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► Workers in informal employment in the wood industry of Viet Nam



► **Workers in informal employment
in the wood industry
of Viet Nam**

Pham Thi Thu Lan



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► Foreword

The author would like to warmly thank a broad range of contributors who shared their valuable time and expertise to inform the research and contents of this report. In particular, my thanks go to the trade union officials from district and provincial federations of labour and industrial zone unions in the surveyed localities who have assisted the study team in accessing the target groups of respondents. Especially, I would like to thank the wood industry workers who have provided information for this study. The insightful inputs of the following national experts were much valued: Vu Quang Tho, Vu Minh Tien, Dao Quang Vinh, Tran Thi Hong Lien, Chu Tien Dat, Nguyen Thi Thanh Mai, Nguyen Duc Huu, Cao Xuan Thanh and Nguyen Thanh Tung. Above all, I am especially grateful to the International Labour Organization for its support and expertise to this study.

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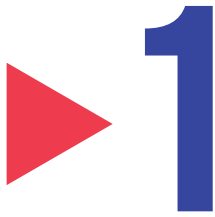
► Abbreviations

BIFA	Binh Duong Furniture Association
CBA	Collective bargaining agreement
CSR	Corporate social responsibility
DOWA	Dong Nai Wood Association
DWCP	Decent Work Country Programme
EU	European Union
FDI	Foreign direct investment
FSC	Forest Stewardship Council
FTA	Free trade agreement
Ha	Hectare
ILO	International Labour Organization
MOLISA	Ministry of Labour, Invalids and Social Affairs
VCA	Viet Nam Cooperatives Alliance
VCCI	Viet Nam Chamber of Commerce and Industry
VGCL	Viet Nam General Confederation of Labour
VIFOREST	Viet Nam Timber and Forest Products Association
VPA/FLEGT	Viet Nam-EU Voluntary Partnership Agreement/EU Forest Law Enforcement, Governance and Trade

▶ 1

Introduction





Introduction

► 1.1. Overview

This study aims to paint an insightful picture of workers in informal employment in Viet Nam's wood industry, identify challenges and determine factors behind informality and suggest ways forward towards formalization for Viet Nam. Informality in this study refers to the activities of economic units and workers who are not recognized, protected, or regulated by the law or in practice. Individuals and units operating informally can create an environment of unfair competition for formal units which have registered officially, pay taxes, and comply with legal obligations, such as ensuring minimum wage levels and payment of social insurance for employees. At the same time, informal workers remain vulnerable, thereby affecting societal-focused aims such as achievement of the Sustainable Development Goals (SDGs) and to leave no one behind through national aspirations to improve the inclusiveness of economic growth and development. The existence of the informal economy and informal employment is a big challenge to workers' rights.

► 1.2. Study methodology

The research was carried out in three phases from 2022. First, a literature review was conducted with a particular focus on the growth of the wood industry and its labour market in Viet Nam. Second, a field survey was executed in November 2022 to gather information on workers and enterprises in the wood industry in the three provinces of Viet Nam, namely Binh Duong, Dong Nai in the south near the economic hub of Ho Chi Minh City and Bac Giang, in the north neighbouring the capital Ha Noi. Third, consultations were held with key stakeholders from: (i) the Viet Nam Timber and Forest Products Association (VIFOREST), (ii) local timber associations in Binh Duong and Dong Nai, (iii) People's Committees of six communes hosting wood industry production units and enterprises in the three surveyed provinces, (iv) wood industry workers without labour contracts, (v) workers at three hostels in surveyed localities, (vi) trade union officials, (vii) business managers, (viii) experts and scientists in the field, and (ix) officials from State sectoral management agencies.

Survey methodology

- ▶ **Step 1:** A survey, with face-to-face interviews and questionnaires, was conducted in Binh Duong and Dong Nai to collect information on wood industry supply chains to identify key economic and labour informality aspects in supply chains, and to capture the current status of the national wood industry's economic and labour informality, causes of informality as well as existing practices linked to formalization.
- ▶ **Step 2:** The survey results collected in Binh Duong and Dong Nai were screened and analyzed to identify issues that required additional information and data collection.
- ▶ **Step 3:** A subsequent survey, similarly with face-to-face interviews and questionnaires, was conducted in Bac Giang to collect additional data and fill information gaps identified in Step 2.

Binh Duong and Dong Nai were selected for the survey as localities exhibiting strong growth in wood processing and hosting foreign-invested enterprises as well as high numbers of rural-to-urban migrant workers. These two localities account for more than 60 per cent of the country's export-oriented timber products,¹ while two-in-five localities have established

timber associations.² Besides wood enterprises, these two provinces also host numerous small producers, craft villages and households that produce and trade in wood-related products. A multi-employer collective bargaining agreement (CBA) was signed for the wood industries in each province. Bac Giang was selected for the survey as a northern province displaying signs of growth in the industry, with afforestation and logging evident along with plywood manufacturing.

Sample size

In total, 42 private enterprises and units producing wood and wood products were included in the survey.³ The total number of survey respondent workers in the three provinces totaled 420, 140 in each province, of whom half were women and 72 per cent were internal migrant workers. The identities of the respondents were recorded but kept confidential. The workers' questionnaire focused on working conditions, wages, income, employment, and the impact of informality on working lives. Management personnel from 36 enterprises out of 42 responded to an enterprise questionnaire encompassing labour structure, wages, income and working conditions of employees.

1 Viet Nam Timber and Forest Products Association: see <https://goviet.org.vn/bai-viet/diem-danh-cac-tinh-thanh-dat-gia-tri-xuat-khau-go-lon-nam-2020-9255>), and <https://goviet.org.vn/bai-viet/binh-duong-dan-dau-kim-ngach-xuat-khau-go-va-san-pham-go-nam-2021-9678>

2 The Binh Duong Furniture Association (BIFA) has 169 member enterprises, and the Dong Nai Wood Association (DOWA) has 30 member enterprises. Data provided by local wood industry associations.

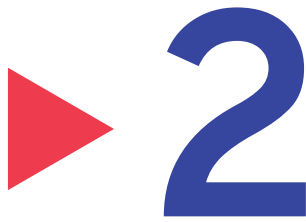
3 Among 42 enterprises, 12 produced finished products for export or the domestic market, including wood chips, artificial boards and furniture, 12 produced semi-finished products such as inputs for product factories, six provided wood materials (forestation units, logging units, importing timber) and six produced wood and wood-related products.



▶ 2

Overview of the wood industry in Viet Nam





Overview of the wood industry in Viet Nam

Wood and wood products are among the top export items of Viet Nam behind electronics, footwear, seafood and textiles. The United States remains the largest importer by value, but in total, Viet Nam's wood and wood product exports reach more than 120 countries and territories. Despite the COVID-19 pandemic, the wood industry's exports in 2021 reached US\$15.9 billion, exceeding the set export plan by 20 per cent.⁴ However, following a continued rebound in 2022, wood exports faced softer demand in 2023.⁵

Since 2013, the *Forestry Sector Restructuring Programme* of the Ministry of Agriculture and Rural Development (MARD) has contributed to afforestation, the production value and diversification of the forestry sector, the increased number of large-scale high-quality producers and reduced small-scale poor-quality ones.

The *Viet Nam Forestry Development Strategy for 2021–2030, with a vision until 2050* outlines key sectoral goals to increase forest coverage, reforestation after logging, reducing forest protection violations and increasing the export value of wood furniture and forest products to US\$18-20 billion by 2025 and US\$23-25 billion by 2030.

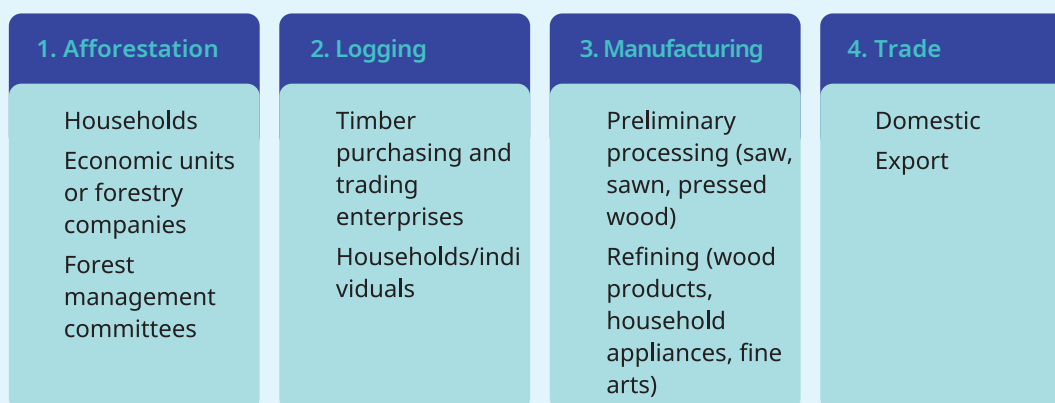
► 2.1. Production levels in the wood industry

There are four production stages in the wood industry in Viet Nam: afforestation, logging, manufacturing and trade (Figure 1).

⁴ <https://nhandan.vn/nam-2021-xuat-khau-go-va-lam-san-vuot-20-ke-hoach-post680270.html>

⁵ Viet Nam News, "State removes difficulties to reach wood export target this year", 12 August 2023: <https://vietnam-news.vn/economy/1582360/state-removes-difficulties-to-reach-wood-export-target-this-year.html>.

► Figure 1: Four stages in the wood industry



2.1.1. Afforestation

Afforestation is the first step in the supply chain of Viet Nam's wood industry. The total area of plantation forest nationally exceeds 4.39 million hectares, of which the total area that provides raw materials is 3.69 million hectares, referred to as production forest.⁶ The remainder are special-use and protection forests.⁷

Households are the main actors in afforestation within Viet Nam. Of the total production forest, more than 2.98 million hectares are planted by households, with 1.77 million hectares managed and planted by households, and 1.2 million hectares managed by the Commune People's Committees but assigned to commune households for planting.⁸ Currently, 1.5 million households are engaged in afforestation, of

which more than 60 per cent each manage 1–2 hectares of forest on average. The interviews showed that the largest area of forest that a household owned was 100ha. State forest management boards manage about 0.59 million hectares of protective and special-use forests, where they are also responsible for planting.⁹ The remainder is managed and planted by private economic units and forestry companies, among others.

The main timber trees in production forests are acacia species with a total planted area of nearly 2.1 million hectares, accounting for more than 56 per cent of production forests. The rest are comprised of eucalyptus and pine species, rubber, and other trees. Currently, production forests are mainly concentrated in the North-East,¹⁰ North-Central¹¹ and South-Central regions.¹²

6 Data provided by the Viet Nam Academy of Forestry Sciences (Viện Khoa học Lâm nghiệp Việt Nam) at the workshop "Domestic market for timber and wood products: current situation and development solutions" and mentioned in conference proceedings on 21 June 2022 in Ha Noi.

7 A special-use is in line with national forest ecosystem standards for the purposes of conserving nature, protecting genetic resources of forest organisms, conducting scientific research, and protecting historical relics and scenic spots for tourism in combination with protection of the ecological environment. Protection forest is for the purposes of protecting water sources, soil, preventing erosion, combating desertification, limiting natural disasters, regulating climate, and protecting the environment.

8 Data provided by the Viet Nam Academy of Forestry Sciences (Viện Khoa học Lâm nghiệp Việt Nam) at the workshop "Domestic market for timber and wood products: current situation and development solutions" and mentioned in conference proceedings on 21 June 2022 in Ha Noi.

9 Management boards of special-use and protection forests of national importance or forests located in provinces are established by a Prime Minister's decision. Local management boards of special-use and protection forests shall be established under the decision of the chairperson of the provincial-level People's Committee.

10 Bac Giang, Bac Kan, Cao Bang, Lạng Sơn, Quang Ninh, Ha Giang, Lao Cai, Phu Tho, Thai Nguyen, Tuyen Quang and Yen Bai.

11 Thanh Hoa, Nghe An, Ha Tinh, Quang Binh, Quang Tri and Thua Thien-Hue.

12 Phu Yen, Khanh Hoa, Ninh Thuan, Binh Thuan.

Although Viet Nam's forestry reform, development policies and programmes have promoted afforestation, production forests still do not provide sufficient raw materials for production. Every year, Viet Nam imports US\$2.2–2.5 billion of wood, equivalent to 7–9 million square metres of wood (round timber) a year.¹³

2.1.2. Logging, manufacturing, and trade

If afforestation is driven by households, the logging, manufacturing, and trade components of the sector feature registered economic units, such as business households and enterprises. According to VIFOREST, there are more than 7,000 processing enterprises in the wood industry with 350,000 employees, of whom 20 per cent is involved in direct exports and the

remainder servicing export enterprises or producing for the domestic market.¹⁴ FDI-based enterprises represent close to 20 per cent of the total, but have a higher export proportion at 47 per cent.¹⁵ FDI in the industry has grown in recent years, especially from China.¹⁶

Viet Nam has few wood product design brands, mainly supplying the domestic market. Export-focused companies commonly make products based on designs provided by international buyers. Besides orders of finished products, many enterprises receive orders for product details from finished products.

In terms of the number of workers, most wood enterprises in Viet Nam are small-scale,¹⁷ 46 per cent are micro-sized, 49 per cent are small-sized, 1.7 per cent are medium-sized and 2.5 per cent are large-sized.¹⁸ Most enterprises are located in the south, such as Binh Duong and Dong Nai provinces.

13 Data provided by the Viet Nam Academy of Forestry Sciences (Viện Khoa học Lâm nghiệp Việt Nam) at the workshop "Domestic market for timber and wood products: current situation and development solutions" and mentioned in the conference proceedings on 21 June 2022 in Ha Noi.

14 Information from a representative of VIFOREST.

15 <https://thoibaonganhnganh.vn/nganh-go-xuat-khau-doanh-nghiiep-noi-van-chiu-lep-ve-85203.html>

16 Viet Nam Timber and Forest Products Association, see: <https://goviet.org.vn/bai-viet/giua-dai-dich-trung-quoc-van-tang-dau-tu-vao-nganh-go-viet-nam-9199>; and Central Economic Committee, see: <https://kinhtetronguoc.vn/kinh-te/kinh-te-nganh/trung-quoc-dan-dau-ve-so-luong-du-an-dau-tu-moi-vao-nganh-go-nam-2023.html>

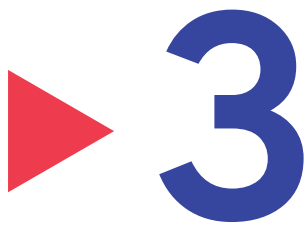
17 Article 4 of Law on Supporting Small and Medium-sized Enterprises (effective 1 January 2018) and Decree 39/2018/ND-CP, effective 11 March 2018 guiding the Law on Supporting Small and Medium-sized Enterprises setting out criteria to identify small and medium enterprises.

18 <https://vnuf.edu.vn/documents/454250/1803409/16.VuHuong.pdf>

▶ 3

Informality in the Wood Industry





Informality in the wood industry

► 3.1. Concepts and definitions

The term informality is used by this study in accordance with the concept and policy approach put forth in the ILO Recommendation on Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204). Recommendation 204 is an important reference instrument both at national and international levels to promote social inclusion, social justice and action for real and dynamic social change.

3.1.1. Informal and formal sectors

From a legal perspective, the formal sector is where all aspects of production and business are fully regulated in the national legal system. The informal sector is where one, some or all aspects of production and business are not regulated by relevant legislation. In fact, even when fully regulated, weak enforcement can lead to aspects of law not being enforced, resulting in the existence of informality in the formal sector, in practice. According to the ILO, the informal sector includes production and business units not registered under specific forms of national legislation.¹⁹

3.1.2. Informal and formal employment

Informal employment refers to “*all employment arrangements that do not provide individuals with legal and social protection through their work, thereby leaving them more exposed to economic risk*”.²⁰ It exists both in the formal and informal sectors where work is not covered and protected by regulations on labour, tax, social security, or other employment regimes. In Viet Nam, informality and formality can be measured in relation to employment status, with a person working independently (self-employed) falling outside the realm of the Labour Law and thus considered as informal.²¹ The term Informal workers refer to those who have informal employment. See Figure 2 for the ILO schema of formal and informal workers according to employment status.

¹⁹ ILO technical notes and definition on informality.

²⁰ ILO (2013), *The Informal Economy and Decent Work: A Policy Resource Guide supporting transitions to formality*.

²¹ Term used in Viet Nam's 2019 Labour Code.

► Figure 2: ILO conceptual framework for formal and informal workers

Sector of the economic unit for which the work is carried out	Independent workers ¹			Dependent workers					
	Owner-operators of corporations ²		Independent workers in household (unincorporated) market enterprises ³	Dependent contractors ⁴		Employees		Contributing family workers	
	Formal	Informal		Informal	Formal	Informal	Formal	Informal	Formal ⁵
Formal sector									
Informal sector									
Household own-use production and community sector									

Note: Cells shaded in dark blue refer to jobs, which, by definition, do not exist in economic units located in the specific sector. Cells shaded in light blue refer to formal jobs. Informal employment consists of the informal jobs in cells 1-8.

3.1.3. Informal and formal economy

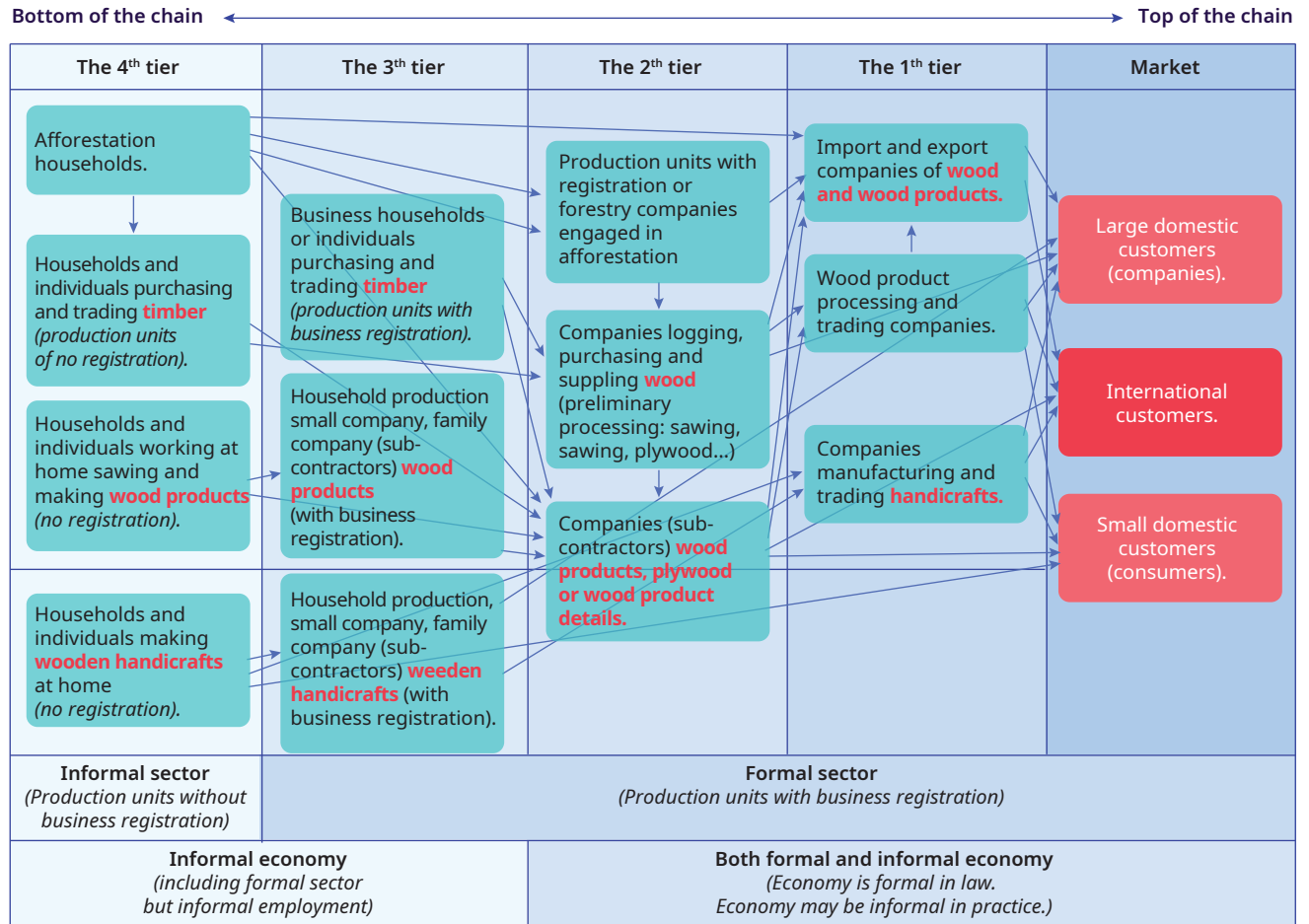
According to ILO Recommendation 204, the informal economy refers to all economic activities by workers and economic units, in law or in practice, that are not regulated or inadequately regulated by formal arrangements. It should be noted that the informal economy does not imply illegal activities.²² If the *informal sector* refers to informality in terms of production and economic units, and *informal employment* refers to informality in terms of characteristics of employment, then the *informal economy* encompasses both aspects.

► 3.2. Informality in the wood industry

Informality in the wood industry includes both informality in economic and labour aspects, which exist in all stages of the wood industry in Viet Nam, including afforestation, logging, manufacturing, trade and in all tiers of the country's wood industry supply chains (Figure 3).

²² Adopted at the 104th session of International Labour Conference, Geneva, dated 12/6/2015. See: https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:R204

► Figure 3: Wood and wood product supply chains in Viet Nam



Source: the Author based on the survey.

3.2.1. Informal operators

Typical manifestations of economic informality are individuals, households or production units operating small businesses without business registration nor paying taxes. These own-account workers do not join or register any form of formal economic units subject to full regulatory treatment, such as the Enterprise Law or Cooperative Law.

Economic informality occurs at all stages of Viet Nam's wood industry:

Afforestation: Individuals and households plant forests.

Logging: Individuals and households participate in logging and trading in timber.

Manufacturing: Home-based workers and households produce wood products and handicrafts.

Trade: Individuals trade in wood products and souvenirs in small shops or peddlers of wood souvenirs in parks, entertainment areas or the street, for example.

Some households and production units have taken a first step toward formalization, with business registration and the payment of taxes, but are not fully regulated by the legal system (Tier 3, Figure 3). Other production units have qualified to join cooperatives or register as an enterprise yet choose not to avoid strict regulations. Even for fully regulated economic units (Tiers 1 and 2, Figure 3), inadequate law enforcement and the absence of labour inspections result in non-conformity with labour regulations and the continuation of informality Tier 4, at present, is mainly composed of informal operators. .

3.2.2. Informal employment in the wood industry

Common characteristics of informal workers

- Not recognized and protected by law.
- Without labour contract and social insurance.
- No guarantee of minimum wages in accordance with the law.
- No guarantee of occupational safety and health in accordance with the law.
- Possible existence of forced and child labour.
- Possible existence of discrimination at work.
- No guarantee of the right to organize (workers' organizations).
- No guarantee of the right to social dialogue and collective bargaining.
- No guarantee of a mechanism to settle labour disputes.

Source: Summary from ILO materials and Viet Nam Labour Law.

Based on the outline of production units presented in the previous section and the categorization of economic units in Figure 3, the following categories of informal workers were seen in the wood industry and were considered in this study (tiers of production shown in Figure 3 are added in parentheses):

- **Workers (self-employed or paid employees) of unregistered informal production units (Tier 4):** self-employed individuals, household and own-account workers undertaking tasks on their own land, such as clearing land, digging holes, planting forests, tending forests, fertilizing, watering forests or working as sub-contractors on these tasks for other individuals and households; freelance or own-account workers subcontracting on logging, transportation, timber brokerage or making wood product details such as grinding and polishing table tops, chair legs, handicraft products or wooden toys for supplying to wood processing and manufacturing companies. All workers in this category are informal workers.
- **Homeworkers employed on a piece-rate system by registered formal enterprises (Tier 3):** Freelance workers who work on a piece-rate contract basis for individuals, production units and households (which have a business registration) in terms of purchasing, logging, processing, transporting wood and wood products (such as beds, cabinets, tables, chairs and handicrafts). Such workers are in informal employment despite working in a formal economic unit.



Freelance workers at a family production workshop.
Source: Author during the survey.

- **Wage workers without labour contract (self-employed or paid employees) of registered enterprises and without social protection (Tiers 1 and 2):** Freelance workers who do piece-rate contract work for production units or forestry companies in logging and processing forest products (planting and caring for trees, nursery seedlings) or for logging and purchasing companies (sawing, loading, unloading, transporting, peeling, and drying wood). Also included are wage workers provided by employment service companies or labour-subleasing companies to work for wood product processing companies (plywood workers and those making product details or full bed, cabinet, table, chair, or souvenir products) and workers transporting goods for companies and workers in wood product shops.

All these workers are working without a labour contract and social protection.

The study's survey results show that the informal employment covers all four tiers.

► 3.3. Situation of informal workers

The survey found that workers employed without a labour contract and working without social protection were evident across registered and unregistered (formal and informal) enterprises. Notably, these “freelance” workers accounted for more than half (57 per cent) of total workers in the surveyed localities. They appeared in all tiers of the wood production supply chain, with the greatest prevalence in the third and fourth tiers (Figure 3). All such workers are engaged on a piece-rate basis and paid on the day they work based on an oral agreement. Because such arrangements are not regulated, workers are not guaranteed the rights and benefits accorded to formal wage earners. The following sub-sections of the report describe the work conditions of such informal workers.

3.3.1. Afforestation workers

Afforestation workers plant forests on family-owned land allocated by the State, or land assigned by economic units or State-owned forestry companies under joint-venture contracts for planting and logging. This contract period usually follows the cycle of wood species to be planted until exploitation.

The survey results reveals that the average income of a household planting *Melaleuca* Forest in a southern province after deducting investment costs was 50 - 60 million Vietnamese dong per hectare after four to five years' planting. Thus, the average annual income was 10 - 12 million dong per hectare. On average, a household usually had 2-4ha of forest, which resulted in an annual income of 20 - 40 million dong from afforestation. In a northern province, the income of a household planting eucalyptus forests after five years, depending on the cultivar, was 70-80 million dong per hectare after investment costs or 30-40 million dong per hectare if the household fully outsourced labour. On average, with a household having 1-2 hectare of forest, the annual income from 1 hectare was 6-8 million dong and 12-16 million dong from 2 hectare.



A plywood production facility.
Source: author during the survey.

If taking the statutory minimum wage in region 4 as a comparison standard,²³ afforestation households have a much lower income than the minimum wage of an employee. Surveyed afforestation households shared this income was insufficient to meet living costs, often only one-third of a family's basic living needs. As a result, family members often take up other jobs to make ends meet, such as planting crops, raising livestock or working part-time for other production units, manufacturing or trading in wood and wood products, or working as hired workers for companies dealing with purchasing, producing, processing, and trading of wood and wood products.

3.3.2. Manufacturing workers

In one surveyed province, a commune had two companies purchasing and processing wood (plywood, sawn timber and peeled, chopped, and crushed wood), but more than 100 small production units conducting the purchasing, peeling and drying of wood. Each of these units has 10–20 employees working as freelancers.

Most such workers reported their main occupation as “farming”. They supplement farming roles as part-time workers for production units or factories during free time or off-season from agricultural harvests. As hired workers, they do not have a labour contract, nor are recognized as employees of production units. Most workers are aged above 45 years. They reported that younger people often preferred to work in factories in big cities or industrial zones where they have more stable jobs and a “cleaner” working environment. The remainder are elderly or retired wage-earners who stay in the village to do agricultural work.

At wood processing and handicraft production units, the survey revealed that workers aged 16 or 17 years old were found working there. Workshop owners explain the reason that those under 18 years often found it difficult to get jobs in urban factories and industrial zones. Regulations to protect young workers (Box 1) would be unenforceable given the informal nature of their work.

► Box 1: Regulations on working age.

Article 147 of the Viet Nam Labour Code 2019 stipulates prohibited work and workplaces for workers aged 15–18 years under the following circumstances:

- work that is harmful to the physical, intellectual, and personal development of minors.
- workplaces that are harmful to the physical, intellectual, and personal development of minors.

The list of potentially hazardous occupations that could harm the physical, mental, and personal development of minors include jobs in the wood industry, such as sawing timber, cutting large diameter trees, sawing branches, pruning overhead branches, transporting large logs, loading and unloading large diameter timber manually.

Source: Viet Nam Labour Code 2019; MOLISA, Circular No. 09/2020/TT-BLDTBXH on elaborating some articles of the Labour Code on minor workers, 12 November 2020.

²³ Statutory minimum wages in Viet Nam are set for four regions, based on levels of economic development, and living costs. Rural areas often fall in region 4, while big cities are in region 1. The minimum wage for region 4 in 2022 was 3,250,000 Vietnamese dong per month and the total amount for 12 months was 39 million Vietnamese dong (equivalent to US\$1,532 at the exchange rate of Vietcombank on 15 July 2024, <https://www.vietcombank.com.vn/KHCN/Cong-cu-tien-ich/Ty-gia>).

Payment for workers in these production units differed by day, hour, month, and contract depending on the type of work. Daily, hourly, or monthly salaries were based on a piece-rate system. In all surveyed cases, wage levels were often higher than the regional minimum wage per month or hour worked. Wood workshop owners said they often referred to regional minimum wage levels to calculate wages. Still, none of the surveyed workers received social insurance, bonuses, or additional benefits from employers, nor did they have the right to engage in social dialogue and collective bargaining with employers. The survey did not find any cases of own-account workers participating in voluntary social insurance. Labour disputes, if they arise, are typically resolved in an informal way.



*Photo: Handicraft products in a family workshop.
Source: Author during the survey.*

Working hours are flexible and decided by workers themselves and range from a few hours to eight to 10 hours per day depending on the contracted workload, work time required for the family's agricultural work and deadlines.

Occupational health and safety in household production facilities is a concern. In wood peeling units in the north and handicraft units in the south, as observed by the research team, workers encountered makeshift settings with rudimentary, impermanent safety instructions and equipment. One workshop owner said the biggest safety concern in his workshop was the short-circuiting of equipment. As such, he said a large power line was set up in his workshop, but the research team observed electrical wires piled without a safety barrier.

Another concern was the practice by workshop workers to cook food on gas stoves near piles of small wood and surrounded by flammable materials during hot weather (at the time of the interview). Moreover, wood dust-polluted air in workshops and machine noise, many workers were observed without masks, eye, or ear protection. A worker at one wood workshop said: "I am working here 10 hours a day. I get used to being [covered] with a lot of dust, loud noise, and the smell of chemicals. It's hot, so I'm shirtless." A female worker at a fine art workshop said: "I work 10 hours a day from 7:30am to 8:30pm. It's very dusty but wearing a mask for a long time makes my ears hurt, so I let it go. I get used to it."



*Photo: A family workshop.
Source: Author during the survey.*

Some workshop owners said they did not have sufficient capital to build new factories or realize "more modern"²⁴ and large-scale production. Instead, they choose to remain unregistered as sub-contracted production agents for export companies. An owner of a wood toy workshop said his workshop received orders directly from foreign buyers who paid him through bank transfers: *"The foreign buyer visited the factory, was given six criteria to check social responsibility and the workshop did not meet any of those criteria. But the buyer still placed the order."*

► 3.4. Practices that perpetuate decent work deficits, including informal employment, in the wood industry

Formal sector workers and their employment are subject to full protection by the Labour Law, although legal labour rights of Vietnamese workers are not in alignment with international labour standards.

In practice, the Labour Inspection Campaign conducted in 63 provinces and cities nationwide in 2015 by MOLISA in collaboration with the ILO, Viet Nam General Confederation of Labour (VGCL), Viet Nam Chamber of Commerce and Industry (VCCI) and wood industry business associations revealed that more than 70 per cent of wood formal enterprises violated labour laws.²⁵ The most common violations are excessive use of overtime above the prescribed limit, signing labour contracts with limited content or not signing labour contracts, lack of implementation of regulations at grassroots level, not paying severance allowance in accordance with law, limited or ineffective social dialogue, no monitoring of work environments and no periodic health checks for employees.²⁶

Survey results underline the regulatory enforcement shortcomings that result in informalization of employment in formal wood industry establishments:

a. No social insurance or no guarantee of full social insurance payment by the employer workers

The survey results showed that 7.7 per cent of workers in the surveyed enterprises do not receive social insurance contributions from employers. For those with social insurance premiums paid by their employer, they were not fully paid as prescribed by law.

► Box 2: Regulations on social insurance

- Article 2 stipulates that all Vietnamese employees and citizens aged 15 years or older have the right to participate in social insurance either compulsory for those with employment contracts or voluntary for all aged 15 years and older.
- Article 5 stipulates that the compulsory social insurance premium is calculated on the basis of the employee's monthly salary and the voluntary social insurance premium is calculated on the basis of monthly income selected by the employee.
- Article 89 stipulates that the monthly salary on which social insurance premiums are based is the salary, allowances and other additional amounts in accordance with the Labour Law.

Source: Viet Nam Law on Social Insurance 2014.

²⁴ Words used by one workshop owner.

²⁵ <https://baodongnai.com.vn/xahoi/201906/nhieu-doanh-nghiep-nganh-go-sai-pham-trong-linh-vuc-lao-dong-2950140/>

²⁶ Ibid.

Vietnamese law stipulates that employers pay social insurance based on the actual amount of income paid to employees (box 2). However, in practice in all surveyed enterprises, employees are not paid social insurance by employers based on actual income. In all surveyed enterprises, employers pay social insurance for employees based on the statutory minimum wage level plus the allowance for heavy and hazardous work (5 per cent of minimum wage level), while the actual amount of income paid to employees is calculated based on the piece rate. The difference between actual income and minimum salary is 1.5 times for direct workers (blue-collar workers) and 1.4 times for indirect workers (office workers).

One point to note is that most employers only pay social insurance for employees who have long-term seniority and do not pay social insurance for those having worked for less than one year, in accordance with Clause 1, Article 2, Law on Social Insurance 2014 (Box 3). Those who work on a probationary period are not paid social insurance by the employer. Especially in small enterprises with fewer than 100 employees, employers only sign labour contracts and pay social insurance for key workforce members, including administrative, office, finance and management staff and other skilled workers. The remaining 50–60 per cent are irregular workers, who do not have labour contracts nor social insurance premiums paid by employers. Instead, they are workers on-demand or on-call who are paid based on contracted jobs.

Some workers in small enterprises even opt out of social insurance, especially when incomes are considered too low. In such cases, the employer may make an agreement with the employee. Although not legal, both sides see an advantage in the arrangement.

► **Box 3: Regulations on entities participating in compulsory social insurance**

- Clause 1, Article 2 stipulates that Vietnamese employees are eligible to participate in compulsory social insurance, including those working under labour contracts with a term from one full month to less than three months.

Source: Law on Social Insurance 2014.

b. Employers' inadequate adherence to rules on labour contracts

The survey found that many workers in formal wood industry entities do not sign labour contracts directly with employers at workplaces. Rather, these workers sign contracts with labour-subleasing companies and are sent to temporarily work at different enterprise. Given the triangular nature of the employment relationship and the short-term nature of engagement, this group of workers is not covered by social insurance benefits, neither by the labour-subleasing company nor the engaging enterprises.

This situation of outsourcing labour has increased since the recovery of production after the COVID-19 health crisis in mid-2021 and early 2022 as Vietnamese enterprises received a surge in production orders when other countries engaged in more stringent pandemic closures. One-third of surveyed enterprises (33.4 per cent) used outsourced workers. The number of outsourced workers usually accounted for 20–30 per cent of the total workforce of such enterprises. Most outsourced workers were paid by the number of days worked. Among outsourced

workers, many were farmers who migrated from agricultural provinces such as Dak Lak, Gia Lai and Kon Tum to industrial provinces to work for a few months during the agricultural off-season.

Many of these workers are ethnic minorities who are illiterate, so they opt to become temporary labourers and thus accept not participating in the social insurance system and work without signed labour contracts. According to union officials at provincial level, many of these workers were rotated between companies for less than one month. This practice by labour-subleasing companies is reportedly followed to avoid paying social insurance premiums for workers. According to production managers of the employing enterprises, they did not keep records of outsourced workers, so they were not responsible for the status of underage workers, if any.

c. Wages from wood industry activities are insufficient to support households, especially with the practice of disciplinary wage curbing by employers.

A minimum wage is the compulsory minimum sum payable to a worker for work performed or services rendered which is guaranteed by law, within a given period. The level should be such that the worker can cover his/her minimum needs and that of his/her family with respect to national economic and social conditions.²⁷ The statutory minimum wage level provides basic income protection.

At surveyed enterprises, all workers with a labour contract are paid based on the piece rate. Typically if an enterprise scales back production or workers do not meet a production target, the income is reduced to the level of the minimum wage. However, current minimum wage levels in Viet Nam are relatively low for the Asia-Pacific region.²⁸

► Box 4: Minimum wage regulations

- Article 91 stipulates that the minimum wage is the minimum amount of remuneration to be paid to workers performing work under normal conditions to ensure the minimum standard of living of the worker and its family, in accordance with socio-economic development conditions.
- Article 91 also stipulates that the minimum wage is adjusted based on the minimum standard of living of a worker and its family, the correlation between the minimum wage and wages in the labour market, the consumption price index and economic growth rate, the relationship between labour supply and demand, employment and unemployment, labour productivity and the capacity of the enterprises to pay.

Source: Viet Nam Labour Code 2019.

The survey results show that the average income of respondent wood industry workers was 8,215,000 Vietnamese dong per month, of which the highest was 14.5 million Vietnamese dong and the lowest was 2.1 million Vietnamese dong. To achieve the highest income, workers faced 12–13 hour shifts per day, 30 days per month.

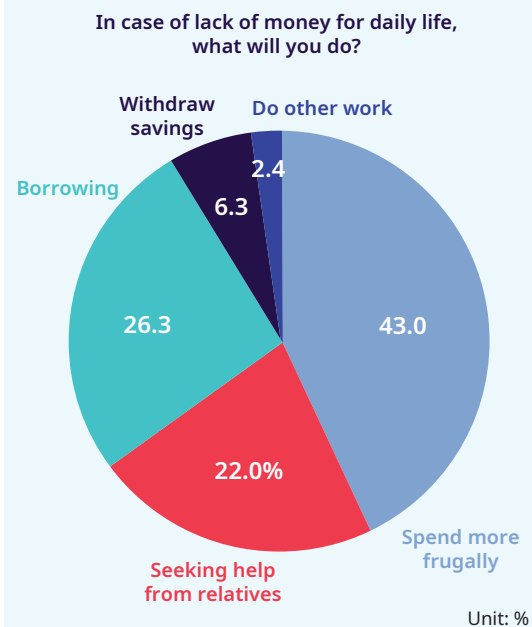
²⁷ <https://www.ilo.org/inform/online-information-resources/resource-guides/minimum-wages/lang--en/index.htm#:~:text=%22Minimum%20wage%20may%20be%20understood,may%20be%20fixed%20in%20such>

²⁸ ILO, Minimum wage response to COVID-19 and inflation crises: An Asia-Pacific region overview, 2023, https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/briefingnote/wcms_887949.pdf

Nearly half (45.7 per cent) of workers reported they did not save any money during a working month, while 26.3 per cent of all respondents borrowed money to meet living costs (Figure 4). One worker shared: *“Working at the company does not meet living [costs], so I have to borrow. Every month, (I) borrow and take the salary to pay back, and then (I) borrow again.”* Some 14.8 per cent of workers said household debt that made it impossible to leave their current job, compounded by the reported difficulty to find another job.

Not all enterprises guarantee the minimum wage for employees, as 5.7 per cent of surveyed workers at times receive monthly wages lower than the regional minimum wage. At the same time, employees may face the risk of salary reductions due to illegal monetary fines for mistakes made at work.

► **Figure 4: Worker responses to financial pressures**



Source: The survey result of the author.

► **Box 5: Income deduction regulations**

- Article 124 stipulates that deferment of wage increases for no more than six months is a form of settling violations of labour disciplinary regulations, however specific guidance on its application is lacking.
- Article 127 stipulates that it is strictly forbidden to impose fines or wage deductions in lieu of a disciplinary measure.
- Article 129 stipulates that workers must compensate for damage to tools and equipment of the employer or committing other acts that damage an employer's asset.
- Article 102 states that the employer is only entitled to deduct from a worker's wage to compensate for damage to tools, equipment or assets belonging to the employer in accordance with Article 129.

Source: Viet Nam Labour Code 2019.

Around one-in-10 (12.3 per cent) of workers in surveyed enterprises said they had incurred a wage reduction for a perceived workplace violation, such as being late to the workplace a number of times a month or taking a day off work despite a valid reason. Taking sick leave can also result in wage reductions if the worker

does not have a medical certificate. Other reasons given for wage fines include not meeting production targets, taking leave without permission and mistakes at work, such as not wearing a uniform. One worker said: *“If I wear the wrong clothes or don't wear the uniform, I will be fined 50,000 Vietnamese dong.”*

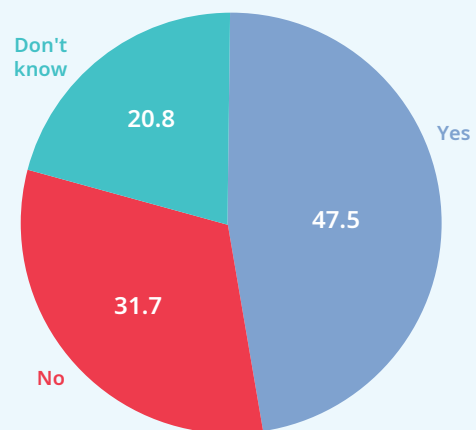
d. Wage gap between men and women and gender inequality

Although a relatively balanced gender split of workers across all surveyed enterprises was evident, the survey results reveal that men's income was usually 15–20 per cent higher than women's. The rationale of several factory managers was women often did “*simple*” manual jobs (feeding machines) and less laborious tasks (sanding, painting, and packing), while men did more technical jobs (maintaining or operating machines) or more laborious jobs (planning, grafting, and carrying). Another apparent factor of this income disparity was the fact that a higher proportion of men held managerial positions in the wood industry than women.

Around half (52.5 per cent) of worker respondents said there was no gender equality policy, or they had no knowledge of one at enterprises where they worked. Meanwhile, 8 per cent of workers thought female and male workers did not get the same pay for doing the same or similar work in the workplace, while 4.3 per cent thought that bonuses and benefits were not split equally.

► **Figure 5: Worker responses to employers' gender policy**

Does your workplace have a gender equality or non-discrimination policy?



Unit: %

Source: The survey result of the author.

► **Box 6: Gender-focused salary regulations**

- Article 90 stipulates that employers must ensure equal pay for work of equal value without discrimination based on gender.

Source : Viet Nam Labour Code 2019.

e. Regular use of short-term labour contracts

► **Box 7: Employment contract regulations**

- Article 13 stipulates that before accepting a worker for employment, the employer must enter into an employment contract with the worker.

Source: Viet Nam Labour Code 2019.

Survey results revealed that 6.6 per cent of formal sector workers are without labour contracts. Asked why, one worker said: “*The company explained that because there were not many orders, the company [did not] not sign contracts with those who joined at the beginning of the year.*” All surveyed enterprises had been in operation for six years or longer, but 6.7 per cent of workers had labour contracts of less than one

year and 21.5 per cent had short-term labour contracts of one to three years duration. Interestingly, 12.2 per cent of workers had signed short-term labour contracts at least three to five times. A General Statistics Office timber industry survey showed that in 2021, only 13.9 per cent of formal sector workers had indefinite labour contracts, while the remainder had a short-term labour contract.²⁹

²⁹ General Statistics Office (2021), Labour Force Survey.

All surveyed enterprises have a certain percentage (10–30 per cent) of ethnic minority employees, such as Khmer, Rongao or Sodang. One human resource manager of an enterprise said such workers were sometimes illiterate, hence they signed labour contracts after they were read by others, such as colleagues or family members. However, it is unclear how

cognizant they are of contract details.

The practice of using outsourced workers is strongly correlated to the use of short-term contracts. The result of such practices is that employers do not pay social insurance nor comply with other aspects of labour regulations.

f. Applying two wage payment methods simultaneously

► Box 8: Salary payment regulations

- Article 13 stipulates that an employment contract is an agreement between a worker and employer for remunerated work, wages, working conditions, and the rights and obligations of each party in the labour relationship.
- Article 93 stipulates that the employer must develop wage scales, wage tables and work norms as a basis for the recruitment and employment of workers, for the negotiation of work-based or position-based wages to be specified in the employment contract, and for wage payments to workers.

Source: Viet Nam Labour Code 2019.

The Labour Law requires that wages are paid to employees according to the agreement stated in the labour contract. However, in reality, employers tend to engage in a two-tiered wage practice: (i) one is a nominal salary often in the form of time pay that employers use to sign a labour contract as the basis for paying social insurance premiums and (ii) the second is the actual salary paid to the employee, usually in the form of piece rate. The

determination of the piece rate is almost exclusively the employer's prerogative. If the piece rate wage is lower than the minimum wage, the employee is paid the minimum wage. This is called the “wage compensation” practice to ensure an employer's compliance with the law. The practice of applying two wage systems and falling back on “wage compensation” leaves employees in a vulnerable position.

g. Excessive overtime

► Box 9: Working hours and rest period regulations

- Articles 105 and 109 stipulate that a labourer performing work within normal work hours – specified as not exceeding eight hours in one day and 48 hours per week – with a duration of six consecutive hours or more per day shall be given a rest break of at least 30 consecutive minutes during the daily work period, and at least 45 consecutive minutes during night work. In cases where a worker performs shift work with a duration of six consecutive hours or more, the inter-sessional rest break shall be counted as part of the work hours.
- Article 107 stipulates that the employer must ensure the number of overtime work hours does not exceed 50 per cent of the normal work hours in one day. In cases where weekly normal work hours are applied, total of normal work hours and overtime hours shall not exceed 12 hours in one day. Total overtime shall not exceed 40 hours per month. Employers must ensure the number of overtime work hours does not exceed 200 hours in a year, with limited exceptions.

Source: Viet Nam Labour Code 2019.

As excessive overtime is a concern for occupational health and safety, it is regulated under the Labour Law. Typical work hours at surveyed wood processing enterprises are 7:30–11:30am, and 12:30–4:30pm. Then, workers take 30 minutes or an hour off work before commencing overtime from 5:00–5:30pm to 8:00–8:30pm. Thus, work hours in a day typically total 12.5–13 hours. This was common practice in wood enterprises before and during the pandemic although at the time of survey, work hours has decreased significantly due to a slowdown in orders. With production cuts, 30–40 per cent of workers had labour contracts suspended or worked fewer hours. Still, 17 per cent of workers surveyed still worked 12–13 hours a day, 11 per cent did so seven days a week taking only two Sundays off per month. One-quarter (27.5 per cent) of workers said they even worked evenings one to 15 days a month and 23.9 per cent said they had worked at least one Sunday in the previous month (October 2022) while 16.2 per cent worked all four Sundays and 10.6 per cent worked three Sundays that month. 7.7 per cent said they had

not taken a day of annual leave in the past year and 17.6 per cent reported they were not entitled to sick leave with full pay in the past year. Some employers reported that workers were typically keen to work significant hours to earn more income while workers themselves admitted that overtime was an opportunity to earn money.³⁰ Nevertheless, 2.2 per cent of workers felt overtime was coerced as they felt refusal could lead to discrimination or dismissal.

From the survey results it is apparent that the typical industry work hours do not adhere to regulations in two key ways. Firstly, the hour's break given between the six-hour work periods should be counted as part of the standard eight-hour workday, according to the Labour Law (Box 9). Instead, currently the hour's break is not counted, leading to workers' standard work time exceeding eight hours a day. Secondly, survey results indicate that overtime hours often exceed the limit expected under the Labour Law (not to exceed 40 overtime hours per month – Box 9). It is common that overtime hours in surveyed enterprises reached 90 hours per month and 720 hours per year.

h. Extended probationary period

► Box 10: Probationary period regulations

- Article 25 stipulates that a probationary period must ensure the following conditions: (i) shall not exceed 180 days for managerial positions of enterprises as stipulated in the Law on Enterprises and the Law on Management and Utilization of State Capital Invested in the Manufacturing and Business Activities of Enterprises, (ii) shall not exceed 60 days for jobs requiring college-level or higher professional or technical qualifications, (iii) shall not exceed 30 days for roles requiring intermediate-level professional or technical qualifications, technical workers or specialized workers and (iv) no more than six work days for other jobs.

Source: Viet Nam Labour Code 2019.



Advertisement for recruitment of unskilled workers.

Source: Author during the survey.

³⁰ Opinions of numerous workers interviewed.

As wood worker roles are considered unskilled and do not require high technology, the probationary period according to the law shall not exceed six workdays. However, in all surveyed enterprises, employers extended the probationary period to reduce costs. The common probationary period applied was one to three months.

i. Existence of home-based work in the export supply chain

In two surveyed export enterprises, it was revealed by management that since the onset of the pandemic, workers had agreed to conduct work assignments from home to prevent infection risks, for example to sand and polish wood products such as chairs and tables. While the research team was unable to interview home-based workers, it is expected that such work would present extra safety risks.

j. Sub-contracting practices linked to high informal employment.

Most enterprises sub-contract 40–50 per cent of production, even up to 70–80 per cent in some cases, with numerous sub-contractors engaged simultaneously.

More than 40 per cent of surveyed enterprises are small and family-owned, operating in purchasing, logging, preliminary processing and trading of wood and wood products for large enterprises. These enterprises often have less than 10 regular employees who do administrative office and managerial work, have a labour contract, and receive social insurance benefits. The remaining workers typically do labour-intensive tasks such as peeling and drying wood, hauling, and transporting and are irregular, freelance workers without labour contracts nor social insurance. These workers often operate based on a daily oral contract and are paid based on work completed.

The utilization of casual labour is common practice among small- and medium-sized companies in the wood industry. In one plywood processing enterprise, the number of regular

workers totaled 98, while irregular workers numbered 100. In another enterprise there were 39 regular workers, but 55 irregular ones. These irregular workers were commonly engaged in agriculture but work two to three hours per day for the enterprise in their free time for a salary of 30–35,000 Vietnamese dong per hour. For irregular workers, the official employment relationship is not established and, as a result, all rights of the employee according to the Labour Law are denied.

k. Occupational safety and health are not guaranteed, while occupational diseases are not recognized.

The wood industry poses a number of risks to workers, with common hazards such as dust, noise, cuts from machinery, movement of wood leaving fingers and feet exposed, chemical smells from paint with toxic substances such as formaldehyde, polyurethane, acetone, and boric acid that can cause headaches, nausea, sore throats, vomiting and are proven harmful to lungs, eyes and embryos.³¹ Although management respondents commonly said workers were equipped with masks, earplugs, glasses and protective workwear, the research team during factory visits observed many workers without protective gear. Some workers shared that if an occupational accident occurred, they were often blamed. More than one-in-five (23.2 per cent) of surveyed workers knew their job was risky and dangerous, but said they had no mitigation options. Some 9.2 per cent of workers said they were not equipped with protective gear and 6.9 per cent were only equipped with basic protective equipment, such as masks and uniforms. Nearly one-in-10 (7.4 per cent) said they had an accident requiring medical examination and treatment in the past 12 months and 20 per cent had an accident twice. Overall, 17 per cent of workers suffered from one of the following health problems: breathing, asthma, muscle aches, vision disorders, skin diseases, anemia, allergies, digestive disorders, painful headaches, dizziness, sleep disturbances or hearing problems.

31 <https://thanhvien.vn/formaldehyde-ke-gay-hai-tham-lang-trong-ngoi-nha-post1061421.html>;
[https://vnexpress.net/hoa-chat-lam-mong-tay-co-hai-suc-khoe-2430633.html#:~:text=Nhi%E1%BB%85m%20%C4%91%E1%BB%99c%20aceton%20th%C3%AC%20th%E1%BA%A7n,th%E1%BB%9F%20y%E1%BA%BFu%2C%20ng%E1%BB%A9a%20ph%E1%BA%BF%20qu%E1%BA%A3n](https://vnexpress.net/hoa-chat-lam-mong-tay-co-hai-suc-khoe-2430633.html#:~:text=Nhi%E1%BB%85m%20%C4%91%E1%BB%99c%20aceton%20th%C3%AC%20th%E1%BA%A7n,th%E1%BB%9F%20y%E1%BA%BFu%2C%20ng%E1%BB%A9a%20ph%E1%BA%BF%20qu%E1%BA%A3n;);
<https://baophapluat.vn/ban-suc-khoe-thu-tien-trieu-moi-ngay-tu-nghe-phun-son-post210212.html>;
<https://thethaovanhoa.vn/chua-ngo-doc-son-nhu-the-nao-20181101142715736.htm>

While surveyed enterprises had safety officers, 27.8 per cent of workers were unaware and it was common that environmental safety checks had not been carried out since the previous year's assessment.

Moreover, a majority of wood workers operate in a standing position which can damage the spine and joints, but related health conditions are not recognized as occupational diseases for wood workers.



*Photo: An export manufacturing factory.
Source: Author during the survey.*

I. Lack of collective representation and voice

► Box 11: Rights and obligations of workers

- Article 5 stipulates that workers have the right to establish, join and participate in activities of workers' representative organizations, occupational associations and other organizations in accordance with the law, to request and participate in dialogue, to implement regulations on democracy, to engage in collective bargaining with the employer and be consulted at the workplace to protect their lawful and legitimate rights, interests and participate in management in accordance with the employer's regulations.

Source: Viet Nam Labour Code 2019.

No wood industry freelance and irregular workers are unionized in formal and informal enterprises as unions have yet to reach them. The current labour law system also does not specifically regulate the rights of representation for freelance workers.

According to an Institute of Sustainable Forest Management and Forest Certification report, up to 20 per cent of furniture enterprises, 59 per cent of trading enterprises and 71.7 per cent of wood processing enterprises are not covered by a union.³² Without trade unions, workers do not have a mechanism to engage in collective bargaining, and a lack of exercising of workers' rights to representation and collective voice.

The survey of the formal sector showed that 10.5 per cent of workers sought informal settlement of underpayment of wages, including calling on co-workers to go on wildcat strikes. Although wood industry working conditions were reported by workers to be as not as good as in the textile, footwear and electronics industries, the vast majority (95.8 per cent) of surveyed workers had never lodged a complaint to an employer about working conditions.

Although almost all formal survey enterprises have unions and collective agreements, but 35.4 per cent of employees answered "no" or "don't know" to whether the enterprise had a collective agreement.

³² Viện Quản lý rừng bền vững và Chứng chỉ rừng (2021), "Vấn đề môi trường và xã hội của các doanh nghiệp ngành gỗ hướng tới đáp ứng các quy định của Hiệp định EVFTA" (Institute of Sustainable Forest Management and Forest Certification (2021), "Environmental and social issues of timber enterprises towards meeting provisions of the EVFTA Agreement") implemented in Binh Dinh, Phu Tho and Thua Thien-Hue provinces with more than 20 micro wood processing enterprises).

► 3.5. Structural factors that perpetuate informality

There are various incentives and structural factors on the producer's side that help explain the high shares on informal employment in the wood industry.

3.5.1. Household operators

a. Lack of understanding of the benefits of cooperatives



Recommendation 204 calls for *"the promotion of entrepreneurship, micro, small and medium-sized enterprises, and other forms of business models and economic units, such as cooperatives and other social and solidarity economy units."* (Paragraph 11)

Since Viet Nam implemented the "Renovation" economic reforms (doi moi) in 1986, the number of forestry cooperatives has decreased greatly, from more than 18,600 cooperatives in 1995 to 151 in 2015.³³ By the end of 2021, the country had 9,241 farming, 181 forestry, 48 salt-marsh and 99 pharmaceutical cooperatives. There are 9,452 non-agricultural cooperatives, of which 2,293 are commercial and service cooperatives with activities related to forestry, such as afforestation, forest management, logging, processing, and consumption of forest products. Currently, there are 320 forestry artels and 15,000 forestry-related artels (logging, processing, consumption).³⁴

Among survey household operators, the main reason given for not joining a cooperative was the lack of information. Individuals and households also expressed fear of obligations required of cooperatives, such as registering the business or binding obligations such as tax, fees, compliance with regulations on processing and production, labour and environment. Some cooperatives also have regulations and standards that an individual or household may not meet.

► Box 12: Staff reported benefits of joining a cooperative:

- Gaining access to supportive policies on infrastructure, production equipment, machinery and improved human resources from central and local governments.
- Sharing experiences and best practices among members and access opportunities to improve quality in farming and production.
- Gaining a voice through the Viet Nam Cooperative Alliance.
- Increasing protection from price deflation.

Source: *Opinions of cooperative staff*

33 General Department of Forestry, Ministry of Agriculture and Rural Development, *Forestry of Viet Nam - 75 years of establishment and development* (1945-2020).

34 Report of the VCA, Proceedings of the national conference "Cooperatives and small-scale forestry households participating in forestry development in adaptation to climate change and sustainable poverty reduction in rural Viet Nam: Policy, Solutions, International experience and Vietnamese practice".

b. Benefits of enterprise registration is not seen for small-scale operations

Of the surveyed production and business units, 12 per cent have sufficient capital, production scale and labour size to operate as an enterprise but have not registered as an enterprise. This is due to concern about complicated procedures, taxes, payment of social insurance premiums for employees, compliance with strict regulations on production, labour and environment, fire prevention and fighting, reporting obligations, and time commitments to participate in training

courses organized by local authorities or being subjected to regular inspections. Private production workshop owners said that due to limited production and business capacity, training and understanding of legal regulations, they were hesitant to register their business as an enterprise.

The reluctance to joining cooperatives and register as an enterprise underlines the need for the State to highlight the benefits of formalization for households and individuals.



The ILO Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204) says: *“With respect to the formalization of micro and small economic units, members should reduce compliance costs by introducing simplified tax and contributions assessments and payment regimes.”* (paragraph 25b)

c. Lack of access to credit to expand production and business

The lack of access to credit to expand production and business is a key reason preventing production units from becoming enterprises, thus hindering formalization. As an example, a factory owner reported that when a bank conducted a survey and loan appraisal, factory conditions and assets met the criteria for a 200 million Vietnamese dong loan, but due to limited bank capital, he could only borrow 70 million Vietnamese dong. Another workshop owner said a bank could only lend one-fifth of the amount needed.



Recommendation 204 says: *“Improve access to inclusive financial services, such as credit and equity, payment and insurance services, savings, and guarantee schemes, tailored to the size and needs of these economic units.”* (paragraph 25d)

3.5.2. Registered enterprises and buyers

a. Lack of sustainable development among enterprises mindset

Interviewing industry experts, managers, and trade union officials at enterprises, the research team found that the majority of enterprises, especially domestic small and medium-sized ones, did not understand the principles of sustainable development and set economic goals above all else. This means a strong motivation to keep labour costs low.

Normally, export enterprises must carry out an annual social responsibility to access the international market assessment. To place an order, enterprises are typically willing to pay for social audit. However, for many enterprises, social responsibility certification is a “*must do*” instead of a “*should do*”. According to the company director with good compliance, there

was no guarantee that certified standards would be maintained throughout the year of operation, as he said many companies “*just make documents to be certified, then do not maintain them. At the time of inspection, the enterprise re-prepares the dossier and reconstructs the scene to meet the criteria. The enterprise cannot afford to pay staff to record information, monitor safety, production activities or keep records throughout the year as required by social responsibility criteria.*”

Viet Nam does not have a national standard criterion on sustainable development for enterprises. For wood products supplied to the domestic market, due to the demand for cheap products as well as limited awareness of sustainable development, domestic customers do not pay attention to social responsibility certifications of enterprises producing and processing wood and wood products. Hence, there is no social audit for enterprises participating in domestic supply chains.



Recommendation 204 says: “*enterprise policies that promote sustainable enterprises and, in particular, the conditions for a conducive environment, taking into account the resolution and conclusions concerning the promotion of sustainable enterprises adopted by the International Labour Conference at its 96th Session (2007), including support to micro, small and medium-sized enterprises and entrepreneurship, and well-designed, transparent and well-communicated regulations to facilitate formalization and fair competition.*” (paragraph 15c)

b. Social responsibility assessments by international buyers are not widespread and do not reach all levels of supply chains.

Social responsibility assessments are promoted by international buyers to meet requirements of consumers in importing countries. Buyers often hire third parties to conduct independent audits

and grant certifications. The subject matter of social audits relates to working conditions such as wages, work hours, occupational safety and health, environment and management systems, encompassing adequate restrooms, hand sanitizer, toilet paper, household and hazardous classified waste disposal.

Due to international buyers' demand for social responsibility certification, labour conditions in export enterprises often surpass domestic ones. As a result, these export enterprises commonly receive orders directly from foreign clients. Up to now, international buyers have not requested social audits of suppliers or sub-contractors at the second, third or fourth tiers of the chain. With certified social responsibility, as exporters often get orders that exceed their production capacity, they outsource work to other enterprises. More than 90 per cent of surveyed enterprises have practiced sub-contracting or outsourcing. Standards placed by export enterprises on sub-contractors are mainly production capacity, product quality and delivery schedule, with little attention paid to labour standards. The director of one wood manufacturing factory said that his enterprise had Forest Stewardship Council (FSC) certification for the production process, but no such certification for sources of wood. However, the prestige of FSC certification was beneficial.

A point of concern for the wood industry is social audits mainly focus on the records, procedures and processes provided by the employer, without direct interviews of workers nor are worker audits conducted randomly.

c. Falling purchasing prices from international buyers

All enterprises participating in the survey said international buyers' purchasing prices had decreased, even before COVID-19, by 5–25 per cent in 2022. The fall in purchase prices is one of



Recommendation 204 says:

“This Recommendation applies to all workers and economic units – including enterprises, entrepreneurs and households – in the informal economy. In particular, employees holding informal jobs in or for formal enterprises, or in or for economic units in the informal economy, including but not limited to those in sub-contracting and in supply chains, or as paid domestic workers employed by households.”
(paragraph 4)

the main motivations behind informal employment as enterprises are desperate to save labour costs through outsourcing and sub-contracting production, outsourcing labour through labour-subleasing companies, reducing wages and benefits, minimizing investments in safety equipment, avoiding payments of social insurance premiums, using irregular and home-based workers.

3.5.3. Workers and trade unions

a. Workers are not aware of their rights.

All surveyed workers in informal employment, including informal ones in the formal sector, reported they did not know their legal rights, including the right to join trade unions, to organize and negotiate collective agreements and engage in social dialogue. Their most pressing concern at the workplace was salary levels. They were willing to accept not having an employment relationship or other working condition shortcomings to have a higher salary. Both workers and employers indicated that workers volunteered not to participate in social insurance to gain higher wages. This illustrates that workers do not know that exercising these rights will help them achieve a higher salary and more protection at work.

Recommendation 204 states:

“In designing coherent and integrated strategies to facilitate the transition to the formal economy, members should take into account the effective promotion and protection of the human rights of all those operating in the informal economy [and] the fulfilment of decent work for all through respect for the fundamental principles and rights at work, in law and practice.” (paragraphs 7e and 7f)

Recommendation 204 says:

“Employers’ and workers’ organizations should, where appropriate, extend membership and services to workers and economic units in the informal economy.” (paragraph 33)

b. Trade union representation and protection of workers’ rights is not effective

There is an absence of informal workers in the wood industry joining trade unions. Even in the formal sector, unions have not reached irregular workers nor those who get work through labour-subleasing companies. This creates a gap in representation and protection of legal and legitimate rights of informal workers.

3.5.4. Gaps in policies, laws and institutions on ensuring workers' rights.

a. Lack of guarantee of rights for own-account workers

The 2019 Labour Code expanded its coverage to own-account or freelance workers, but they still remain exempted from most categories of protection.³⁵

Recommendation 204 says:

“Members should adopt, review and enforce national laws and regulations or other measures to ensure appropriate coverage and protection of all categories of workers and economic units.” (paragraph 9)

³⁵ The term in the 2019 Labour Code is “a person who works without an employment relationship” (Article 2).

b. Lack of legislation on responsibility of domestic lead firms in the supply chain

Current Vietnamese legislation does not bind responsibility of lead firms within domestic supply chains. This creates a vacuum on the application of labour standards within outsourced or sub-contracted production lines.



Recommendation 204 states: *“Through the transition to the formal economy, members should progressively extend, in law and practice, to all workers in the informal economy, social security, maternity protection, decent working conditions and a minimum wage that takes into account the needs of workers and considers relevant factors, including but not limited to the cost of living and the general level of wages in their country.”* (paragraph 18)

d. Poverty and lack of employment opportunities result in acceptance of poor working conditions

Among workers participating in the survey, 12.7 per cent belonged to poor households as defined by State poverty regulations; two-third (68.8 per cent) had only completed primary or lower secondary school; and more than one third (33 per cent) said they could not find an alternative job to their current one in the wood industry due to their old age, lack of qualifications, vocational training, and job opportunities. Due to poverty and insufficient wages to meet daily living costs, plus low educational attainment, wood workers accepted jobs under any conditions. One worker said: *“I can't get another job because I'm illiterate. It's hard to find a decent job anywhere. Because I can't read, I accepted this job.”*

Workers in wood processing companies are willing to work long hours without rest to earn extra income. Sub-contracted workers are willing to forgo social insurance to have a higher wage and accept unfair treatment out of fear of losing their job. One worker said: *“I made a complaint, the company explained it inappropriately, but I had to accept it because I cannot find another job,”* while another said: *“Because of lack of qualifications, I can't do anything other than what I'm doing. Moreover, there are not many available jobs in the region to choose.”*

c. There is no provision on minimum incomes for own-account workers

Currently, Viet Nam's labour legislation only provides for minimum wages for workers who have an employment relationship. But there is no regulation on the minimum income of own-account workers, including afforestation households or home-based workers.



Recommendation 204 states: *“Labour market policies and institutions to help low-income households to escape poverty and access freely chosen employment, such as appropriately designed wage policies including minimum wages, social protection schemes including cash transfers, public employment programmes and guarantees, and enhanced outreach and delivery of employment services to those in the informal economy.”* (Paragraph 15d)

Recommendation 204 states: *“In building and maintaining national social protection floors within their social security system and facilitating the transition to the formal economy, Members should pay particular attention to the needs and circumstances of those in the informal economy and their families.”* (paragraph 19)

e. The binary social insurance system creates gaps for informalization of employment.

Viet Nam's current social insurance system divides workers participants into two groups: (i) employees with a formal employment relationship subject to labour contracts and compulsory social insurance and (ii) own-account or freelance workers subject to voluntary social insurance. Compulsory social insurance has a partial contribution from the employer, while voluntary social insurance does not have. This is called a binary social insurance system.

The disadvantage of the system is that it perpetuates the vulnerability of informal (freelance) workers. The voluntary social insurance scheme is not attractive to workers as illustrated by the low rate of participation.

While workers participating in compulsory social insurance have unemployment benefits in case of job loss, workers participating in voluntary social insurance must bear their own risks when losing employment. Formal workers also benefit from maternity leave, vocational training, and other social benefits. The advantages of formal workers accessing social protection benefits were especially obvious during the COVID-19 crisis.



Recommendation 204 states:
"Through the transition to the formal economy, members should progressively extend, in law and practice, to all workers in the informal economy, social security, maternity protection, decent working conditions and a minimum wage that takes into account the needs of workers and considers relevant factors, including but not limited to the cost of living and the general level of wages in their country." (paragraph 18)

Given the above-mentioned freelance loophole in the social insurance system, many wood industry employers practice the use of freelance workers or labour outsourcing from labour-subleasing companies.

f. State labour inspections are not effective.



Recommendation 204 says: *"That an integrated policy framework should address efficient and effective labour inspections."* (Paragraph 11q)

Recommendation 204 states: *"Members should have an adequate and appropriate system of inspection, extend coverage of labour inspections to all workplaces in the informal economy in order to protect workers, and provide guidance for enforcement bodies, including on how to address working conditions in the informal economy."* (Paragraph 27)

Recommendation 204 says: *"Members should provide for preventive and appropriate corrective measures to facilitate the transition to the formal economy, and ensure that the administrative, civil or penal sanctions provided for by national laws for non-compliance are adequate and strictly enforced."* (paragraph 30)

The existence of informal workers in the formal sector is also rooted in the lack of sufficient capacity of Labour Law enforcement by labour inspectors and the inefficiency of labour sanctions.

Administrative inefficiencies also exist in the realm of registration and licensing. This can result in the granting of inadequate operation licensing, including foreign companies creating Vietnamese shell companies.

g. Lack of enforcement of labour laws in household production and business, family companies and small producer organizations

Although household business, small producers and family companies are subject to the Labour Law on paper, in practice, enforcement of law in small and micro enterprises rarely exists. Many small producer organizations currently operate as artels without legal status as the Law on Cooperatives 2012 did not provide for them. However, artels are now covered by the Law on Cooperatives of 2023.

h. Unethical lending practices and uncontrolled loan sharking³⁷

Uncontrolled loan sharking is a manifestation of working poverty. Due to their wage being insufficient to cover living expenses, many workers reported being in a constant cycle of borrowing money, re-paying with wages and borrowing again to make ends meet. Numerous financial companies offer loans with high interest rates. While the initial rate is within the scope of law, deceptive practices are used to bump up the rate. One respondent worker said he had to repay part of the interest in advance before borrowing, with the remainder would be repaid later at a State-prescribed rate. If a worker cannot repay the loan, they are threatened as would be the case with a black credit loan.³⁸ These unethical practices are common and widely unchecked.

► Box 13: Laws on interest rates

- Article 468 stipulates the rate of interest for a loan shall be as agreed by the parties. Where the parties have agreed on the interest rate, such a rate must not exceed 20 per cent per annum of the loan, unless otherwise provided by other relevant laws.

Source : Viet Nam Civil Code 2015.

i. Outsourcing and sub-contracting of production and labour is not managed.

The research reveals that the outsourcing and sub-contracting of production and labour in the industry has increased since the onset of the pandemic.

Currently, Viet Nam does not strictly control outsourcing and sub-contracting. Since social

audits for social responsibility certification are conducted at large and export-led enterprises only, working condition abuses down the supply chain can continue to go unchecked. Furthermore, social responsibility certifications create a monopoly for big companies to attract and gain orders.

³⁶ In Vietnamese “cho vay nặng lãi”.

³⁷ Interview with a group of workers at a boarding house in the south. Black credit is a form of borrowing through unofficial channels and is subject to high interest rates (loan sharking). Black credit and loan sharking are seen in many provinces and are both illegal.



Recommendation 204 states: *“Members should put in place appropriate mechanisms or review existing mechanisms with a view to ensuring compliance with national laws and regulations, including but not limited to ensuring recognition and enforcement of employment relationships, so as to facilitate the transition to the formal economy.”* (paragraph 26)

State management of labour-subleasing companies is also lax. A production company can sign a contract with an labour-subleasing company on the supply of labour in batches with only two days’ notice, before sending labour to the site. If a production company is not satisfied with a worker, the labour-subleasing company can replace that worker. It is the labour-subleasing company, not the employer, who is responsible for ensuring workers comply with all rules and regulations of the production company and resolve all complaints by the worker as well.

k. Lack of policy dialogue on informality and formalization

At present, there is no consensus among

stakeholders on issues related to informality in the wood sector and in general. Trade unions represent workers, yet do not focus on challenges faced by informal workers. Trade union activity is mainly concentrated in the formal sector. Organizations of informal workers are established mainly for social activities instead of representing and protecting their rights or participating in formulating policies and laws related to informal workers and formalization.

With support from ILO, discussions about informal workers in general are increasingly gaining visibility. However, to date, there has been limited national dialogue on informal labour issues and formalization.



Recommendation 204 calls on the competent authority to *“Make use of tripartite mechanisms with the full participation of the most representative employers’ and workers’ organizations, which should include in their rank, according to national practice, representatives of membership-based representative organizations of workers and economic units in the informal economy.”* (Paragraph 6)

Recommendation 204 says: *“Policy framework should address the organization and representation of employers and workers to promote social dialogue.”* (Paragraph 11e)

Recommendation 204 states: *“In designing, implementing and evaluating policies and programmes of relevance to the informal economy, including its formalization, members should consult with and promote active participation of the most representative employers’ and workers’ organizations, which should include in their rank, according to national practice, representatives of membership-based representative organizations of workers and economic units in the informal economy.”* (Paragraph 34)

▶ 4

Favourable practices to formalization



Favourable practices to formalization

a. Enterprise associations

When producers join associations, they encourage better business practices. Associations like the Viet Nam Timber and Forest Products Association (VIFOREST), Binh Duong Furniture Association (BIFA), Dong Nai Wood Association (DOWA) and Handicraft and Wood Industry Association of Ho Chi Minh City (HAWA) cooperate to promote enterprise support activities such as trade promotion, market development, business introduction and promotion, local wood furniture promotion to domestic and international consumers towards building the brand name of Viet Nam's wood industry. These associations regularly share information on policies and laws to members to help them meet export standards. These associations also coordinate with State agencies to support enterprises in implementing State policies and laws as well as to assist enterprises in difficulty. Activities have contributed towards the formalization of the wood industry, such as tax reduction proposals, training and communication, measures for sustainable wood exports and prevention of trade sanctions, among other initiatives.

b. Signing multi-employer collective labour agreements in the wood industry

Binh Duong and Dong Nai are two provinces with multi-employer collective labour

agreements involving wood enterprises. The agreement in Binh Duong has the participation of 16 enterprises under BIFA, covering nearly 130,000 workers. The agreement has provided better benefits for workers such as guaranteeing the bonus both at the beginning and end of the year, ensuring the quality of lunches through regular dialogue and negotiation, ensuring time for trade union activities as well as facilitating workers to study and improve their qualifications. It is said by all parties that the agreement has contributed to building harmonious and stable labour relations, creating job stability, and reducing labour rotation in the local wood industry.

The agreement in Dong Nai has the participation of six enterprises located in an industrial zone, covering more than 12,000 employees. With this agreement, the parties agreed to consider increasing wages for workers annually and ensuring nutritious lunches for workers.

c. State regulations on tax refunds

With Circular No. 26/2015/TT-BTC, Clause 10, Article 1 amending and supplementing Article 15 of Circular No. 219/2013/TT-BTC of the Ministry of Finance, the input invoice for VAT deduction related to the amount exceeding 20 million Vietnamese dong is regulated as follows: *"Input VAT deduction is only applied when invoices valued at 20 million Vietnamese dong or more have non-cash*

payment vouchers". The insistence on non-cash payment will create transparency in the implementation of payment of regimes and policies for workers, including social insurance, thus helping labour inspections. This is an example of a State policy that helps facilitate formalization.

d. Education and campaigns to convert from household businesses to enterprise registration or formation of cooperatives.

Commune-level People's Committees regularly organize activities to raise awareness and convert business households to enterprise registration or formation of cooperatives. This is achieved through outlining the benefits of operating as a company or cooperative, guiding procedures, necessary documents, tax exemptions and creating favourable conditions for households to transform their business form. In addition to incentive measures, Commune People's Committees also apply administrative measures to tackle the informal economy, such as fines for individuals and households engaged in production and business without business registration.

e. Relocating wood and wood products producers into industrial parks in Binh Duong

With Binh Duong People's Committee's policy of relocating wood and wood product enterprises to industrial parks to strengthen State management of legal compliance, the committee in 2019 approved the project *"Survey and evaluate the current status of operations and propose mechanisms and policies to support enterprises and businesses located outside industrial parks and industrial clusters in the southern region to convert their functions and relocate to industrial parks, industrial cluster of Binh Duong province"*. The policy of relocating these enterprises to industrial parks contributes

to formalization, as there is a high risk of informal employment in wood enterprises outside industrial parks with the majority of small enterprises using freelance workers. In addition, provincial authority is not granting permits to newly established enterprises outside industrial parks.

f. Wage subsidies and work sharing during crisis periods.

In the context of an international market economic slowdown hitting the jobs and lives of workers, wood enterprises have realized innovative support measures.

As one example, in response to reduced orders and the threat of working on a minimum wage that was insufficient to meet living costs, a wood processing enterprise in Binh Duong boosted workers' wages by 650,000 Vietnamese dong per month for three months in 2022 to support and retain workers. This practice partly helped stabilize the labour market. At another enterprise, due to a lack of orders, workers were sent to other enterprises which shared the costs, thereby helping ensure jobs and income for workers and, at the same time, addressing labour shortages at other enterprises.

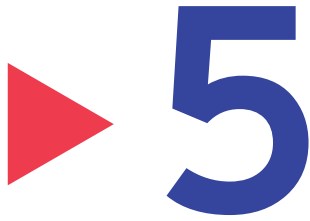
An enterprise with more than 4,000 workers in Dong Nai, which had nearly 20 per cent of its labour force cut since the pandemic and had postponed labour contracts of 700 additional workers (at the time of the survey), it supported workers with half a month's salary (14 days) at 180,000 Vietnamese dong per day for one month of the suspended labour contract. If the postponement was lengthened, the workers continued getting the financial support, but with 58,000 Vietnamese dong per day when called back. This example is another way for employers to assist workers through hard times, while retaining them for the future.



▶ 5

Recommendations to increase formalization





Recommendations to increase formalization

Formalization of the informal economy and employment is the path to sustainable development and decent work for all. The transition from the informal to formal economy can help to eliminate inequality of outcomes between the informal and formal economy and the race to the bottom of lowering workers' standards in the formal sector, in particular, as well as in the formal economy, in general.

Resolution No. 10-NQ/TW (2017), of the 5th Plenum of the 12th Central Committee and Directive 12/CT-TTg (2018) of the Prime Minister, provides momentum to transition informal economic units into formal economic actors. The document of the 13th Party Congress (2021–2025) sets the target of *"reducing the proportion of workers in the informal*

sector", "building and developing financial institutions to support small and micro enterprises; supporting to convert production and business households into enterprises". Decision No. 523/QĐ-TTg of the Prime Minister (1 April 2022) approving the Viet Nam Forestry Development Strategy for 2021–2030, with a vision to 2050, also sets the goal of sustainable forestry development (Box 14).

To address informal economic and labour challenges in Viet Nam, based on insights from the survey and research, the following recommendations will help deliver lasting change and formalize informal economic activities and employment in the country's wood industry supply chains.

► Box 14: Sustainable Development Goals on labour in the Viet Nam Forestry Development Strategy

- The rate of labourers working in forestry with vocational training will reach 45 per cent by 2025 and 50 per cent by 2030, while ensuring gender equality.
- By 2025, 50 per cent and by 2030, 80 per cent of mountainous households and ethnic minorities living in forested areas will participate in production of forestry commodities.
- By 2025, the average income of ethnic minority people working in forestry will more than double compared to 2020 to reduce the rate of poor households in ethnic minority areas by more than 3 per cent annually. By 2030, the average income of ethnic minorities will be half the national average.

Source: Viet Nam Forestry Development Strategy for 2021–2030.

► 5.1. Promote the establishment of cooperatives and registration of enterprises

Cooperatives are a model of collective ownership, operating on the principle of reciprocity and not dependent on contributed capital. Any individual participating in a cooperative can be a full-time employee and a member, who is entitled to vote on important issues regardless of age or capital contribution. Establishing a cooperative will help formalize both the informal economy and informal employment. Registering as an enterprise will grant production and business establishments fully legal status to expand economic activities and join global supply chains, meeting increasingly strict international business integration standards. The government, employers and trade unions need to accelerate dissemination of knowledge and raise awareness for individuals and business households to become cognizant of the benefits of establishing and operating cooperatives and enterprises.

The State should strengthen the management of cooperatives and enterprises to ensure these economic actors operate in accordance with the law. Efforts should be made to promote the value of the collective economy as well as sustainable business, thereby contributing to sustainable economic development and weeding out inefficient economic organizations.

The VCA and VCCI are recommended to boost support of individuals and households to establish cooperatives or help production units to switch to enterprise registration. At the same time, trade unions should have a footprint in cooperatives and enterprises to ensure decent work and benefits for employees in accordance with the law.

The transformation of businesses to cooperatives and enterprises will create formal jobs and decent work for employees, while contributing to implementation of the National Target Programme on Sustainable Poverty Reduction (2021–2025), issued through Prime Minister's Decision No. 90/QĐ-TTg and the ILO-Viet Nam Decent Work Country Programme (DWCP) for 2022–2026.

► 5.2. Promoting sustainable development

At the national level, government and employers' organizations are encouraged to conduct awareness-raising programmes on sustainable development of the wood sector to address the knowledge gaps within the business community and other stakeholders.

The government should organize social dialogues to determine concrete criteria and targets of sustainable development for business and economic actors in the wood sector, with a focus on enterprises and cooperatives by requiring them to set up a roadmap of achieving the target and commit to its implementation. At the same time, the government should require enterprises and cooperatives to have annual reports on implementation of sustainable development criteria. Meanwhile, trade unions should actively play roles in monitoring sustainable development as well as mobilizing and organizing workers in enterprises and cooperatives for exercising their rights to protect their interests in accordance with the law.

Currently, the wood industry has an index to monitor and evaluate implementation of the Viet Nam Forestry Development Strategy for 2021–2030, with a vision to 2050. However, this index has only three indicators of sustainable development in terms of labour: (i) proportion of trained forestry workers, (ii) increase in average

income of ethnic minority people working in forestry and (iii) increase in value of income from production forests. To improve work conditions and foster formalization, the index needs to be amended and supplemented with indicators on ensuring workers' rights and working conditions in accordance with national labour laws as well as Viet Nam's commitments in free trade agreements.

In addition, the scheme on restructuring the agricultural sector towards enhancing value added and sustainable development, issued under Prime Minister's Decision No. 899/QĐ-TTg (10 June 2013), is only focused on increasing

income for agricultural producers. The Ministry of Agriculture and Rural Development should amend the scheme to add objectives and measures on creating decent and formal jobs for workers in the forestry sector.

At the same time, the government should encourage the Vietnamese business community, in general, and wood industry enterprises, in particular, to join ASEAN and global social responsibility networks, such as Global CSR or UN Global Compacts, to learn from international experiences and promote corporate social responsibility.

International experience: Implementing ASEAN Guidelines for corporate social responsibility (CSR) on Labour

ASEAN Guidelines mention seven aspects of social responsibility, including forced labour and child labour, employment and employment relationships, training, and human resource development.

The Guidelines requires businesses and economic units to:

- Make commitments and prioritize actions at the enterprise-level.
- Take initiatives in implementation, regular reporting on progress and ongoing implementation is required through social dialogue with stakeholders' engagement.
- Encourage participation in the ASEAN CSR network to further promote CSR at enterprises.

The four countries of Indonesia, Malaysia, the Philippines, and Singapore require enterprises to report and disclose information on implementing social responsibility at work related to the ASEAN Guidelines.

Source: ASEAN Guidelines for Corporate Social Responsibility (CSR) on Labour.

► 5.3. Establishing tripartite mechanism for formalization

The government should establish a mechanism of expanded tripartite social dialogue (tripartism +) to discuss and coordinate the transition from the informal to formal economy and informal to formal employment.

This tripartite social dialogue mechanism can take the form of a tripartite committee or council consisting of representatives of the government, employers', and workers' organizations and other related stakeholders to discuss, develop

and implement the programme and action plan on formalization of the informal economy and informal employment annually.

In particular, the informal economy needs to be addressed through policy coherence, including: (i) economic policy, (ii) employment policy and labour rights and (iii) social security policy, which means provisions of these three different policy areas must be linked. At the same time, policy content needs to be integrated into national development strategies and plans with budget for implementation. Formulation and implementation of separate and asynchronous policies will give rise to new challenges in the transition, affecting the realization of economic formalization and creation of decent work for all.

International experience: Costa Rica

National tripartite social dialogue provides a favorable policy framework for the transition to the formal economy

Costa Rica is a high middle-income country, but still has 39.1 per cent of informal employment. Following the adoption of Recommendation 204 in 2015, the Government and social partners in Costa Rica agreed to prioritize implementation at the national level.

In October 2016, tripartite partners signed a tripartite agreement on the process and timing of developing a joint strategy and action plan. In the following months, the parties expedited the negotiation and formulation of the strategy through an extensive consultation process, with technical assistance from the ILO. Tripartite technical committees were established to discuss in turn specific topics such as social protection, skills training, favorable business registration and tax system simplification. After that, a high-level tripartite roundtable was held, including representatives of the government, employers' and workers' organizations. At the conference, thematic committees made recommendations, taking into account the unique needs of self-employed workers, wage earners, domestic workers and economic units, as well as the goals of policy of Recommendation 204. The high-level tripartite roundtable reviewed the proposals, and finally, in February 2018, adopted the National Strategy for the transition to the formal economy.

The overall objective of the strategy is to reduce informality by 10 per cent by 2025. Based on four objectives on four technical themes, the strategy identifies ten expected outcomes with corresponding activities. Among the specific measures put forward are the gradual inclusion of own-account workers in national social insurance programs, the establishment of a single-entry point for business registration in all cities, and the application of a pilot program on incentive tax compliance.

Source: ILO-Global Deal-OECD

► 5.4. Organizing informal workers

The lack of collective representation and organized voices of informal workers results in informalization of the formal sector, lack of protection for informal workers and prevents

informal workers from formalizing. As informal wood industry workers are not trade union members, unions must reach them for their protection.

International experience: GHANA

Organizing and engaging in dialogue with governments and suppliers

In Ghana, in 2013, the Ministry of Labor established the National Informal Economic Committee to promote decent work for informal workers.

In order to give informal workers a voice in this Commission as well as in other dialogue mechanisms, in 2015 the Ghana Trade Union Congress (GTUC) - the national trade union organization in Ghana - supported workers to organize and set up Informal Labor Union (UNIWA). UNIWA now has 70,000 members and most of the members are peddlers or private sellers of all kinds such as cloth, food, water bottles, etc.

With an increasing number of union members, UNIWA has become an important voice of informal workers in Ghana. UNIWA has assisted members in negotiating prices and goods with suppliers. Although much work remains to be done to formalize the rights of informal workers, the tree has already begun to take root thanks to the establishment of UNIWA by GTUC.

Source: Equal Times, ITUC (2016).

► 5.5. Promote sectoral collective bargaining

Industrial collective bargaining is a way to expand formal working conditions for informal workers, including in the wood industry. Currently, Viet Nam does not have an industrial collective agreement. Just some multi-employer agreements exist.

Promoting industrial collective bargaining requires the assertive role of trade unions. Vietnamese trade unions need a strategy to promote industrial collective bargaining. For this goal, it requires reform of the organization to address issues of non-independent structure and personnel of the union from the management to build the solidarity of workers in the industry.

► 5.6. Reform enterprise registration and tax procedures

To formalize the informal economy, State agencies need to change their approach from formalization for the purpose of management and control to formalization for the purpose of facilitating formal business, then identify barriers to formalization and seek measures for improvement. Among the proposed measures, it is necessary to simplify administrative procedures including tax-related ones, inspections, assessments, reporting obligations, records, documents, reduction in travel times for license applications by promoting e-government to streamline the formalization process for individuals and business households.

► 5.7. Eliminate exclusions of own-account workers in the law

The government, employers and trade unions need to actively promote development of legislation that ensures basic principles and rights at work for everyone, including own-account or informal workers, especially the right to organize, bargain collectively and

participate in the process of making relevant policies and laws. Only when the law guarantees these rights can informal workers use their rights in practice to improve their employment status.

► 5.8. Building an equitable social insurance system

Social insurance for all or equitable social insurance is a system in which all workers, whether under labour contracts or as freelancers, are equally entitled to participate because all workers contribute to the national economy. At the same time, all economic actors in the economy – whether individuals, households, economic units, companies, enterprises, or cooperatives – must bear the same obligation. The equitable social insurance system does not divide labour into two groups. All employers and workers contribute to the social insurance system based on their ability to contribute to the economy. Therefore, the restructuring of the social insurance system should be aimed at the following:

For workers, it is necessary to restructure personal income tax and workers' contributions to social insurance, so they only need to pay a

personal income tax, which also covers their participation in social insurance. This would streamline administrative procedures as well as create equal access and entitlements to social insurance for formal and informal workers.

On the employer side, it is necessary to restructure all payments – including corporate income tax, business fees as well as other contributions to the State budget into a common payment – which also covers social insurance. Such a equitable system of social insurance would help prevent employers from seeking ways to informalize labour. At the same time, it will help create an equal business environment for all employers, companies, cooperatives, and business households and between capital-intensive and labour-intensive enterprises.

International experience:

India: Contributing to the social security fund from taxes

India has laws that allow both state and national governments to contribute to the social security fund for workers by imposing taxes on the gross output of selected industries. For example:

- The Bidi Workers' Welfare Fund is a national fund contributed from tobacco taxes.
- The two states of Gujarat and Maharashtra have a welfare fund for excavators in the construction industry and employers must pay taxes to this fund. Social benefits and services such as housing allowance, education, health care, unemployment and other benefits are provided by the Local Government but managed by a tripartite committee.

These funds are designed to overcome the requirement of establishing an employment relationship to join the social security system, and to redistribute a portion of industry profits to industry workers.

Source: ILO (2002).

► 5.9. Establishing a minimum income policy for own-account workers

The lack of minimum income protection for own-account workers has limited improvements to the lives and jobs of the self-employed. Own-account workers, such as afforestation households, commonly cannot make ends meet

without doing other jobs. Similar to salaried workers in the formal sector, own-account workers should be guaranteed a minimum income level subject to regular discussions within tripartite bodies.

International experience: Brazil

Minimum income for people

In 2004, President Lula da Silva signed into law a bill establishing a universal basic income for the people (Lei de Renda Básica de Cidadania). This law is mainly implemented through the Bolsa Família programme. Under this scheme, poor families receive cash payments through cards issued by the Government. Bolsa Família is a conditional cash transfer programme, meaning that beneficiaries are supported if they meet certain conditions, such as having to send their children to school and participate in immunization programmes. Failure to do so will result in the aid being cut off. As of 2011, about 50 million people, or a quarter of the Brazilian population, have joined Bolsa Família.

Source: Comparative Politics.

► 5.10. Strengthening labour inspections

The lack of Labour Law enforcement in individual production and business establishments highlights the absence of labour inspections. In response, the government should strengthen the effectiveness and efficiency of labour inspections to prevent informalization of employment in the formal sector. Moreover, the State is encouraged to expand labour inspections to the small private business sector to formalize employment, while ensuring no foreign enterprises hide under Vietnamese shell companies. The government should set strong sanctions for violations of the Labour Law.

In order to improve work conditions in the wood industry, the Labour Inspectorate should prioritize employers' compliance with the law regarding the following key issues: (i) standard work hours of eight hours per day, including 30 minutes of rest, meaning workers physically work 7.5 hours per day, (ii) overtime hours not exceeding legal requirements, (iii) a single form of wage payment in the labour contract and in the actual amount paid to workers to eliminate the unfair practice of signing labour contracts based on time rates but paying workers based on piece rates and (iv) payment of social insurance premiums for workers based on the actual amount paid to them.

► 5.11. Strengthening labour dispute mechanisms

At present, labour dispute settlement mechanisms under the Labour Law are only applied in the formal sector. All issues met by informal workers are resolved in the way of a civil relationship between workers and business owners. While the law has not been amended to legislate full rights for self-employed workers, the State must issue a

decree to expand the application of the current Labour Law's labour dispute settlement mechanism to informal workers.

► 5.12. Control of outsourcing and sub-contracting of production and labour

The government should review and amend regulations to strictly manage production outsourcing and labour sub-leasing so as to prevent employers from circumvent legal loopholes to evade the responsibilities. At the same time, the government must strengthen the management of rapidly growing labour sub-leasing services to ensure labour-subleasing companies only provide labour, not manage workers, pay wages and be responsible for all labour issues on behalf of the direct employer as is the case now.

► 5.13. Binding responsibility in the supply chains

For international markets, the government needs to work with buyers to ensure that social responsibility standards are enforced throughout supply chains instead of just in export enterprises as it is now. For the domestic market, the government must legislate for corporate social responsibility and bind the responsibility of lead firms over their suppliers throughout the chains and link social responsibility action with incentives on market access and public procurement.

► Conclusion

The survey results confirm that wood industry workers are commonly engaged in unprotected informal jobs, with a large decent work gap between the formal and informal sectors. The existence of many small producers, family businesses and freelance workers shows that Vietnam needs a lot of efforts to be able to formalize the wood industry as recommended in Recommendation 204.

The goal of formalization is to achieve decent work for all. Considering the situation of high informality and poor working conditions in the wood industry of Viet Nam and the limited understanding of formalization, this study recommends the ILO to continue its support for Viet Nam on awareness-raising and capacity-building for the government as well as employers' and workers' organizations to take further integrated action towards the transition from the informal to the formal economy, thus creating a better life for all.

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