Ccp&sig=P6nAmEtWqF83INwQH6Q8tvDYcvU&hl=en&sa=X&ved=oahUKEwj405X64JrMAhWmKMAKHZ6ZB4MQ6AEIJAC#v=onepage&q=Decision%2018%2F2005%2FQD-TTg&f=true>

¹⁹ <http://www.vietnam-briefing.com/news/introduction-vietnams-export-import-industries.html/>

²⁰ <http://www.vietnam-briefing.com/news/introduction-vietnams-export-import-industries.html/>

²¹ <http://survey.ituc-csi.org/Vietnam.html?lang=en#tabs-2>

²² http://www.usfashionindustry.com/pdf_files/WRC-Report-Vietnam.pdf

²³ https://www.unilever.com/Images/rr-unilever-supply-chain-labour-rights-vietnam-310113-en_tcm244-409769_en.pdf

²⁴ http://www.usfashionindustry.com/pdf_files/WRC-Report-Vietnam.pdf

²⁵ https://www.unilever.com/Images/rr-unilever-supply-chain-labour-rights-vietnam-310113-en_tcm244-409769_en.pdf

²⁶ http://www.usfashionindustry.com/pdf_files/WRC-Report-Vietnam.pdf

²⁷ <http://www.labourrights.org/our-work/forced-labour-vietnam>

²⁸ <https://www.state.gov/documents/organization/245365.pdf>

²⁹ <http://www.bbc.co.uk/news/world-asia-pacific-16567315>

³⁰ http://www.dol.gov/ilab/reports/pdf/tvpra_report2014.pdf

³¹ <http://www.un.org.vn/en/unicef-agencypresscenter2-89/272-the-un-convention-on-the-rights-of-the-child-turns-18.html>

³² http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-hanoi/documents/publication/wcms_237833.pdf

³³ http://www.usfashionindustry.com/pdf_files/WRC-Report-Vietnam.pdf

³⁴ http://www.tilleke.com/sites/default/files/2013_Feb_Vietnam_New_Labour_Code.pdf

³⁵ http://www.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200:P11200_COUNTRY_ID:103004