

Labor paradox leaves Vietnam factories reeling after COVID exodus

Key global supplier struggles to find workers despite millions being jobless

LIEN HOANG, Nikkei staff writer

HO CHI MINH CITY -- The COVID conundrum seen around the world has reached Vietnam: Millions are out of work, and yet factories cannot hire enough workers to satisfy foreign customers, which are bracing for a holiday season already under threat from brittle global supply chains.

Government officials are beseeching workers, via text message, to return to their posts, and recruiters are dangling "crazy" benefits for new hires, as one executive put it. But the labor shortage remains, even as companies from Samsung to Adidas and Lululemon need production to ramp up in Vietnam, a top source of the world's electronics and clothes.

In the key industrial province of Binh Duong, for example, suppliers have only half the workers they need, Navigos, which runs Vietnam's biggest jobs site, told Nikkei Asia on Monday.

Fueling the shortage was perhaps southern Vietnam's biggest worker exodus of its kind, starting Oct. 1 from Ho Chi Minh City, Binh Duong and other provinces.

The summer brought pandemic-driven lockdowns to much of the country, which had forced workers to sleep at factories and prevented travel between provinces. As soon as officials pulled the barricades and barbed wire off the roads, tens of thousands of migrants rushed back to their hometowns.

"It's all about surviving," Jeffery Lee, deputy director of staffing firm A8 Resource, said in an interview. "So the factories need to help their workers survive if they don't want them to leave."

School closures, volatile regulations and the Lunar New Year holiday early next year are further complicating Vietnam's unprecedented paradox of simultaneous labor shortages and widespread unemployment.

In response, companies are rushing to secure manpower. A Sharp subsidiary, for example, is offering an extra month's wages to get workers to Binh Duong, where it makes camera modules for smartphones and tablets. So is Hoa Tho Textile and Garment, which is also providing child care and housing to lure recruits, according to the government's news site. Other companies are getting creative to retain workers, from Ford's care package of hand gel and vitamins, to Daphaco Electric Cable buying laptops for the children of staff to use as they study.

"It's crazy because it's way beyond what factories in this area can afford," Binh Duong business association chair Mai Huu Tin told Nikkei. "But it's happening."

Local governments are stepping in to get workers back into industrial areas by bus, train or plane. Southern factories are raising salaries 15-20% instead of the more usual 5-10%, Navigos

said. That may mean greater bargaining power for workers and increased inflation in Vietnam, trickling down to its main markets from America to Europe.

The COVID supply chain shock began as a global story of too many online shoppers versus not enough container ships or computer chips. But one challenge after another has followed, including Vietnam's shutdown in the third quarter, when the economy contracted for the first time since 2000, contributing to a stock downgrade at Nike, for example, which has 200 suppliers in the communist country. The labor shortage threatens to pile on further challenges.

Pou Chen, the world's biggest shoe contractor to buyers including Nike and Adidas, opened its Ho Chi Minh City facilities on Oct. 6 for the first time since July. It told local news site Zing it lacked 40,000 workers and told Nikkei that it typically has 56,000. Other companies are posting job ads for hundreds of recruits at a time, offering free meals and bonus pay if they stay for a month or more.

In Dong Nai province, the Industrial Zone Authority has greenlit factories to reopen, sometimes hundreds in a single day, including those of Chang Dae Vina, which makes device covers for Samsung, and WJM Furniture, which supplies to Puma and Armani. Workers are now able to commute daily from approved areas, instead of staying overnight at factories.

Ford Vietnam managing director Pham Van Dung told Nikkei the global "pandemic has had a negative impact on the entire automobile industry. Fortunately, with prompt measures and efforts of the Vietnamese government, the situation has been brought under control, creating favorable conditions for car manufacturers to soon return to production."

But returning is a hard choice for workers, especially after southern Vietnam's harrowing summer. Hoang Bon, a logistics manager, notes that the country did what few others did to preserve supply chains and churn out the world's jeans and earphones: Employees lived at work, the vast majority in the south from July 15 to Sept. 30.

For migrants stuck in the region, Oct. 1 was their first chance in months to leave. Many who had lost their jobs chose the safety net of their hometowns, where they may not find work but at least have families to provide food and shelter, said University of Adelaide labor researcher Tu Phuong Nguyen.

But even the employed left. In the southeast, 1.5 million people left the workforce from the second to the third quarter, the General Statistics Office said last week.

Michel Bertsch, managing director of furniture maker Geuther Vietnam, said he retained almost all his staff but some could still take the wages they saved up during lockdown and return to their hometowns.

"It's a bit like gambling. Nobody's experienced this before, and nobody knows what will happen," he said by phone. Across the manufacturing sector, some workers will not return and salaries will rise, he said, adding that it is also too late to ship goods in time for the holidays.

Analysts agree, saying any products that are not on the ocean already won't hit foreign store shelves by Christmas. After China, Vietnam was the second-largest exporter of apparel, shoes and textiles in 2020, United Nations Comtrade data shows. It was the fifth-biggest furniture exporter and is a main producer for electronics giants Intel and Samsung.

And there's another holiday to consider: Tet. As in China, millions of Vietnamese people leave business hubs for their hometowns in the countryside every Lunar New Year. Now,

businesses do not know how many employees will return before the holiday, which falls in early February, or how much production can be finished before the weeklong break begins.

That adds one more wrinkle to Vietnam's economic recovery. Other countries have experienced the disconnect between labor supply and demand as COVID fears kept workers at home, and financial aid and competition among employers allowed people to be pickier in the jobs they took. That disconnect is now apparent in Vietnam, where fears of getting infected at work did not really emerge until the summer surge in cases.

"Workers who came back to their hometowns are afraid to go back to Ho Chi Minh City because they can't provide for their families and they're scared of the pandemic," said Nguyen Anh Khuong, import-export director at Daphaco, which has operations in the city and neighboring Long An province.

He said if infections spread, the region could lock down again, a risk that makes it harder to convince people to migrate back.

While the north has rebounded further, many factories in the south are entering the third week of reopening still below half-capacity, waiting to see how worker transportation, recruitment, vaccination, testing and reopening permits shake out. To restart the economy, Ho Chi Minh City's vaccination has sped ahead of much of the country, reaching 76.9% of residents as of Friday.

Bon, the logistics manager, said he slept at his warehouse for months and still has dozens of colleagues doing the same at other facilities. His company, Annam Gourmet, a grocery retailer and supplier, is one of many that has turned to freelancers and outsourcing to fill the labor gap. The ongoing sleepovers, he said, have been a short-term sacrifice to maintain production.

"If workers hadn't chosen to do that, there'd have been a lot more [supply chain] disruptions and companies going out of business," he said.