

## Minimum wage and effective collective bargaining - key to maximize benefits of economic integration

Viet Nam's wage setting policies and institutions need to continue to adapt to meet the demands of its changing labour market and ensure that deeper integration into the regional and global economy benefits workers, enterprises and the Vietnamese economy broadly.

This was a key message at the national conference on "Viet Nam wage policy in the context of a market economy and economic integration" organized in Hanoi in late November.

Co-hosted by the Ministry of Labour, Invalids and Social Affairs (MoLISA) and the ILO, the event emphasized the necessity of a good balance between promoting enterprise development and providing workers with a fair share of enterprise productivity gains.

"Viet Nam has been conducting a strong reform to improve its mechanisms and policies, including those that cover wage issues, to meet the demands of the market economy and deeper integration into the regional and global economy," said MoLISA Minister Pham Thi Hai Chuyen.

In Viet Nam, about one-third of

the employed people depend on wages for their livelihoods, compared to the world's average of over 50 per cent. However, Viet Nam is expected to narrow this gap as the share of wage earners in total employment is projected to grow rapidly in the coming decades. In 2013, wage workers represented 34.8 per cent of total employment, up from only 16.8 per cent in 1996.

"Wage employment is growing rapidly in developing Asian countries, including Viet Nam. So the level and purchasing power of wages have strong implications for living standards," ILO Deputy Director-General for Policy, Sandra Polaski said. "Whether wages are sufficient to meet workers' basic needs will decide not only if people can feed their family, but also if they can build a better future for themselves and their children."

Minimum wage setting and collective bargaining are two important tools that complement each other in the wage adjustment system of a market economy. While minimum wages protect the poorest workers, collective bargaining offers opportunities for wage

adjustments for those earning above the minimum wage.

With the establishment of the National Wage Council in 2013, Viet Nam significantly strengthened its minimum wage setting mechanism but collective wage bargaining remains rare in the country.

"Minimum wages cannot be the only tool to set wages," said Polaski. "Collective bargaining gives workers and employers a mechanism to better link wages and productivity growth and resolve disputes constructively which benefits both parties."

To this end, improving the legal and institutional framework for collective bargaining and the democratic representation for workers, and strengthening the capacity of employers' and workers' organizations to engage in effective collective agreements are all critical, as is improving dialogue and dispute resolution systems.

"International labour standards offer useful frameworks and tools to do this. Viet Nam can benefit by joining the more than 150 other countries in ratifying the key international conventions," the ILO Deputy Director-General said.

According to MoLISA, Viet Nam will consider ratifying ILO Convention 95 on Protection of Wages and Convention 131 on Minimum Wage Fixing.



Wage growth around the world slowed in 2013 to 2.0 per cent, compared to 2.2 per cent in 2012, and has yet to catch up to the pre-crisis rates of about 3.0 per cent, according to the ILO's Global Wage Report 2014-2015.

Among different regions, wages in Asia and the Pacific continued to outperform most of the world.

Viet Nam also recorded an overall increase of 13.67 per cent in average real wages between 2011 and 2013. The growth was driven partly by substantial increases in minimum wages.

Despite the overall positive developments, wages in Viet Nam remain much lower than in developed economies and even lag behind compared to many neighbouring countries.

Among the ASEAN countries, average monthly wage in 2012 of Viet Nam (VND3.8 million or \$181) was placed only ahead Lao (\$119), Cambodia (\$121) and Indonesia (\$174). By comparison, it was about half of Thailand's (\$357), less than one third of Malaysia's (\$609) and one twentieth of Singapore's (\$3,547).



## Despite progress, garment factories need to **strengthen fire safety**

Major garment factories in the South have shown some improvements in fire safety over the past four years but non-compliance with national and international standards in this area remains persistently high, according to the latest report by Better Work Vietnam (BWV).

"Fire safety has been a critical issue for many factories in Viet Nam over the last few years. Fires can cause great damage to business, not to mention human lives, so this is why we are committed to work with them to make improvements," said BWV manager Nguyen Hong Ha.

The annual thematic report, which covers 60 factories that have undergone four annual assessments, shows major progress in chemical and hazardous substance storage. Non-compliance rates in this area have fallen by almost two thirds between the first assessment in 2011 and the fourth in 2014.

However, the report reveals that half of the observed factories did not ensure the accessibility of fire exits. The exits were found to be blocked or locked during working hours, which represents static progress since the second assessment period in 2012 and a deterioration since the first assessment in 2011.

"The accessibility of emergency exits is critical to ensure fire safety. Fixing this problem is relatively simple and straightforward once found but many factories lack a systematic approach to prevent it from reoccurring in the future," said the head of BWV.

More than a third of the factories were also found to be lacking clearly marked exits and escape routes, while more than 30 per cent did not maintain electrical wiring, and more than a quarter still lacked adequate fire-fighting equipment in both visit three and visit four.

Other commonly observed non-compliance issues concern fire detection systems, firefighting training for workers

and inspection and maintenance of machines, equipment, buildings and stores.

"To ensure the sustainable development and competitiveness of Viet Nam's apparel sector, it's important to make this key industry a safe place for its workers and a low risk industry for international investment. This requires continued efforts from the Government, employers and the trade union," said Ha.

BWV called on the Government to em-

phasize fire safety when issuing permits for construction. It also recommends strengthening the guidance, inspection and enforcement of fire safety laws, which require all factories to attend fire safety training, have appropriate exit doors and automatic fire-fighting equipment such as sprinklers for certain areas.

Meanwhile, the trade union should take a proactive role in fire prevention strategies in enterprises and provide a functioning channel for workers to report concerns on fire risks to factory management. The employers' organizations and sectoral associations also should step up efforts to raise awareness of fire safety among their members, and to encourage proper investment from factories in fire prevention.

Funded by the Australian, Canadian, Dutch and Swiss Governments, BWV now covers more than 300 factories with nearly 300,000 workers across the country. More than 50 global buyers subscribe to the programme.

## Career guidance to connect the dots for better jobs for the young

A career guidance package tailor-made for Viet Nam has been introduced by the ILO and the Viet Nam Institute for Education Sciences after being appraised by the Ministry of Education and Training last August.

Comprised of workbooks and guide books for students and teachers, a career dictionary and a tool kit, the package is expected to help students have a better understanding about future career options, job opportunities, their strengths and weaknesses and thus make decisions based on better information.

"Better career guidance can connect the dots between schools, parents, enterprises and the students themselves so that young people can make the right choices for their own future," said ILO Viet Nam Director Gyorgy Sziraczki.

The package was piloted with 2,000 secondary students and 300 non-student youths in Phu Tho, Quang Nam and Thua Thien-Hue provinces, mostly in rural areas, during the first half of 2014. It is now being replicated to serve 12,700 students in the three provinces.

Vice Minister of Education and Training Nguyen Vinh Hien said: "Although the pilot period in the three provinces was relatively short, it is enough to see the initial result and the application of the Career Guidance Package has proven to be of significant value."

Nguyen Thi Hong, 16, from Quang Nam Province, who is now taking a receptionist course at Bac Quang Nam vocational school, was among the beneficiaries of the programme.

"I earlier did not know what I should do but career guidance classes at my former secondary school helped me realize my strengths in communication and restaurant," she said.

The development of the new career guidance package is part of the ILO's 2012-14 Rural Youth Employment Programme which aims to ease the "school to work transition" and improve the future job prospect of young women and men.

Another ILO tool focusing on entrepreneurship education, "Know about Business" (KAB), has been adopted as an optional course in some secondary schools and will become part of the national curriculum in 2015.

# The best way to escape poverty is to get a good job

*There have been lots of discussions on international labour standards these days during trade negotiations. Can you talk about possible benefits for countries, including Viet Nam, when adopting these standards in the integration process?*

International labour standards (ILS) are conventions negotiated at international level, by Governments, employers and workers globally, to say what minimum standards that should be applied in all countries so that some countries don't compete against each other with very low wages and abused conditions. During regional and global integration, ILS have become a reference point in many negotiations for integration agreements. For example, the EU makes the reference to the ILSs, especially some basic core standards and they want other trade partners to adopt them. In Trans-Pacific Partnership (TPP), there is a labour chapter and all the countries in TPP should adopt and implement the basic ILS. So if Viet Nam wants to integrate fully to the global economy to take advantage of opportunities from global integration, it needs to be aware of and gradually conform with the ILS because they are the reference point which is asked by the trade partners.

***Viet Nam is one of a few countries where the ILO has chosen to focus resources to improve compliance issues. Why is that?***

The ILO, as any organization, has had to concentrate our efforts and resources on some critical priority areas that are important in many countries. For our current 2014-2015 programme, one of the priorities is compliance with labour laws. In order to be able to make important progress and to create examples, we chose three pilot countries, including Viet Nam to work with. Why Viet Nam? We saw that the Government has already made a strong commitment to building up the labour inspection, which laid a strong foundation, whereas there were still many workplaces that are not compliant with labour laws. So Viet Nam is a perfect example of a lower middle-income country that is taking many steps to achieve workplace compliance.

With the political will of the Government to



*ILO Deputy Director-General for Policy Sandra Polaski talks to the media during her visit to Viet Nam in November.*

achieve greater compliance with labour laws and improve labour inspection, Viet Nam would be a good partner for a pilot country, to make an example of how big steps can be taken in a short period of time if there is a good strategy.

***In this context, how can Better Work improve compliance? What are the lessons learned from other countries?***

Better Work is one of our flagship programmes that we are very proud of. Since its start 13 years ago, it has expanded to seven countries. Better Work operates by monitoring the compliance in garment factories. In Viet Nam, we have also expanded to footwear sector.

Monitoring the compliance with national and international labour laws is very creditable to the international buyers and international consumers because it is led by the ILO, which has a reputation for complete trustworthiness.

So in the factories where Better Work is monitoring and helping, we see improvements in compliance. However, we have found out that we will achieve more compliance in the workplace if the results of that monitoring process are disclosed to

the public, instead of only the buyers. So from 2015, we have a new public disclosure policy in Better Work Vietnam and all Better Work countries so that the most important issues of compliance, such as wages, occupational safety and health, will be reported transparently on the internet for everyone.

***What is the role of labour inspection in promoting compliance?***

Labour inspection has a very important role. Once the Government sets the rules on what is required, the employers have a legal obligation to observe those rules and to comply with them. However, not all the employers may take up that responsibility. That's why we need labour inspectors. They can identify problems, then have the role to educate the employers about their responsibilities. If, violations still exist after explanation, the labour inspectors must enforce the law and apply sanctions if necessary.

The ILO suggests that labour inspectors take a strategic approach and use resources wisely by going to those factories and firms that have reputation for violating the laws.

There is also a role for the trade union. The trade union should monitor the enterprises to ensure their compliance with the laws. The trade union should be the voice and the eyes of the workers on all important issues, for instance, to ensure that wages are paid properly and overtime is not excessive.

Public education is also important. There should be campaigns, posters and billboards explaining the laws, policies and the rights of workers.

***What do you think about the post-2015 development agenda which might give priority to employment issues?***

In 2000, the global community at the United Nations decided to establish millennium development goals to set specific goals for the community for the development between 2000 and 2015. We are coming to the end of that and Viet Nam is on track to meet most of the important goals.

Now the global community is beginning its debate on what we should do for the next 15 years between 2015 and 2030? We believe that one of the goals has to be to create enough decent work, enough good job opportunities for everybody who can work, for everybody who wants to work. In the millennium development goals, employment was not there, and that was the problem because the best way for households to escape poverty is to get a good job.



## Farmers win \$12,000 in competition to start businesses

The ILO announced in December the three winners of its “Business Plan Competition”, who received a prize of US\$4,000 each for their innovative blueprints.

The prize consists of a cash component of \$3,000 and technical support component equivalent to \$1,000.

The Best Women Business Plan Prize was awarded to Nguyen Thi Lan from Phu Tho Province. Lan’s plan of developing an embroidery business was highly valued by the review panel for its being creative and feasible with clearly identified partners and potential to create jobs for local women.

The Best Innovative Plan Prize went to Pham Doan Duong from Vinh Bao District, Hai Phong City, whose plan is to expand his existing business of producing sedge mats with an aim to preserving the communal traditional trade and creating jobs for the local community. Duong was given the highest score in innovation by the panel for providing a clear business idea with strong motivations and well prepared financial targets.

Under the Green category, Nong Thi Hue from Yen Bai Province was named the winner. Hue’s community-based business initiative of collecting garbage within her commune was regarded as very environment-friendly and practical.

As he congratulated the winners, ILO Viet Nam Director Gyorgy Sziraczki said: “We hope the prize offers a starting point for the farmers to successfully start their business to create jobs for themselves and others and improve the livelihoods of their families.”

Entries for the competition were submit-

ted upon completion of a series of workshops in which hundreds of farmers were trained under ILO’s “Start and Improve Your Business” training programme. The winning plans were chosen from a total of 45 most outstanding business plans selected by the programme’s trainers.

The panel consists of experts from the ILO, General Department of Vocational Training, Viet Nam Vocational Training Association, Farmers’ Association, Women Entrepreneurs Council, Ministry of Agriculture and Rural Development, and Viet Nam Chamber of Commerce and Industry (VCCI).

The competition was part of the ILO’s support to Viet Nam’s One Million Farmers Initiative, which is the Government’s effort in improving the quality of rural workers in light of the increasing demand of industrialization and modernization in the countryside. The programme aims to provide training to one million workers a year from 2009 until 2020, including farmers, members of poor households and the local authority staff.



*Viet Nam has ratified the UN Convention on the Rights of Persons with Disabilities after being greenlighted by the National Assembly in their month-long regular meeting which wrapped up in November. The move is expected to promote decent job opportunities for workers with disabilities in Viet Nam.*

*The lawmakers also passed the amended Social Insurance Law and Law on Technical Education and Vocational Training, of which the preparation was heavily involved by the ILO.*

## Upcoming events

- Introductory seminar on “Better Work’s Adjusted Model”, HCM City on 19 January, Hanoi on 5 February
- Public-private dialogues in developing and promoting tourism linkages along Ho Chi Minh Trail, Quang Nam, 22-23 January
- Consultation workshop on the draft Code of Conduct on sexual harassment at the workplace, HCM City, 24 January
- Signing ceremony of Memorandum of Understanding between the Viet Nam General Confederation of Labour (VGCL) and Malaysian Trade Union Congress, January
- Workshops to roll out migrant workers’ resource centres under Employment Service Centres of 63 provinces, Hanoi, Quang Ngai and Can Tho, January
- VGCL and MoLISA’s consultation workshops on the revision of Decree 95 on sanctions against violations of labour laws, Hanoi and HCM City, January
- Law drafting training for law-makers, Hanoi, January
- Consultation workshop on new decree on female workers, Hanoi, February
- Launching of study on discrimination against women at the workplace, Hanoi, 5 March
- Closing workshop of the project on occupational safety and health in hazardous work in Viet Nam, Vung Tau, March
- SCORE enterprise training on workplace co-operation, HCM City, March
- Training of trainers on pre-departure training curriculum from Viet Nam to Taiwan, March

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