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'Zombies' go unpaid as Vietnam sputters

By Nguyen Phuong Linh in Hanoi



Vu The Nguyen was excited when he heard he would be a father, but just eight months later, the young state-owned steel factory worker is living in fear.

"My wife is having a baby next month and she's expecting me to provide the best conditions for our first child," says the 26-year-old who works in northeast Vietnam. "But I can't tell her the truth – that I haven't been paid for six months."

Mr Nguyen is one of tens of thousands of "zombie" employees at troubled state-owned companies in Communist-run Vietnam. The workers turn up to work each day, despite the fact that their debt-riddled companies cannot afford to pay them. Unwilling to try their luck in a fragile jobs market, they feel trapped.

"If I quit, I will lose the six months' salary that they owe me and also become unemployed," says Mr Nguyen.

Vietnam's economy took off as it opened its markets in the mid-2000s, following the lead of its neighbour China. But amid rampant corruption and a massive expansion of credit, the boom soon turned into a bubble that blew up in 2008.

As the government tried to restore economic stability by restricting credit flows, growth in gross domestic product slowed to 5 per cent last year, the weakest pace in 13 years. That was barely enough to create sufficient jobs for the rapidly expanding workforce, which is growing by about 1m a year in this nation of 90m.

Some foreign fund managers say they are turning their gaze away from Vietnam toward more stable and faster-growing southeast Asian markets, such as Indonesia and the Philippines.

With many banks and state-owned companies saddled with huge debts they cannot repay, the thousands of unpaid workers are not the only zombies to be found in Vietnam's sputtering economy.

Large state-owned companies such as Vinashin, a shipbuilder, and Vinalines, a shipping line, face an uncertain future after racking up billions of dollars of debt to invest in non-core and, sometimes, non-existent projects. More than a dozen former executives of both companies are now in jail having been charged with or convicted of economic crimes.

This belated action is little comfort for workers such as Bui Thi Hoa, a 32-year-old secretary, who works for a Vinashin subsidiary in the northern port city of Haiphong.

It's a very difficult task for Vietnam to resolve the bad debts in state-owned companies

"My mother has to support my children financially, because I haven't been paid for the last three months, and only received half of my salary in the three previous months," says Ms Hoa. "I'm thinking of joining my mom working as a maid because I can't find any better job."

More than 60,000 workers were going without pay regularly in Hanoi and Ho Chi Minh City alone late last year, according to a recent news report by Vietnam Television, the official state broadcaster.

Pham Chi Lan, one of several economists urging the government to reform failing state-owned companies, says the zombie workers reflect a wider problem.

“These state-owned companies can’t even pay their own debts and solve their own salary problems, so how can they ever hope to do anything to benefit our country?” says Ms Lan.

Vu Thanh Tu Anh, the director of research at the Fulbright Economics Teaching Program in Ho Chi Minh City, says that from 2006 to 2010, state-owned companies absorbed 45 per cent of investment in Vietnam but had no positive impact on employment.

Roughly 100,000 companies went out of business in 2011 and 2012, equal to half the number of companies that closed in the previous 20 years, and there is growing evidence that the lack of job creation in recent years is taking its toll.

Street robberies have increased dramatically in recent months in Ho Chi Minh City, Vietnam’s financial centre, prompting concern from foreign investors and a crackdown by the city police.

In October, after surviving an internal party putsch to unseat him earlier in 2012, Prime Minister Nguyen Tan Dung apologised for the government’s weaknesses in economic management, especially in the supervision of state-owned companies such as Vinashin and Vinalines. But action has proved harder than words.

“It’s a very difficult task for Vietnam to resolve the bad debts in state-owned companies,” says one senior government adviser. “We need to stop putting the budget for state-owned companies under the direct supervision of the prime minister.”

While the talk of reform continues, Mr Nguyen still heads to work at the steel factory every morning in the chilly northern Vietnam winter, hoping that he might get paid before his baby is born.

“I feel hopeless, not only for my life but also for my next generation.”

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