

Vietnam factory malaise raises specter of New Year labor strikes

Global slump pushes communist country from export boom to salary gloom

LIEN HOANG, Nikkei staff writer

HO CHI MINH CITY -- The one-two punch of lower wages and inflation heading into the Lunar New Year is raising the prospect of labor unrest in Vietnam as a global economic slump slashes the country's exports.

Strikes around the holiday, also called Tet, are not unusual when workers balk at deals made by union leaders who -- as a result of the communist government's strict oversight -- are often chosen from the ranks of company management.

But economic conditions are looking particularly grim this year, despite the ongoing shift of supply chains from China to Vietnam. Apple, Uniqlo and other global brands are increasing their footprint in the country, but a recent decline in factory orders has contributed to 430,000 workers receiving shorter hours and thus less pay, the national labor union said Nov. 28 without specifying a period. That is a large share of the workforce, which normally sees unemployment around 1 million out of a total 50 million workers.

Researcher Dong Thi Thuong Hien says upcoming pay issues, like the size of Tet bonuses, will affect whether Vietnamese join a wave of labor action seen internationally, from South Korean truck drivers to U.S. academics.

"The one to two weeks before Tet will be very sensitive," said Hien, project manager at the WageIndicator Foundation. If workers hear bad news is coming their way, such as smaller bonuses than last year, "They will be upset," she added.

And while paychecks are shrinking, workers are having to spend more, Hien told Nikkei Asia. Prices tend to rise around the new year, as demand for gifts and travel surges. Adding to the pressure, November inflation hit 4.4% on the year, according to Vietnam's statistics office.

The labor pain comes at a time of flux for Vietnam: On the one hand, workers face a shriveling safety net and a smaller share of economic gains than their Asian counterparts; On the other, the ruling party is poised to surrender its monopoly control of unions, as agreed in trade deals with Pacific and European Union countries.

The country has had a long history of work stoppages, mainly at foreign companies, over the past two decades, often outpacing the rest of Asia. There already have been 144 in 2022, up 53 from last year, according to the Vietnam General Confederation of Labor, the Southeast Asian country's overarching union.

Workers leveraged their own scarcity during the last Tet, when exporters had too many orders, fueled by online shoppers during COVID lockdowns, and not enough staff as many Vietnamese spent the pandemic in the safety of the countryside.

It is the opposite scenario this time around, as falling consumer demand reduces the need for labor. From footwear to furniture, Vietnamese businesses say shipments are down, with the S&P Global Purchasing Managers' Index at 47.4 in November, signaling a factory contraction and snapping a 13-month expansion streak.

About a month out from Tet, companies are trying to stave off grumblings on the assembly line.

Nike contractor Changshin cut hours, needing to run at just 60% of capacity to fill orders, union director Dang Tuan Tu said in an interview. But the shoemaker kept workers onside by pledging Tet bonuses, no layoffs, and rides to their hometowns for the new year, he said, adding they were understanding about the downturn.

"The workforce, they're very smart," he said by phone. "They can see the difficult situation in front of them. So they really share [in the difficulty] with the factory."

Like the four other communist nations left on the planet -- China, North Korea, Laos and Cuba -- Vietnam has a national union that is controlled by the party. But Hanoi made a notable break with its comrades by promising to let workers form independent unions as part of its membership in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and the EU-Vietnam Free Trade Agreement. Acting on that pledge, however, has dragged on for years.

Trade partners and labor organizations have been pressuring Hanoi to change how it handles unions.

Under the current system, all strikes are wildcat strikes, meaning they are not authorized by a union, as members of management often serve as union officials or sit in on union votes, the International Labor Organization said in a report on the country.

And while Vietnam became an investor and trade darling after permitting capitalism in the 1980s, riding an export boom fueled by cheap wages, labor's share of gross domestic product dropped from 2004 to 2019, when it reached 39.8%, less than Asia's 49.3% average, according to Our World in Data.

Companies and the government sense potential for unrest.

"The drivers of protests might be greater this year," said a business consultant who advises foreign companies looking to enter Vietnam, adding, however, that layoffs mean there is a chance strikes will not spread. An executive in the furniture sector said there were murmurs of potential strikes over the low benefits offered to laid-off staff.

In anticipation, union and public officials have issued a spate of warnings in recent weeks telling employers to pay their workers on time and head off work stoppages.

Other grievances, besides decreased pay and hours, include growing insecurity for workers who sacrificed pensions by taking a smaller payout early. COVID-related problems pushed 5.6% of social insurance recipients to take a lump sum in 2020 rather than wait for retirement, up from 3.8% in 2006, the country's social security agency said.

Minimum wage increases have also shrunk in the past decade, with no raise at all for the first time in 2021.

Last year was another low point for workers as pandemic curbs required employees to sleep at factories. Back then, they were rushing to ship orders in time for Christmas in the West. Now inventories are full overseas, holiday demand has dried up, and Vietnamese are working less. In both cases, their jobs have tracked the boom-bust cycle of trade.

"Workers are working as hard as possible, with as many additional hours if possible, with the hope of having some money for Tet," Hien, the researcher, said. "Trade unions at the grassroot level should together discuss with the employers about a reasonable bonus and payment plans to avoid strikes."