

VIETNAMESE ACADEMY OF SOCIAL SCIENCE

**REPORT ON RESULTS OF QUICK SURVEY OF
GLOBAL FINANCIAL-ECONOMIC CRISIS
IMPACT ON ENTERPRISES AND EMPLOYEES
IN CERTAIN PROVINCES IN VIET NAM
Report No. 2 – Results of Survey in Hai Phong,
Thanh Hoa, Nghe, Ho Chi Minh city, Binh Duong and
Dong Nai**

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**QUICK SURVEY OF GLOBAL FINANCIAL-ECONOMIC CRISIS IMPACT
ON ENTERPRISES AND EMPLOYEES IN THANH HOA, NGHE AN, HAI
PHONG, HO CHI MINH, BINH DUONG AND DONG NAI, VIET NAM**

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A. INTRODUCTION

By March 2009 the global financial economic crisis was reaching its peak, and has been causing adverse impacts on Vietnam's economy through two main channels: exports (including export of goods, labor and in situ export e.g. tourism) and foreign direct investment, excluding other channels like overseas national currency exchange and indirect investment. Recent information suggests that unemployment is still on an upward trend in labor intensive exporters such as leather and footwear, garment and textile, seafood processing, wood processing, also in handicraft villages that have many unregistered employees who come from outside localities. At the macro level, based on forecast economic growth rate of between 3%-6% in 2009 and 2010, respectively, some studies suggest that the Vietnam economy can create only 300,000 to 700,000 additional jobs each year during 2009-2010, a significant decrease from 800,000 jobs created during 2006-2007². This is less than half Vietnam's job creation target of 1.7 million jobs in 2009. The studies also suggest that the unemployment rate in Vietnam may rise from 4.6% in 2007 to 6.7%-7.6% in 2009 and 7.2%-8.7% in 2010. Other studies indicate that unemployment may be reaching a sensitive threshold, the recession may cause the economy to go into a vicious circle: declining employment results in declining income and spending, in the face of weaker demand enterprises will cut back on production which causes further reductions in employment, and so on. .

In such circumstance, Vietnam's top priority is to maintain employment in order to reverse the vicious circle of a weakening economy, and it is essential and timely to launch Government's economic stimulus measures as soon as possible. However, in the face of budget and current account deficits, as well as Vietnam's recent experience with high levels of inflation, stimulus policies should pay attention to efficiency, that is, to maintain the highest number of employment opportunities with lowest possible inflation and macro balance. In order to design appropriate policies, it is important to assess the impacts of the current global economic crisis on enterprises and employees in Vietnam, to assess the effectiveness of formal and informal social security systems in

² Alex Warren-Rodríguez "The impact of the global crisis downturn on employment levels in Viet Nam: an elasticity approach". UNDP, Hanoi 1/2009.

highly impacted regions, and to think about countermeasures in the event the crisis is protracted.

Given the lack of relevant and regularly updated information, the Vietnam Academy of Social Sciences, World Bank, Oxfam GB, and Action Aid worked together to design and conduct a series of rapid assessments. These assessments are designed to be implemented quickly and collect up-to-date information on the impact of the current global economic crisis on enterprises and employees. They are used to update policy makers and to complement and enrich related information collected e.g. by the Government Statistics Office (GSO) and Ministry of Labor, War Invalid and Social Affairs (MOLISA).

The first round rapid assessment was conducted in and around Hanoi in February 2009³, and looked at the situation in several craft villages, mobile/informal sector labor markets in Hanoi, and workers in Hanoi's Industrial Park. A series of second round assessments were carried out in Thanh Hoa and Nghe An – provinces with high levels of out-migration, which accordingly were expected to have high numbers of returning/laid off workers from various regions in Vietnam as well as returning overseas workers. Second round rapid assessment surveys were also conducted in Hai Phong, Ho Chi Minh, Binh Duong and Dong Nai, concentrating on enterprises in industrial zones and export processing zones. The aforesaid six sites were selected for rapid assessment follow-up work based on information collected in the first phase of the work in Hanoi.

B. METHODOLOGY

This is a **qualitative quick survey** conducted in April 2009 in provinces receiving flows of unemployed workers (Thanh Hoa and Nghe An) and in provinces attracting workers in their urban areas, industrial zones (“IP”) and export processing zones (“EPZ”) (Hai Phong, Ho Chi Minh, Binh Duong and Dong Nai). By **semi-structured interview and group discussion** using PRAs such as timeline, spider diagram, paired comparison and rating exercise. A total of **403 participants** to the survey in 6 provinces, cities, including 59 officials at various levels, 173 employees in non-official sector, rural areas (including 74 jobless freelance and workers returning to their home), 140 immigrant workers in official sector and managers from 31 enterprises:

Group of provinces receiving laid off workers to rural areas – Thanh Hoa and Nghe An:

- Officials at various levels: interviewed 51 officials (including provincial level officials from Department of Labor, War Invalid and Social Affairs and

³ Reference first round paper

- Chamber of Industry and Commerce in localities, 2 district level officials, 2 commune level officials and 3 village level officials);
- Official area – only surveyed in Thanh Hoa (2 IPs):
 - Interview representatives from 4 exporting enterprises (1 garment fabricating company, 2 stone processing companies, 1 mechanical electrics and forest product processing company); and 4 non-exporting companies (1 distributor, 1 fertilizer company, 1 company with general business of construction, health, port loading, unloading, and 1 advertising company);
 - Interviewed 9 immigrant workers who were working (including 4 females), who immigrated in from other districts;
 - Non-official sector providing services close to IP – only surveyed in Thanh Hoa (2 IPs): 2 local residents;
 - Rural area:
 - Freelance employees returning to their homeland: 18 persons (including 4 females);
 - Laid off workers returning home: 46 persons (including 29 females);
 - Overseas laborers returning home: 10 persons (including 4 females) – half of them return to Thanh Hoa a head of schedule;
 - Households having members working far way from home: 25 units;
 - Households not having members working far way from home: 23 units.

Provinces attracting laborers to urban areas, IPs and EPZ (Hai Phong, Ho Chi Minh, Binh Duong and Dong Nai)

- Officials at various levels: 8 provincial level officials (Department of Labor, War Invalid and Social Affairs, Municipal Labor Federation, Export Processing Zone Management Board)
- Official sector:
 - Interviewed representatives from 16 labor intensive exporters (11 garment and textile and leather and footwear companies, 2 electrical, electronic equipment manufacturers, 1 wood company, 2 plastics companies, 2 aqua-product companies) and 7 non-exporting enterprises;
 - Interviewed 131 immigrants (with 72 females), 12 of whom are seeking new jobs as they have terminated their contracts (including 8 females);
- Non-official sector:
 - Interviewed 49 freelance workers (including 26 females) in 6 densely immigrant populated areas (Go Vap district, North West Cu Chi IPs,

District 3, Tan Thoi Hiem IP in District 12 in Ho Chi Minh, Song Than IP in Binh Duong, Bien Hoa city, Tam Phuoc IP in Dong Nai);

C. MAJOR FINDINGS

I. Official sector – enterprises, IPs, EPZs

General judgment

The survey in Hanoi in February 2009 shows that: most of FDI enterprises, from high tech ones to labor intensive enterprises, suffer from economic recession impacts at various levels. Evidences proved that labor intensive enterprises seem to be more affected. The economic crisis brought investors in IPs in tough condition. Though orders are not cancelled, evidences show the significant decrease in the purchasing orders. Immigrant workers are badly affected due to their declined income and being laid off.

Initial results of survey in 4 provinces of Hai Phong, Ho Chi Minh, Binh Duong and Dong Nai – where attracted many FDI enterprises, export orientation with many IPs, EPZs attracting immigrant employees from various regions shows the same picture. Garment and textile, leather and footwear, electric, electronic part assembly, wood, aqua-product, building material enterprises are those badly affected. In Thanh Hoa, though the IPs are of modest size, which attract only employees in the region nearby, are suffering from strong impact of economic decline, largely on 3 major industries, including garment and textile, construction material, stone and wood, export handicraft.

Affected industries are generally in difficult period, without improvements being seen in the scope of orders as compared to that in the same period of previous years. Certain enterprises started to sign new orders, work shifts increased again. This good signal is recorded in several leather shoes and garment and textile companies in Hai Phong, Ho Chi Minh city and Dong Nai.

Actual survey showed few demands for new recruitment in large quantity in Hanoi and Hai Phong while in Ho Chi Minh, Binh Duong and Dong Nai, a series of job advertisements are seen, with hundreds of jobs being required. Beside the good signal of a limited number of companies who are able to exploit new markets, new partners, and expand production, this recruitment is mainly for the purpose of replacing those workers voluntarily asking to quite jobs due to too low salary because of no increase in work shift, and/or is “virtual” demand as having predicted the workers changing to high pay jobs, and high skills being required in this period. Therefore, jobless workers/under-employed workers still strive and ramble around job advertisement boards.

Production, business of enterprises decline by industry and market

- **Electronic, mechanic, wood processing, garment and textile and leather and footwear continue to suffer from strong impacts of economic recession. In**

Dong Nai, 8,521⁴ employees are laid off as a result of downsize of 67 enterprises in IPs, mainly in electronic, mechanic (58%), then garment and textile, leather and footwear (19%), and wood processing (12%).

- **Industries tend to decline sharply recently.** In quarter 1 of 2009, production in IPs in Dong Nai even showed worse decline, especially in wood processing, automobile, motorbike parts and accessories, electronic, electric parts and building materials. In Ho Chi Minh city, the sharp decrease in Quarter 1 of 2009 is also the major cause leading to the lowest economic growth in Ho Chi Minh city over the past 10 years. Orders have started to decline since November 2008, and strongest decrease was seen during the first 3 months of 2009, said Garment and textile and leather and footwear enterprises. The number of orders of almost all enterprises in Hai Phong in the first quarter of 2009 decreased by at 20-40% over the same period last year, with capacity being 2/3 of that in the peak period of 2007.
- **The impacts are most obviously seen in leather and footwear enterprises as leather and footwear industry has suffered from 3 consecutive shocks over the past 3 years.** Surveyed enterprises in Hai Phong revealed that the anti-dumping suite in 2006, inflation and high input costs in mid 2008, together with employee – employer tense relation caused hardship to leather and footwear enterprises as their orders drop sharply.
- As predicted, with the difficulties facing the overseas parent companies, automobile, electronic companies, **electric, electronic, mechanic foreign invested enterprises in Vietnam continue to have difficulties with the orders from their parent company.** Thus, in Hai Phong, Pi Company did not contract with 700 newly recruited workers who have finished their probation period in December 2008, and continues encouraging 1000 workers to apply for resignation within the first three months of 2009, while all staff and employees take turns to stay off work. As reported by an electronics company in Dong Nai, there has been no sign of recovery in spite of its recent increase in work shift due to several urgent orders. In the 1st quarter of 2009, its orders dropped by 1/3 when 2 of its workshops have no orders, 3 workshops are at indifferent level, as a result, 600 workers quitted their jobs after October 2008 and 200 workers left after the New Year Holiday of 2009.
- **Falling production in some industries such as wood ware, garment and textile, electronic assembly resulted in shrinkage of sub-material, package producing companies.** In Dong Nai, high class wood ware processing companies for export to the US market saw sharp fall. Most of wood processing companies in Tam Phuoc IP (about 40-50 companies) are badly affected, cutting down on about 60% of their output⁵. Affected since mid of 2008, a company said, it just maintains moderate production with 800 workers (62% reduction of personnel). Difficulties in wood industry caused most material chain effect on packaging, painting, spongy foam industries. Packaging companies are worst affected as wood industry requires much more packaging than others. A wood company in Tam Phuoc, Dong Nai cut down on half of its capacity, resulting in freezing of one nut processing workshop in Song Than IP in Binh Duong, 2 packaging workshops in Bien Hoa 1, 2 IPs, and 1 spongy foam workshop in Bien Hoa 1 IP,

⁴ From late 2008 and early 2009 (figures surveyed as of end of March 2009)

⁵ Only one wooden floor deck producing company is not affected as wooden floor is used by American families, thus, the demand thereof remains high.

which is about 40km away therefrom (regardless of decline in paint and plywood workshop).

- **Falling construction causing difficulties to many building material companies such as facing stone processing, pottery and ceramic.** Workers in certain pottery and ceramic companies said that they worked 2 months during the first 4 months of this years. They are provided with between 200,000 – 300,000 VND per months during the months they did not work. Wood workers work several days per weeks, they are entitled to 70% of salary for these days of staying idle (normally 4 days a week). Workers take turn to work. Facing stone processing company in Thanh Hoa also saw sharp order decrease in later 2008 and some orders cancelled due to its partners being subject to merge or restructure (as of the 4th quarter of 2008, its capacity dropped to 50% against that in 2007).
- **Those enterprises exporting goods to the EU and US face more difficulties with their orders and alternative markets.** Goods produced and exported by those enterprises to the EU and US are mainly high value ones, thus, it is impossible for them to find alternative markets. For example, high class wood wares worth up to thousands of dollars, high class canned aqua-products. **Thus, as to aqua product industry, orders are still placed by existing market but decrease significantly in terms of type, only low value items are marketable.** One aqua product company in Ho Chi Minh said that it can only export low value canned goods items such as fish, shrimp worth US\$2-3 per can, unlike before when US\$20-30 per can items were the main exports (value of one container decreases to US\$200,000 from US\$300,000).
- **Garment and textile and leather and footwear enterprises are maintaining limited number of orders with their trade partners.** For each order, the number of codes increase but the number of units thereof decrease sharply. For example, in Hai Phong, Ka trading joint venture company previously could have more than 3000 pairs of shoes per each code, now reduced to only 100 pairs; or in S Co. Ltd, in stead of one code having several thousands jackets, now the customers order only some hundreds. In several Taiwan processing companies in Ho Chi Minh and Binh Duong, the situation is the same, when most of the products are just for the purpose of displaying in shops abroad, the quantity per code is few.
- **Signed orders are more complicated, requiring higher quality, more strict control, longer delivery period** is what reported by many garment and textile, leather and footwear and wood processing companies. As reported by a garment company in Ho Chi Minh, difficulties due to decreased orders represent 40% while difficulties due to order complication represent 15%. Complicated order results in decreased productivity. For example, a production line of garment, which used to produce 150 products per day, now can produce only 120 products per day. One garment company in Ho Chi Minh city said that as the EU's order is much more complicated, order processing period extends to 60 days in stead of 30-35 days required by ordinary order.
- **Accepting discount order to create jobs for workers, maintaining production – this fact is reflected in certain long established, reputable garment, leather and footwear, wood processing companies, who accept no profit or loss compensation.** *“In 2008, fabricating a pair of shoes costs about 2.1 – 2.2 USD, in early 2009, to retain workers, the company has to accept orders, in which fabrication cost of only 1.7-1.8 USD/ pair. The Company accepted to compensate for the workers using its money. For example, in February 2009, the company suffers from VND900 mil and VND1 bil loss in March 2009”*, said a shoes

producing company in Hai Phong. Aluminum, plastics companies in Ho Chi Minh, wood processing company in Dong Nai also accept loss making order to retain existing labor (which has dropped sharply from before). H garment company in Thanh Hoa, who used to share fabrication cost by 50%/50% with its workers, now by 70%/30%.

- **Order cancellation also occurred in several garment and leather and footwear companies.** In Hai Phong, K company, from December 2008 to February 2009, have 3 cancelled orders with 33,500 pairs of shoes. Order cancellation does result in outstanding of material (as it is provided by the customer), but waste of preparation cost and the enterprises being passive in planning production and labor utilization.
- **Difficulties in order facing enterprises result in tens of thousands of people being laid off, lacking jobs.** In Hai Phong, according to incomplete figures, there are a total of about 6000 people laid off and 8000 people having to take turn to stay off work⁶. Most of employees who have to take turn to work or are laid off, are those in leather and footwear and FDI enterprises in Numora IP. Dong Nai has 10,116 persons laid off⁷ (including 5,166 persons having just been laid off in the 1st quarter of 2009) – mainly in mechanic, electronic, wood, garment and leather and footwear enterprises. Ho Chi Minh has 25,608 job cuts and 16,514 persons lacking jobs due to falling order⁸, also mainly in mechanic, electronic, wood, garment and leather and footwear and building material enterprises.
- **Decreased FDI flow into provinces due to difficulties.** Ips Management Board in Dong Nai said that FDI poured into the province sees a sharp decrease, only US\$ 6.7 mil has been invested so far this years as compared to US\$1.5 bil in 2008. In Hai Phong, the figure of US\$185 mil of FDI as of 20 January, 2009 accounts for only 1/3 of 2008⁹. In the 1st quarter of 2009, Binh Duong attracted additional US\$314.7 mil of FDI, accounting for only 46% of the same period last year¹⁰. Since this year, the number of foreign direct investment (FDI) in Ho Chi Minh drops by 31.6% in terms of number of projects, and 73.1% down in terms of registered capital.

Several good signals about orders and resumption of work shift increase

- After 4-5 months struggling with difficulties due to falling orders, **5 out of 7 leather and footwear enterprises surveyed in Hai Phong revealed that they saw prosperous signals in respect of the number of orders and fabrication unit cost for quarter 2 of 2009 (especially from May).** Some former customers come back to contract, enterprises have more orders up to the end of quarter 2 or 3 of 2009 with higher fabrication cost than that in the crisis period early this year (though new orders are of relative small size).
- As of early April 2009, in Hai Phong, **several surveyed leather and footwear enterprises started to increase output after “getting to bottom line” in March. However, signs of recovery are not the same as certain production lines/workshops still lack orders.** Managers of leather and footwear companies

⁶ Figures of Municipal Labor Association in the first quarter of 2009

⁷ Figures of Dong Nai Labor Department as of 17/3/2009

⁸ Figures of Municipal Labor Association as of 1/4/2009

⁹ According to VietnamNet - Ministry of Information and Communications

¹⁰ According to Vietnam News Agency

revealed that, with current growth rate, several workshops are expected to recover and operate as they did in mid 2008, in the winter this year¹¹.

- **Two garment companies surveyed in Hai Phong also show signs of improvement from April this year.** S Company, after tough time in the 1st quarter of 2009, when it reached only 70% of 2008 output, since April, have sufficient orders up to July. The company manager predicts that its output shall recover in the 2nd and 3rd quarters, even fabrication price shall be lower than the period before the crisis. S company, in March, had to provide additional salary to its staff and employees (150,000 dong for worker, managerial and 200,000 dong for administrative staff) because of small order, inadequate jobs and very low price. However, since April, there has been prosperous sign with some long term orders signed.
- **In Dong Nai, certain garment enterprises who previously had difficulties, had to downsize, but now have many more new orders and even have no time to meet the survey group.**
- **Good signals are also recorded in Ho Chi Minh when 24 companies, which suspended their operation in 2008, now resume in the first quarter of 2009.** One aqua-product company had order from its American customer in April (but in small amount), and one garment company is expecting to have purchasing order to the US in May. Workers in several garment and leather and footwear companies also started to work extra shift.
- **However, some companies in the industry has not seen prospective order in the 2nd quarter of 2009.** A well known trade name in electronic industry revealed that **it is still cautious with the coming difficulties as current market is very hard to predict, it is still impossible to confirm if the “bottom” has been reached.** Even though, the company still hopes its customers shall soon place order again once their inventories have been used up. As to wood industry, the situation still remains gloomy as no positive signal of improvement is seen.
- As reported by Dong Nai IP Management Board, 171 out of 346 enterprises (about 49%) planned to recruit about 20,533 workers in the first 6 months of 2009. Dong Nai Labor Department reported a 25,000 workers to be recruited for garment and leather and footwear. In Ho Chi Minh, the recruitment figure is quite impressive with 61,527 employees needed (40% of them are female), 38.7% is in garment and textile industry. However, those employers are to replace those who applied for voluntary resignation due to too low salary, no increase in work shift, and/or virtual” demand as having predicted the workers changing to high pay jobs.
- Additionally, while many companies are showing positive signs as they obtained orders from the US, EU markets, **many new companies are in production and business difficulties as they are affected later than the others.** In Ho Chi Minh, there are 17 new companies in trouble, leaving 843 with inadequate jobs in the 1st quarter of 2009.

Counter measures resorted to by enterprise facing difficulties

- **71% of enterprises surveyed in Dong Nai ¹²said that they are maintaining production at moderate level, and 19% of them downsize as they have no orders. At the end of March and early April 2009, most of garment, leather**

¹¹ Summer season of leather industry lasts from April to August, and winter season from October to February of the following year.

¹² 185/260 enterprises are surveyed by IPs Management Board in Dong Nai in March 2009

and footwear enterprises surveyed in Hai Phong are operating at 2/3 of their capacity over the same period of 2007. Large enterprises even dissolved all or certain workshops since their foreign partners cancelled fabrication contract. Typically, one longest established and among the largest leather and footwear firms in Hai Phong, which has 13 affiliates, has, during the period from November 2008 to early April 2009, dissolved a shoes company with 450 workers (as its Chinese partner did not order and stopped cooperation with it), one production line with 172 workers, and one newly invested high class shoes finishing line with 198 workers.

- **Jobs, work shift deferment, contract termination are applied in various forms:** lay off workers with pay for 2-3 days per week, reduce work shifts (from 2, 3 to 1, 2 shifts); stop reinstatement of expiry contracts (with seasonal workers or 1 year contract), arrangement to terminate contract with laborers, mainly in form of laborers applying for voluntary resignation and entitlement to unemployment benefit. Most enterprises had to arrange part of their workers to work in turn (entitled to 50-70% of salary) with period of staying idle from 5 to 15 days per month. Additionally, several enterprises also asked their workers to stay off work, awaiting for 1-2 months without pay. Staying off work used to be not permitted but now the workers may be absent for several months.
- In Hai Phong, since the 4th quarter of 2008, especially in the 1st quarter of 2009, **most of leather and footwear and garment companies had to stop recruitment of new workers**, except for several companies **with small number, mainly for the purpose of replacing those who have quitted** due to too low salary or personal reasons.
- **Practice thrift and combating wastefulness to the maximum**, specifically: cut down on power consumption, e.g. removing some bulbs and small fans installed in office or workshop; issuing regulations on when to turn on/off power operated equipment. Strictly control material consumption in production such as glue, base, etc. Regulation on expenses in respect of paper work and administration like telephone, transport means, drink, etc is also issued to prevent wastefulness. Promote product quality management to prevent wastefulness, making use of site for lease.
- Notably, in the crisis period, most of surveyed enterprises said to **promote information dissemination** (by notices, meetings) about difficulties, measures taken by the enterprises to the workers and staff to encourage the workers to overcome difficulties, save costs. This trend is expected to continue even when the enterprises have gone through the toughest time.
- **Temporary suspension of investment project, production expansion.** With growth rate in late 2007 and early 2008, many leather and footwear enterprises in Hai Phong said that they planned to expand production such as construction of new workshop, investment in more equipment, production line and seek to rent more land in suburban districts of Hai Phong such as An Lao, Vinh Bao and in provinces nearby such as Thai Binh to set up satellite workshops. However, up to now, after reduction of many orders, most of the aforesaid plans have been suspended, awaiting for production to stabilize.
- Enterprises **increasing movement of workshop or orders to satellite companies, affiliates in suburban districts and provinces nearby to reduce cost.** This strategy has been launched by large leather and footwear companies for several years in Hai Phong ("bring factories close to workers"). Setting up workshops, or associate with other enterprises in Thuy Nguyen, An Lao, Vinh

Bao or Thai Binh (by way of renting workshop, or associate to place order and sending staff for supervision) to make use of local workers proved useful to cost reduction in the economic crisis period. In Ho Chi Minh, when facing difficulties in a long period, companies tend to move to suburban areas to reduce cost (especially in leather and footwear and garment, aqua product). However, they also face other difficulties of labor shortage. Large companies have made their move. Small and medium sized enterprises tend to downsize as a home based household to reduce costs such as tax, site rental, labor, etc. Thus, fierce competition shall occur in domestic market from these home based households.

- **Though actively promoting exploitation of alternative market such as domestic market, new export market, many difficulties are met..** It is not easy to exploit domestic market but it is still an opportunity for garment enterprises to overcome challenges. One garment company in Hai Phong started to exploit domestic market with 2 products of shirt and shorts (bearing the company's own A brand) through high class fashion shops in Ha Noi and Hai Phong. However, as many large garment companies are concentrating on domestic market, it becomes much more competitive, slow consumption, prices of domestic market products in early months of 2009 reduced sharply, price of certain products (e.g. shirt) now falls by a half of that in 2008. Risk of being stolen of design when joining domestic market is also an obstacle facing market replacement. One garment company in Ho Chi Minh said that this is the reason why they do not desire to join domestic market. Aqua product company in Ho Chi Minh, wood company in Dong Nai reported that domestic market do not have potential for consumption of their high class exports, and expansion of export market is not an easy task too. For example, in Russian market, demand for wooden ware is not high as most of the population stay in apartment and banking services in this country is too poor, especially in payment (one aqua product company said that it once had to withdraw its goods after delivery because of payment matter). Middle East and African markets are also targeted but demand there for high class goods is not as strong as traditional markets such as the US and EU.
- **More stable enterprises receive workers from, or "lend" orders to, the less stable ones.** Wood companies in Dong Nai borrow orders from each other to maintain employment at indifferent level to retain workers. As reported by Labor Departments, Dong Nai has 9,300 persons laid off, who have sought new jobs (over 90%), Ho Chi Minh has 21,382 workers losing jobs (80%). However, the figures does not cover those who are lack jobs, work in turns, and fail to review non-official subjects, and those who do not remain in the place they are transferred to.
- **Large invested enterprises such as high class wood processing enterprises, carry out exchanges within their kinship, closed relatives so as they can have opportunity to acquire ownership when conditions allow.** They do not intend to close down or go bankrupt even difficulties last for longer.
- **Placing concentration on other fields during slowdown period is also one way for enterprises to compensate for their losses.** Survey in 2 garment companies in Ho Chi Minh shows that they could survive thanks to the business activities, one relied on financial investment while the other relies on hotel business.

Feedback from enterprises to policy

- 100% foreign invested companies receiving investment and support, or fabrication material from their foreign parent company, **seem not pay much attention to the government's supporting policies – since their difficulties lie in falling demand for products in overseas market and no order being placed by parent companies.**
- As to **fabricating enterprises, their working capital is not significant as it is funded by their foreign partner if order is placed, thus, 4% interest subsidy with respect to borrowing working capital under the 1st economic stimulus package does not actually have significant effect** on these enterprises. Many companies suffer from adverse impact of economic slowdown but as they are not small or medium sized ones, they are not entitled to interest subsidy, they concern about troublesome procedures, especially requirement for bank mortgage, as a results they could not have access to loans and interest subsidy.
- **Due to economic slowdown, enterprises have not planned to invest in or expand production or improve technology in the short run, they, therefore, wonder that they may not have opportunity to access to short term loan in the Government's 2nd economic stimulus package.**
- Policy in respect of those workers losing jobs in 2009 is inadequate. Enterprises should to have plan on labor arrangement and proceed with procedures to apply for “lending assistance from the State to pay salary, insurance premium for their workers” while **they are in difficulty, “they would owe the employees rather than owe the State”**. Thus, disseminating information to the enterprises is very important.
- On the other hand, **many troubling enterprises in 2008 are not the policy beneficiaries in respect of those losing jobs in 2009. This causes difficulties to the enterprises as they have both those who lost their jobs in 2008 and those in 2009.** Paying debt to those who lost their jobs in 2009 faces difficulties as the enterprises are owing insurance premium of those who lost their jobs in 2008.
- **Disseminating information about policy to the enterprises and employees fails to cover all candidates.** Thus, many enterprises are wondering if cutting jobs within 2009 but before February 2009 is entitled to the policy support.
- **Companies facing declined business said that a series of new policies of the State are not timely, causing additional difficulties to them** – for example, policies in respect of investment, tax, labor, environment, change in basic salary, mandatory payment of 1% trade union fee (as to FDI enterprises), 1% of salary fund for unemployment benefit, increased power price leading to increased production power price (estimated at 30-35% in several leather and footwear companies in Hai Phong), regulation on power consumption at during rush hours of 9:30-11:30 AM.
- **Enterprises also recognized efforts made by various levels, such as trade promotion, income tax reduction, tax payback, promoting IPs infrastructure finalization, opening vocational training courses, speeding up implementation of unemployment benefit, supporting those workers losing jobs, dealing with housing issues, taking and picking up low income earners.**
- **There remain too many concerns among enterprises when accessing assistance policies.** Enterprises concern about the difficulties arising from administrative procedures to be entitled to supporting policies. Enterprises have not sought outlets, orders, thus, do not borrow loans for investment and production as they worry about inability to pay back debt.

Impact on workers' jobs, income and life

- **Unlike the previous years when workers quitted their jobs after the new year holiday on a massive scale.** This year, due to economic slowdown, the number of workers returned to work was much larger. Only 5.2% of workers quitted their jobs after the new year holiday.¹³ Worrying about unemployment situation, more workers returned to work to earn income. A major part of workers, who migrated to the South from the North, due to declined income, did not have money to send home in the new year holiday, came back to work earlier.
- **Unstable and significantly reduced jobs.** In Dong Nai, as to those companies subject to strong decline, every morning, workers in these companies go to see if there is any jobs to do, if there is nothing to do, they go back home "drinking tea", even in the event of having jobs to do, they just have jobs to do until 15:00 – 16:00 PM. In Ho Chi Minh city and Binh Duong, workers go home at 16:00 - 18:00. This is a worrying signal as they have no job to do, just take turn to do paper work.
- **Staying idle for long time, if having job to, doing it under high pressure** “*stuffy because of being too strict control*”, “being blamed for every minor mistake”, more limited unit rate of material consumption, workers suffering from tension, discouragement. Workers being laid off are firstly those in the companies subject to dissolution, bankruptcy, and those are apprentices, those having short term contract, or those whose 1- 3 year term contracts have just expired in struggling companies. Those who are too discouraged by continuous off work, wishing to receive unemployment benefit to seek other job opportunity, voluntarily apply for resignation.
- **Workers' income declines to such low level that they can not survive for a long time.** Due to unstable job, long off work days without pay, or off work with 50%, 70% salary entitlement, the workers' income falls sharply. Employees' income decreases, on average, by 30-50% against the same period of 2008 due to reduced overtime and non-increase of work shift. In 2008, in addition to 8 official hours, if working overtime by 2-4 hours per day, 4-6 days per week, they can earn, on average, 1.6 - 2 million dong/person. However, in 2009, most of the workers do not work extra shift, they could earn only 1-1.2 million dong per month. Even in the 1st quarter of 2009, many had to take turn to stay off work from 10 to 15 days per month, if entitling to 70% salary for the days off, their income is only 800 thousand dongs, if off-work without pay, their salary even drops to about 600 thousand dongs per month.
- Regardless of staying off work, workers **have to pay additional expense for lunch, dinner, if studying at home.** Food, rental and petrol expenses are increasing, thus, the life of workers becomes harder. Many workers sleep until 9:00 - 10:00 AM in order to save breakfast. Vegetable is their dinner's main menu.
- **Immigrant workers have to pay house rental, electricity, water, and other living expenses, they, therefore, have to minimize expenses. Each worker has to pay at least 150.000 dongs per month for house rental, 30.000 dongs for electricity, water for 2 persons.** House rental in such expensive area as Ho Chi Minh city sometime amounts to 800.000 dongs per room for 3 persons, excluding

¹³ According to the statistics of IPs in Dong Nai. 65% of workers in Dong Nai are immigrants from other provinces and 80% of which are from North Central Coast region (Nghe An, ThMr. Hoa, Hai Duong, Ha Tinh, etc).

electricity and water, or 170.000-200.000 dongs per room for 2 persons at the lowest in boarding houses far away from Dong Nai IPs. Electricity and water fees are saved to the maximum. Workers do not dare to switch fan, lamp on but tolerating the heat of the South under the metal roofed house to minimize expenses. A female worker said that she did not use up 1 KW of power for 3 months thanks to her making use of public lighting in the shared path.

- **Female workers save more than the male ones.** Male workers save less than the female ones as they pay more for food, entertainment, personal expenses (tea, cigarette, etc). During economic crisis, being underemployed, lower monthly income, no work shift increase, extra expenses such as telephone charge, traveling increase significantly; thus, “being out of money”, or “financial deficit” frequently occurs to immigrant male workers. In Hai Phong, it is still possible to have savings if cutting back on unnecessary expenses such as noshes, cosmetics, clothes, female, workers can still save 200.000-400.000 dongs per month, in case of those having stable jobs. In the South, no increase in work shift, workers have no chance to save or send savings home. With expensive living expense, declined income, they have no savings.
- **Married workers suffer from more pressure as they have to support their children or send money home.** In Ho Chi Minh, those workers working far away from home from the North and Central Coast region to here expect to work extra shift to have 500-600 thousand dongs per month to send home, lacking money, they borrow from other sources but such borrowed sum is not significant. After 3 months earning low income, having paid house rental, food expense, they have nothing to pay debt. **Thus, most workers can hold on to for 4 months.**
- Many workers quitting job, unable to get a job as "every available job requires skills", return home. Many advertising board "want to share room with male/female", "room for lease" are available in areas near the IPs in Ho Chi Minh city, Binh Duong, Dong Nai. Rows of rooms are closed down, sometimes amounting 40% thereof, in certain boarding villages. **Many workers go home leaving others with increased room rental as there are no ones to share room.** As a result, income of the host decreases sharply.
- Those returning home are the ones who are not trained, educated, unable to adapt themselves to the changed environment, persons aged over 40, having no job recommendations. They return home as they fail to get new job in IPs, and those whose freelance income being too low, not enough for spending, they return home to work with their spouses, children. Some return home in hope of getting a job in the local IPs near their home. Certain young men who are discouraged, return home living on their family, then find other solution.
- **Most of immigrant workers from poor areas, who can not earn income from their homeland, try to stay on as they "can not do anything at home due to limited cultivation land".** Those who remain "live on their room mates, living away from home, they have to lean on one another". Those workers who get used to running about, seek new jobs e.g. mason coolie, temporary worker. Some interviewees revealed that due to decreased work shift, they sought extra job such as café, wedding party, restaurant waiter/waitress etc to have more income.
- **There are some cases of workers changing their jobs:** power workers move to work as garment, leather and footwear workers. As the two industries differ, they fail to have a stable job, and seek an other job after a short period thereafter. Certain workers have changed their job three times since the economic crisis

occurred. Frequent job rotation causes adverse impact on enterprises as they fail to stabilize their human resources.

- **Job rotation occurs only in working places within the IPs.** Most immigrant workers move in group from the same homeland, it is impossible to transfer part of them, separate them, assign them to other enterprises or to far off areas. This often occurs in Ho Chi Minh city.

Forecast

- **Most enterprises are pessimistic in the short run.** 180 out of 260 enterprises surveyed in Dong Nai IP said that their business has been affected by the financial/economic crisis in the world and this situation may prolong until mid or the end of 2009. Many enterprises have orders only to March 2009. Many enterprises are forecast to reduce labor. More than 10.000 jobs cut in 2009 in Dong Nai IPs are forecast. Enterprises in Ho Chi Minh city also do not dare to give prediction but to take every opportunity as they can. Unlike electronic industry where the "bottom" has not been identified, garment and textile, aqua product industries have shown positive signs – largely thanks to changing target to low value orders, in various types.
- **Trade union will play more and more important role in this period.** Trade union in Ho Chi Minh city, where there are many enterprise, in which the owners escaped, troubling enterprises have to dissolve, suspend in the largest number in the country¹⁴, does a good job as supporter of the laborers as it knows well condition of the laborers, enterprises, stabilizes situation, prevents dispersion of assets by enterprises, prepare list of those workers losing jobs, arranges accommodation for jobless workers, is in charge of filing for bankruptcy to protect interest of the workers. In the face of difficulties in implementing policy in respect of the jobless in 2009, Vietnam Labor Association and the Ministry of Labor, War Invalid and Social Affairs set up an inter-branch delegation to survey, inspect the actual situation and find a solution thereto. The delegation shall concentrate on areas in the south, especially in Ho Chi Minh city, where there are many request for settlement of difficulties.

II. Non-official sector in urban areas

General judgment:

Most of the freelance have to do various jobs to earn living. Most of them are immigrants from provinces and are married, have children. "go South campaign" is often associated with responsibility to save money to send home, thus, they have to devote themselves, "sacrifice parents' life for better life of their children".

Freelance workers also adversely affected by the economic crisis. Results of survey conducted to motorbike taxi driver, street vendors, mason coolie, construction workers, scrap merchants, etc show obvious signs of declined jobs, income in the first months of 2009. Mason coolies, construction workers have no job to do, thus, their income is decreasing sharply. Street vendors are suffering from heavy pressure of selling up goods. Being "unsold" also worries motorbike taxi drivers. Scrap prices falls strongly, causing difficulties to the scrap merchants.

¹⁴ According to the municipal Labor Association

Each of the freelance workers suffer from competition pressure as the number of freelance workers increases in the non-official sector. Significantly decreased income of the workers, their regular customers also leads to decrease in their income.

- **Freelance workers are mostly poor immigrants.** In Ho Chi Minh, most of workers here are from the Central region following their relatives, friends to the South to earn their living, to support their children's study. They choose to work hard and strive on every streets under the scorching sun in Ho Chi Minh city, taking every chance to earn living, doing any thing legal to have more income. They just come back home after 9-10:00 PM, which is just large enough for a bed (or a room of 8-12m² for 3-4 persons) after a long day of work.
- **Poor immigrant freelance in urban areas in Dong Nai, Binh Duong also have to strive as hard as those in Ho Chi Minh city. However, job opportunities in Ho Chi Minh is more diversified.** Immigrant freelance being motorbike taxi drivers often choose to live in boarding villages near urban area to enjoy low price. Those street vendors have to pay high price as they have to live in areas near their trading places. They are low educated, at various age groups, from children to the old aged over 50.
- Due to economic crisis, **not only foreign invested enterprises in Vietnam decrease but domestic companies do not expand construction or conduct major repair, thus, more freelance become jobless.** A construction owner in Dong Nai said that he could not sign any contract since early this year. Unlike this year, development at this moment of previous years was very strong as enterprises expanded production after Tet holiday.
- **Freelance workers such as mason coolie, construction worker are wage earners (being paid on a daily basis,), they have no income if no work.** One builder in Dong Nai immigrating from Nghe An said that his work reduced significantly since August 2008. He had came to Dong Nai to work since 2001, with average salary of VND2.5 mil per month. But over the past 3 months, his salary dropped to about VND1 mil.
- **Declined income of official sector workers results in decline income of the freelance in non-official sector, who provide accompanying services to the workers.** It is easiest to recognize rows of booths, food and drink industry, street vendors, vegetable sellers, whose income used to be about 100.000 dongs per day, now declines to 50 – 60.000 dongs per day. With low income, workers have to cut back on every expense, even their food and drink.
- **The number of freelance increases significantly since late 2008 and early 2009 as a result of movement of redundant official laborers.** The number of motorbike taxi drivers, street vendors rises significantly in this period. Some who loose their job in companies and fail to get one, chose to work as motorbike taxi driver or street vendor to earn living to survive. It is easy to work as motorbike taxi driver or street vendor as invested capital for such work is not substantial. To work as a motorbike taxi driver, only VND3-4 mil is required to invest and VND300.000 – 800.000 for a street vendor. Furthermore, conditions to join freelance are quite easy, any one can vendor near school gate, company entrance or any vacant space on pavement; or for a motorbike taxi driver, only a certain parking place is required. There are now many streets being fixed places for street vendors even they are prohibited.
- **Freelance laborer number increases, resulting in fierce competition, goods being unsold, income decreased.** There is tense arrangement among motorbike

taxi drivers. *“No one went by motorbike taxi recently – we used to take about 10-15 turns per day, now take only 5-6 turns, “good customers” are also fewer than before. High income earners often choose to take taxi, and the medium income earners choose to take a bus. Petro price increase results in motorbike taxi price increase. A low time, we had no choice but to take even at low price.”*. Income from street vending falls significantly by 30-40% due to customer sharing.

- **There is still a clear gender discrimination, in which men drive motorbike taxi, as mason coolie, women work as street vendors, scrap merchant.** Even facing difficulties in street vending, women still intend to change only goods item for sale.
- **Freelance also meet certain risks and difficulties.** Street vendors are, due to their invading sidewalk, road bed, subject to frequent fines or confiscation of goods by order keepers, from VND 40.000 – VND100.000 for each violation. As to motorbike taxi drivers, who often leave home early and come home late, are subject to danger of being snatched; they sometime get no pay from their customers. Finding a parking place is also a difficulty. Many can not practice in such places as railway station, hospital as they have to pay fees.
- **Due to difficulties in earning money, and escalating price, the sum they can send home become less.** Before 2009, they can send home VND500.000 – 600.000 per month but now it is only VND200.000 – VND300.000 per month, even nothing in certain month.
- **Freelance laborers have to consider much when spending for them selves and save to the maximum.** They move from inner city to the suburban area, where they pay less for house rental; house rental in inner city is VND1.500.000 per month for 3 persons while in suburban area, it is only VND 500.000 per month for 3 persons. They try to cut down on water, electricity fees, not use fans, bulbs to save power. They also have to cut down on food and drink expense by not having breakfast.
- **Facing current economic difficulty, to pay debt of house rental, or in case of their family needing money, they have to borrow at high interest (in some places it sometimes amounts to 20% per month). This is also recorded in many areas inhabited by freelance workers in Ho Chi Minh city.** And they do not borrow large amount but just one VND mil. or borrow from friends and relatives but in a small amount of several hundred thousands.
- **Most of the freelance coming to South from the North do not intend to return to their homeland as they thought that “there is also nothing to do at home, and doing farming only is not enough to live”.** Furthermore, if remaining city, at least they can support themselves, partly reducing burden on their family in the country side. Sparing with difficulties is also sufficient to maintain their very low living standard. But many said that if economic difficulty lasts for longer, they will return home for a short period, awaiting until part of difficulties are removed, then they will go the city.

III. Rural area

General judgment:

According to the Migration Survey conducted by the General Statistics Office in 2004, most of the immigrants to Hanoi are from Red River Delta (72%) and North

East (14%) while migration flow to Ho Chi Minh, Binh Duong, and Dong Nai are mostly from Mekong Delta (30%), North Central Coast (23%), South Central Coast (21%) and River Delta (17%). Survey in Thanh Hoa and Nghe An shows that, a large flow of labor is turning into here, largely from IPs, EPZs in the South.

Flows of labor turns into the rural areas actually show impacts on income, employment, nutrition and schooling. However, the levels of impact are various depending on living condition in each locality and the level of dependence on the money from those working far from home. Adverse impacts on income, nutritious and study opportunity of children are worrying.

Flow of labor turning into home is forecasted to increase in the coming time, especially exported labor via official and non-official channels, resulting in financial burden in respect of labor exporting expense, and flows of jobless workers from Southern provinces, posing big concerns about local socio-economic situation.

- Group discussion for the purpose of household economic condition in the surveyed villages shows that most of the poorest households do not work far from home, due to their difficulties in respect of age, illness, diseases, widow, having many small children or having no one to take care of their children. Those who have members going abroad to work are the medium to richest in the village, those households having members working far from home as workers, seasonal workers are medium and fair in village. The richest households are those who are scrap merchant, high class wood processor, running pigs of farm size (hundred heads), or having stable monthly income such as official, enterprises, working abroad and remitting money to their home on a monthly basis. Those households having stable salary in Thanh Hoa are also the ones who provide loans at interest rate a bit higher than bank interest rate.
- During crisis period, not only those losing jobs but the freelance going to work at non-harvest time who have little to do in IPs and EPZs and urban areas choose to return home. There are actually flows of employees into home and this trend shall continue to increase in the coming time. As of March 2009, employees working away from province losing jobs return home in Thanh Hoa is 9.841 persons¹⁵ (of which 97% return from other provinces, 30% return from abroad). It is predicted to increase in 2009 to 14.500 persons from provinces and 500 from abroad in the face of the economic slowdown. In Nghe An, as of April 2009, 7.000 employees working out of province returned home (exported laborers represent only 1.5%). Survey shows that the number of laborers returns home accounts for **about 20%-35% of those who have gone to work.**
- These laborers, before returning home, try to remain in urban areas, IPs, EPZs for a certain period of time after they had little or nothing to do, depending on the ability to save expense due to non-increase of workshift, slackening, saved amount or unemployment benefit amount. **Workers in official sector often remain for 2 – 3 months**, some can remain for 4-6 months. Pending their company recovery, they look for job advertisement in hope of moving to another company. But in this tough period alone, companies become more selective in recruiting workers, set out higher requirements for labor quality “*no job is available, job ads are posted but it is impossible to be recruited as recruiting*”

¹⁵ Non-exhaustive figure.

companies require qualification, experience". Without job, the more they remain, the more expense they have to pay for accommodation, even unable to go home as having no money. Certain households have to send money to or come to take women workers home.

- As to the freelance in urban area, their income also falls significantly since mid of 2008, especially after decrease in construction due to increase building material price and many investors withdraw from contract since late 2007. Low income, fewer times of being "called" to work, the freelance have to return home.
- Flow of employees returning home has been recorded since mid of 2008 and **most obvious crisis was felt in early 2009**. Workers saw declined income since quarter 2 of 2008. Many flows of laborers moving home are recorded in June, late 2008 and March 2009. In the new year holiday of 2008, many workers who return home to enjoy new year holiday and then no longer came back to work.
- **February and March recorded flows of workers from abroad through official channels to Malaysia and Taiwan and non-official channel to Russia**. There are still workers going abroad but no one goes to Malaysia any longer. Some seek way to go to further markets such as Russia (but taking risk associated with cold and harsh weather condition, they wish to return home), or to EU countries such as England, Sip through non-official channel. The number of laborers going to work aboard via official channels in the whole country is decreasing sharply from month to month. According to the Laborers' Newspaper, Statistics of unit of foreign labor management department, there is less than 12,995 persons exported in January in the whole country thanks to the contracts signed in 2008, it felt sharply in February to 5,361 persons and to only 3,714 persons in March. Also according to this source, market demand reduces by 25% - 30%. There are about 7,000 laborers who have to return home in the whole country, 70% of which are those who have worked for more than 1, 20% of which have been working for 3 months to 1 year; 10% of which are the new ones. This year is expected to have about 10,000 workers having to return home ahead of schedule.
- Flow of laborers returning home also differs from locality to locality in terms of economic development level and available resources. This is clearly seen in Nghe An where, survey results show significant difference between 2 villages in term of economic development level. **Richer village receives more returnees**. Local laborers and officials explain this fact on the basis of "*opportunity cost*": people from richer village, if working a way from home can not bring them income of more than VND1 mil per month (excluding accommodation), would return home as they are used to "*earn high income*" and they have extra jobs (construction worker, carpenter); as to those in poorer village, even income from working away from home falls to several hundred thousand dongs per month, they still try to do "*whether high or low, still try to do*", if they have difficulties in one job, they then move to other one as they have little chance to work at home. This is also recorded when interviewing workers from Thanh Hoa, Nghe An, Ninh Binh who are trying to remain in Binh Duong and Dong Nai since "*it is too poor at home, land is limited, no income is generated at home thus, we have to remain here*".
- However, **there are different moves after returning home**. The freelance still continue moving to the localities nearby or come back to urban areas during off season time. Workers returning from IPs, EPZs wait to come back to the official sector. Some return home who are as old, married, have old parents or small children, or have no qualification, fail to endure heavy, toxic work, or planning to

get married, give birth, taking care of children, determined to settle down to do farming work and joint the freelance at off-season time

- Thus, **the freelance in the locality and flow of freelance moving out of province tend to increase**. According to the survey in Nghe An, there is a 100 persons increase from late 2008. In Thanh Hoa, the local residents say that “*too many jobless return home, if any job is available, many people offer to do*”.
- As to workers returning home, they still wait for chance to come back to the official sector. In lieu of seeking job in other IPs, **they base on their network in former work place to obtain information about job opportunities**. Though minimizing spending, they spend money contacting friends for job information at the work place but “*sending message in stead of phoning as not having enough money*”.
- Impacts of the flow of workers returning home are various depending on the ratio of the amount sent home out of total income. **In surveyed area, where income depends mainly on the money sent by workers working away from home** (doing farming, which is the main subsistence in two surveyed villages in Thanh Hoa, generates about VND35.000 to VND40.000 dongs per month per person on average for the whole year for 5-member household, however, money sent home sometimes accounts for up to 75% of estimated income of some of surveyed households), **strong impact on households with returning workers is becoming worse**. Transportation, telephone charge, procurement of goods fees are minimized. Nutrition quality of meals falls sharply as only self-planted vegetable is used and procured food is minimized: many households said that they just sometimes buy meat for their children. Cutting down on extra course fee, ask their children to be absent from school to earn money, reducing expenses for physical and spiritual lives (children's birthday party). Borrowing, buying on credit is a temporary measure most resorted. More and more households ask their children to be absent from school to keep cows, buffalo or work in urban areas as homemaid to supplement income. When sudden spending such as health care expense, some households have to sell cow, buffalo, which are their most important and valuable assets; some households (having land) have to sell land, largely to cover their children's school fee, who studies away from home.
- **As to surveyed areas where locally general income is just enough for basic needs** (Nghe An), money sent home by those working away from home is to build houses, procure facilities, support children study far from home (70% those households repairing house over the past 5 year using money sent by those working away from home), **short term impact of losing income from working away from home is not significant**, such money is mainly used for house repair and procurement of equipment. There has been no case where working away from home does not result in any case of insolvency, children having to quit school or selling assets, land. Spending of few households having members working away from home also decreases. They also have to reduce times of buying meat in month (from 2-3 to 1-2 times per month), some have to cut down on expense for buying milk for children etc. Nutrition is affected but rice is still sufficient. Poor households worry that if income from working away from home continues to decrease, spending on fertilizer, agricultural material shall be cut down, resulting in falling productivity, even expense for children's study also reduces (but still permit children to go to school to the extent possible).
- **Adverse impact starts to be felt from the spill over effect**. Returning laborers result in increased redundant resources, who are ready to do any job in rural area

and areas nearby, competition thus becomes more fierce. Due to economic slowdown, demand for house repair, consumption falls, freelance redundancy makes the freelance wages decreased sharply. In Thanh Hoa, previously during offseason period, the freelance could work 20 days but now only 10-15 days, some time there is no job or work to do, said the freelance.

- Additionally, the freelance compete with one another, they are ready to reduce labor price to get work, otherwise they will have no work to do and no income.
- Less revenue is sent, reduced income, purchasing power in rural area falls significantly. This decline is clearly felt by those households who do extra job and are small traders. In a market in Thanh Hoa, egg and duct merchant said that quantity of eggs sold out each day drops by one half, total income decreases by 30%.
- Laborers returning home reclaim land they lent for cultivation before to those staying at home, which greatly affects living standard of those doing farming on such land. Most workers return home only after a period of remaining in the city, IPs until they used up saved money, and fail to get a job. Thus, they have to rely on assistance from their relatives' investment on the first season. This itself causes difficulties to their relatives – reduced farming land (about 50%) and increased human resource.
- If crisis continues in the short run (3-6 months), it is still possible to endure. But **if crisis continue for more than 6 months to 1 year, children will the most adversely affected as they have to be off school to join their family's earning living.** Then, more households will suffer from hunger if no appropriate support is to be provided in the areas where it is impossible to rely on local subsistence. Even in areas with diverse subsistence, potential risk is very high as they will face agricultural risks such as price, weather, insects.
- It is noted that even the farmers who have moved to work in IPs are not **well aware of social insurance importance.** Most of the workers returning home apply to one-off withdraw and/or stop maintaining and paying social insurance premium. Several surveyed enterprises in Hai Phong are retaining many social insurance books of their workers who have left and not taken it yet regardless of many workers working in official sector, due various reasons, did not sign long term contract and pay social insurance contribution (in Thanh Hoa, about 50% of workers losing job and returning home said that they do not have a contract and did not pay social insurance contribution).
- Even those families having members remaining in the cities and IPs show sign of declined income in early 2009 against that in 2008, no more money is sent home.
- **More changes in the living standard in the face of declined income are felt by women than men.** Since they directly pay expenses for foods, school fee, and others. Jobless male workers returning to Thanh Hoa said that family tension occurs more frequently than before due to scanty spending.
- One more concern of local government is that certain young people returning home, lacking jobs for a long period, social evils are likely to arise, which cause adverse impact on security and order in the areas in the coming time.
- As to those who are returning laborers and those with declined income, **non-official social security network throughout the community still plays an important role – though its stability and sustainability still remain a question should the global crisis continues.** In Nghe An, “ women's rice pot” (a rice pot being placed at those households having rice milling machines, every one who has rice milled shall pour 1-2 handfuls of rice into the pot, women's association, at the

end of each month, shall compile and include in women's fund for the purpose of assisting those at risk), or "community association" by inter-family group and by association (each person contribute VND50.000-100.000 per month, any one in need can make a withdrawal therefrom) are ways of sharing difficulties, assisting at tough time. In Thanh Hoa, those households in trouble may buy on credit, borrow loan, mainly from their relatives neighbors to survive, especially to cover costly medical expenses as most of them are not entitled to health insurance (except for poor households). Some have to borrow from individual lenders at too high interest rate. However, poor households general fail to access this quick credit as the lenders know their limited ability to pay back.

- Governments at various levels are trying their best to assist those losing their jobs in the locality and those returning home. From spiritual aspect, governments at various levels are instructed to prioritize these candidates in borrowing loan, vocational training, production development. Attention is also paid to dissemination of recruitment demands. Promoting development of manufacturing establishments, IPs in the locality is also one way. However, flows of workers returning home recently makes local laborers discouraged.
- Officials at provincial, district levels do recognize the important role of taking inventory of returning laborers but they still have difficulties in updating official data. One of major causes now is the high movability and flexibility of the laborers which makes it difficult to identify candidates. Officials at various levels reported that there will be material impact from returning laborers flows but they do not know the specific condition. In Thanh Hoa, only figure about 10 districts out of 27 administrative units is obtained and each district's figure fails to cover all communes within the district. The interview shows that officials at various levels all wish to know how to grasp the situation and assess its impact.

D. SUMMARY

Official sector is showing sign of stronger decline in the 1st quarter of 2009 in wood processing, electronic assembly. The garment and textile, leather and footwear, electric, electronic part assembly, wood, aqua product, building material industries are those greatly affected. However, the garment and textile, aqua product, stone export industries have showed positive signs since the 2nd quarter of 2009.

The economic crisis has brought investors in IPs into trouble. Though not too many orders are cancelled, it is proved that the number of order declines significantly. Immigrant workers are those first affected due to declined income and loss of jobs.

Most enterprises are pessimistic in the short run and difficulties and lack of jobs are forecasted to increase, in the such circumstance, trade union plays increasingly important role. Labor association shall be a supporter of the laborers if it can know well the condition of the laborers and enterprises, act as a lead to connect other departments to seek new jobs for the workers.

In official sector, the freelance is much affected by economic crisis, with sharply declined income. Purchasing power declines and their customers decline as well. Each of the freelance is suffering from competition pressure as the freelance number increases. The most concern is living quality of them shall continue to decline in the tough period.

Flow of workers returning to rural areas shows impacts on income, employment, nutrition and study. The level of impact may be different depending on various economic conditions and the level of dependency on the income sent by those working away from home but the negative impact on income, nutrition and study opportunities of children is really worrying.

Returning workers flow is forecasted to continue increasing in the coming time, especially those working abroad via official and non-official channels, leaving financial burden in respect of the loan they borrowed for going abroad, and flow of workers returning home from the South is raising concern over the socio-economic situation in the locality.

Local governments are all worries about the impact and its extent, but fail to grasp the changes and movement of laborers, notably those in non-official sector, rural area, seasonal workers. Thus, there are demands for dissemination of how to carry out assessment and regular assessment, especially in the context of the present fast changing labor flow, in the surveyed areas.

APPENDIX: LIST OF RESEARCH GROUP IN PROVINCES/CITIES

Research Group in Hai Phong consists of: Mr. Hoang Xuan Thanh (Truong Xuan consulting company) – team leader, Ms. Dinh Thị Thu Phuong (Truong Xuan), Ms. Vu Thị Quỳnh Hoa, programme officer of ActionAid Viet Nam (AAV), Ms. Nong Kim Nguyet UVBTV, Director of Center for Poor laborers (CWR), Municipal labor association, Mr. Phạm Hoang Hai AAV officer, Mr. Vu Duc Cuong Vice director of socio-economic policy committee of Municipal labor association, Ms. Nguyen Quỳnh Hoa CWR officer, Ms. Ngo Thị Minh Ngọc Women Committee officer, Municipal labor association, Ms. Phạm Thị Thanh Van AAV officer, Ms. Phạm Thị Tho Vice head of Women Committee, Municipal labor association, Ms. Nguyen Thị Khuong CWR officer, Ms. Nguyen Thị Quỳnh director of socio-economic policy committee, Municipal labor association, Ms. Dinh Thị Tuyet Mai CWR officer, and Ms. Le Kim Dung programme coordinator Oxfam GB.

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