Labour practices in Viet Nam’s wooden furniture industry: Challenges and good practices
Labour practices in Viet Nam’s wooden furniture industry: Challenges and good practices

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<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR</td>
<td>corporate social responsibility</td>
</tr>
<tr>
<td>FDI</td>
<td>foreign direct investment</td>
</tr>
<tr>
<td>FLEGT</td>
<td>Forest Law Enforcement, Governance and Trade</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labour Organization</td>
</tr>
<tr>
<td>MNE Declaration</td>
<td>Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy</td>
</tr>
<tr>
<td>MOLISAM</td>
<td>Ministry of Labour, Invalids and Social Affairs</td>
</tr>
<tr>
<td>OSH</td>
<td>occupational safety and healthy</td>
</tr>
<tr>
<td>POE</td>
<td>privately owned enterprises</td>
</tr>
<tr>
<td>SME</td>
<td>small and medium-sized enterprises</td>
</tr>
<tr>
<td>VPA</td>
<td>voluntary partnership agreement</td>
</tr>
</tbody>
</table>

All $ currency references are United States dollars.
Executive summary

The wooden furniture industry of Viet Nam has achieved remarkable growth over the past decade. Viet Nam was the eighth-largest furniture exporter in the world in 2019, with a total export value of nearly $9 billion. Viet Nam is a signatory to new-generation free trade agreements, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and the Europe Union–Viet Nam Free Trade Agreement. These agreements and the trade war brewing between the United States and China places the country’s wooden furniture industry on the threshold of a new development stage. Improving the awareness of and compliance with national and international labour standards has become an important condition for further market expansion and growth. This report provides a baseline assessment of the labour practices of the furniture companies in Viet Nam, the obstacles to compliance as well as the good practices to provide an in-depth understanding of the gaps and solutions for the industry to move forward.

Primary findings of the research:

- The buyers that require corporate social responsibility compliance are from Europe, the United States and Australia. However, each buyer has different audit requirements: first-party audits, third-party audits or sharing audit records.
- The awareness of labour standards among the exporting firms that must comply with a code of conduct is better than those without such a requirement. Still, most companies regard corporate social responsibility as a burden imposed by international buyers rather than a beneficial investment.
- Compliance with corporate social responsibility requirements among the bigger (usually foreign direct investment) companies tends to prevail more than among the domestic small and medium-sized enterprises because the latter lack the resources and support needed to improve their compliance (including infrastructure and technological upgrading).
- The respective procurement and corporate social responsibility policies of the various international buyers have created conflicting pressures on local manufacturers, especially the small and medium-sized enterprises. On one hand, buyers put downward pressure on prices. On the other hand, the corporate social responsibility requirements have pushed up costs for the manufacturers. Such conflict threatens to result in unethical practices in the supply chains.
- Still, there are good practices in the vertical linkage between the multinational enterprises and their suppliers. One multinational company in this study supported its suppliers to develop Forest Stewardship Council-certified wood plantations while another provided technical, management and sustainability support to its suppliers in Binh Dinh Province to reach important economic upgrading.
- The wooden furniture industry faces labour shortages. The shortage of unskilled workers has resulted in higher levels of automation and the recruitment of middle-aged and senior people, especially women. The furniture companies also face challenges due to the deficiency of workers with important skills, such as technicians, product designers and marketing and sales officers, which has hampered their efforts at economic upgrading.
- In terms of labour practices, the wooden furniture industry faces its biggest challenges in improving work safety, complying with maximum work hour and overtime limits and paying competitive wages and benefits. The unions in the furniture companies are not effectively addressing workers’ grievances nor representing workers’ interests in negotiations with employers. Workers are not consulted on the adjustment of wages and other working conditions.
- The surveyed companies indicated several good labour practices: Many companies have invested in training for their core labour force to reduce the need for excessive overtime.
Women have been increasingly engaged in upskilling and multiskilling initiatives. Gradual and consistent investment in work safety has paid off for many companies. The domestic small and medium-sized enterprises have a community-oriented approach to labour relations that encourages frequent labour-management dialogues, quick responses to workers' grievances and generous benefits for workers. As a result, these furniture companies have managed to reduce labour turnover and prevent labour strikes.

Female representation remains unequal: Women accounted for 50.7 per cent of the rank-and-file labour force of the surveyed companies but only 25.5 per cent of the senior management. Previous studies and reports also indicated the existence of discrimination against women in the furniture industry in relation to recruitment, job allocation, training and promotion, hampering their opportunities to equal access to employment, training and promotion. Other obstacles to women's promotion include the lack of female candidates with important technical skills, the shortage of supportive services for women (to balance their work and household responsibilities) and stereotypes against women.

Two important factors create opportunities for women's advancement in the furniture industry: the shortage of (male) labour and the rise of female entrepreneurs. The wooden furniture companies headed by female chief executive officers have been more open to extending training opportunities in male-dominated technical jobs to women and incorporating more women into senior management.

The good practices among the wood-processing companies emerged not only among the foreign direct investment ones but also the domestic small and medium-sized enterprises. This indicates potential for cross-learning among the companies to overcome their labour issues. The research also suggests specific activities to improve the labour practices in the wood-processing industry.
Chapter 1. Introduction

The wooden furniture industry of Viet Nam has experienced remarkable growth in the past few years. Between 2014 and 2018, the export value of the wooden furniture industry grew by 24.3 per cent, to $5.4 billion, or more than 60 per cent of the export value of the whole timber sector. The United States, Europe and Australia are among the most important export markets for Viet Nam's furniture products. The legislative framework of these countries regard compliance with international labour standards by the importers and their supply chains a compulsory condition for importing. Additionally, the trade agreements that Viet Nam has joined, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, the European Union–Viet Nam Free Trade Agreement and, particularly, the European Union–Viet Nam Forest Law Enforcement, Governance and Trade Voluntary Partnership Agreement (FLEGT VPA) require the Vietnamese exporting firms to strictly comply with the core international labour standards and the domestic labour legislation to export to the major trade partners.

Within this context, it is important that the wooden furniture exporting companies of Viet Nam improve their awareness of and compliance with the international and domestic labour standards to facilitate their further integration into the exporting markets. At the same time, an in-depth understanding of the challenges, either in the institutional framework or in the global supply chain governance, facing the furniture companies in complying with corporate social responsibility (CSR) standards is needed to determine plausible solutions.

The International Labour Organization (ILO) developed a regional programme on Responsible Supply Chains in Asia to support businesses, investors, policymakers and other stakeholders in the global supply chains in Asia to improve their understanding of CSR and to create an enabling environment for multistakeholder dialogue on promoting responsible business practices. Financed by the European Union and jointly implemented by the ILO and the Organisation for Economic Co-operation and Development, the programme has been established in six Asian countries, including Viet Nam, in the wooden furniture- and seafood-processing sectors.

The Viet Nam project commissioned the Research Center for Employment Relations to conduct a baseline study on labour and employment practices in the wooden furniture industry, with four objectives:

- Provide an overview of the institutional framework of CSR and responsible business conduct and generate in-depth knowledge of the employment and labour issues in the furniture sector of Viet Nam.

1. See the International Trade Center Trade Database 2019, accessed 19 October 2021.
Identify good practices in supply chain management to address labour issues and/or decent work deficits and how multinational enterprises promote good working conditions and generate more and better jobs.

Determine the existing and potential linkages between multinational enterprises and the local small and medium-sized enterprises (SMEs), good practices in their engagement and challenges for fostering short- and medium-term opportunities to expand and deepen local supply chains that benefit both the multinational enterprises and the local economy in terms of social and economic upgrading and job creation.

Explore ways to promote equal opportunities for women within the furniture industry.

1.1 Methodology

The baseline study employed a combination of qualitative research methods:

First, a thorough desk review was conducted to cover the national regulatory and legislative framework for the wooden furniture and wood-processing sector (including policies on foreign-invested enterprises, SMEs, employment, gender equity and labour issues). The research team also reviewed the CSR and procurement policies of major buyers of furniture products from Viet Nam via their websites, reports, policy statements as well as a scan of media coverage. The common labour practices and challenges for compliance within the furniture companies were investigated by reviewing the reports of the Dong Nai labour inspectorate and the anonymous CSR audit reports in Binh Dinh, Binh Duong and Dong Nai provinces and Ho Chi Minh City.

Second, field research with nine furniture companies was conducted to (i) assess the labour practices of furniture companies; (ii) identify good labour practices, if any; (iii) assess the impacts of the CSR and procurement policies of the buyers on the furniture suppliers; and (iv) evaluate the factors that influence equal opportunities for women in employment and management in the wooden furniture industry. The furniture companies were selected based on the recommendations of the provincial wood and furniture business associations, including the Binh Duong Furniture Association and the Forest Product Association of Binh Dinh, which in 2019 recognized the companies as having good labour and employment practices.

The selection of the companies for the research offered a good combination of foreign-owned and domestic firms, big-sized companies and SMEs located in the three biggest furniture-making provinces of Binh Dinh, Binh Duong and Dong Nai. Among them, there were three foreign-invested companies, including one joint venture and two wholly foreign-owned firms. The domestic private companies included one big-sized firm with 1,300 workers and five medium-sized factories employing between 100 and 450 workers. Except for one company (FDI 3), all the other companies exported to Europe and the United States and thus had been complying with CSR standards, such as the Business Social Compliance Initiative’s Code of Conduct.
Table 1. Attributes of the nine surveyed furniture companies, 2019

<table>
<thead>
<tr>
<th>No.</th>
<th>Company</th>
<th>Province</th>
<th>Ownership</th>
<th>Labour force</th>
<th>Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>FDI 1</td>
<td>Binh Duong</td>
<td>Wholly foreign-owned (Europe)</td>
<td>4 500</td>
<td>Europe, United States</td>
</tr>
<tr>
<td>2</td>
<td>FDI 2</td>
<td>Dong Nai</td>
<td>Joint venture</td>
<td>1 700</td>
<td>Europe, United States, Asia</td>
</tr>
<tr>
<td>3</td>
<td>FDI 3</td>
<td>Binh Duong</td>
<td>Wholly foreign-owned (Taiwan Province of China)</td>
<td>108</td>
<td>Taiwan Province of China and domestic market</td>
</tr>
<tr>
<td>4</td>
<td>POE 1</td>
<td>Binh Dinh</td>
<td>Privatized state-owned enterprises</td>
<td>1 300</td>
<td>Europe, United States, Australia</td>
</tr>
<tr>
<td>5</td>
<td>POE 2</td>
<td>Binh Dinh</td>
<td>Domestic private</td>
<td>190</td>
<td>Europe</td>
</tr>
<tr>
<td>6</td>
<td>POE 3</td>
<td>Binh Dinh</td>
<td>Domestic private</td>
<td>280</td>
<td>Europe, United States, Japan, China</td>
</tr>
<tr>
<td>7</td>
<td>POE 4</td>
<td>Binh Dinh</td>
<td>Domestic private</td>
<td>140</td>
<td>Europe, Australia, Asia, Middle East</td>
</tr>
<tr>
<td>8</td>
<td>POE 5</td>
<td>Binh Duong</td>
<td>Domestic private</td>
<td>450</td>
<td>Japan, Europe, United States</td>
</tr>
<tr>
<td>9</td>
<td>POE 6</td>
<td>Binh Duong</td>
<td>Domestic private</td>
<td>300</td>
<td>Japan, Europe, domestic market</td>
</tr>
</tbody>
</table>

Note: FDI=foreign direct investment; POE=privately owned enterprise.
Source: Author’s compilation.

In each company, the research team conducted in-depth interviews with the managers (including the director or deputy director, the human resources (HR) manager and the CSR manager\(^2\)) and the union chairperson. If there was no female manager, the research team also requested to interview at least one female employee. Overall, the research team interviewed 25 managers and unionists. In three companies, the union chairpersons were also managers (HR managers or deputy directors). The researchers interviewed them for both positions.

Along with the in-depth interviews, the research team organized a focus group discussion with three to six rank-and-file workers in each factory, including both men and women of different ages. The workers were selected randomly from different work sections, covering sanding, machine operating, quality control, machine maintenance and assembling. In eight companies, the group discussions were conducted in separate rooms without management supervision.\(^3\)

In total, 39 workers participated in the group discussions. Among them, 64 per cent were women and the average age was 34.3 years (figure 1). Their work experience ranged from one to 19 years, with 6.6 years on average.

\(^2\) Not all of the surveyed companies had a full-time corporate social responsibility manager or officer.

\(^3\) One company could not provide a separate room for the group discussion so the discussion with workers was conducted in the management meeting room.
1.2 Limitations of the study

As a qualitative research study based on a limited sample of wooden furniture companies, the findings may not be representative of the whole industry. However, additional findings from bigger databases, such as the reports of the labour inspectorate and anonymous CSR audit reports for more than 40 companies in Binh Dinh, Binh Duong and Dong Nai provinces and in Ho Chi Minh City were used to determine common practices and challenges within the wooden furniture industry in implementing CSR standards. The field research focused more on finding good practices of how companies had managed to overcome the challenges.

This research was one of the first studies focusing on labour issues in the wooden furniture industry. Therefore, the furniture companies were cautious in responding to requests for access as well as the interview questions. Ideally, this report will lay the foundation for more open dialogue among different stakeholders about the implementation of CSR standards in the industry.

The study could have benefited from the participation of more furniture buyers, especially those from markets other than Europe. Despite the research team’s efforts, establishing contact with the representatives of non-European buyers was not possible.

1.3 Structure of the report

The report consists of five chapters. After the introduction, Chapter 2 provides an overview of the wooden furniture industry of Viet Nam as well as the global furniture supply chains and the roles of different players. Chapter 2 also discusses the procurement and CSR policies of the international buyers sourcing furniture products from Viet Nam and the good practices of linkages between the multinational enterprises and the domestic companies.

Chapter 3 delves into the labour practices in the furniture companies in Viet Nam. The seven labour standards covered include occupational safety and health (OSH), wages and benefits, working hours, freedom of association and collective
bargaining, no child labour, no forced labour and no discrimination. For each labour standard, the common practices and challenges to compliance are analysed, followed by good practices found among the surveyed companies.

**Chapter 4** looks into the opportunities and challenges for women in employment and management in the wooden furniture industry. The chapter analyses the obstacles to women’s promotion in the industry and recommends measures to create enabling conditions for women’s advancement.

**Chapter 5** summarizes the findings and makes recommendations for the ILO in supporting its stakeholders in improving the implementation of labour standards in the wooden furniture supply chains of Viet Nam.
Chapter 2. Overview of the furniture industry: Structure, institutional framework and supply chains

2.1 Structure of the furniture industry

The wood-processing sector of Viet Nam has achieved remarkable growth in the past few years, especially in 2019 when the total export value reached nearly $9 billion, making it the world’s fifth-biggest furniture exporting country. Wooden furniture has long been the most important export component of the wood-processing industry, accounting for more than 60 per cent of the industry’s total export value (figure 2). The United States is the largest export market, accounting for 63 per cent of the total furniture export value in 2018, followed by Japan, the United Kingdom, China and the Republic of Korea. The United States was also the fastest-growing export market of wooden furniture in 2018, with a growth rate of 9 per cent – the highest one across all export markets for wood products from Viet Nam (VIFORES et al. 2018).

Figure 2. Export value of the wooden furniture industry versus the total wood-processing sector ($ billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>Wood &amp; furniture</th>
<th>Furniture</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>6.3</td>
<td>4.3</td>
</tr>
<tr>
<td>2016</td>
<td>7.3</td>
<td>4.5</td>
</tr>
<tr>
<td>2017</td>
<td>7.6</td>
<td>5.2</td>
</tr>
<tr>
<td>2018</td>
<td>8.7</td>
<td>5.3</td>
</tr>
</tbody>
</table>

Source: Adapted from VIFORES et al. 2018a.

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5 The data used here refer to the Product Code of 9403, which includes wooden furniture and parts but excludes chairs.
By 2018, approximately 3,200 of the 4,000 wood-processing enterprises in Viet Nam were engaged directly in exporting (VIFORES et al. 2018a). Among the exporting firms, 76 per cent were domestic private ones, 4 per cent were state-owned and 20 per cent were foreign-invested (table 2). Although much smaller in number, the foreign direct investment (FDI) sector dominated both in terms of export value and labour force. According to a survey by the Viet Nam Timber and Forest Product Association and others in 2018, the FDI enterprises accounted for 47 per cent of total export turnover and their registered labour force constituted half of the whole industry (VIFORES et al. 2018a).

Table 2. Overview of the wood-processing industry of Viet Nam, 2018

| Total number of wood-working factories | 4 000 |
| Exporting firms | 3 200 |
| Labour force | More than 400 000 people (women workers: 40%) FDI companies: 201 000 workers |
| Geographical distribution | ■ South: 80%  ■ North: 20% |
| Enterprise ownership | ■ Private domestic: 76%  ■ FDI: 20% (216 Taiwanese; 161 Chinese; 96 Korean; 79 Japanese)  ■ State-owned: 4% |
| Enterprise labour force size | ■ Fewer than 200 employees: 70%  ■ 200 employees or more: 30% |
| Ratio of imported materials and export value | 30% (mostly from China and the Lao People’s Democratic Republic)* |

Source: Compiled from different sources, including VIFORES et al. 2018a; VIFORES 2018b; and WTO Centre 2018.

The domestic woodworking firms are mainly small-sized, both in terms of labour and capital. In particular, the proportion of wood-working firms categorized as small or micro businesses, according to capital and labour force, was 93 per cent and 95 per cent, respectively (WTO Centre 2018). The shortage of financial resources and capacity tended to push the small and micro businesses into serious compliance challenges with both the CSR and wood export legality requirements of such markets as the United States, Europe and Australia. Instead, the SMEs and microenterprises may turn to less sustainability-oriented markets, or subcontract for larger enterprises, or even disappear.

2.2 Regulatory and legislative framework for CSR in the wooden furniture industry

The labour practices of the wooden furniture exporters are subject not only to the national labour legislation but also the requirements of the codes of conduct of their buyers as well as the relevant legislation of the importing countries.

2.2.1 National labour legislation

The labour practices of the wood-processing firms are regulated by a number of laws, including the Labour Code (which was revised in 2019), the Trade
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Union Law, the 2015 Law on Occupational Safety and Health, the 2014 Law on Social Insurance and the decrees and circulars that provide guidance to these laws.

Viet Nam has ratified seven of the eight core ILO Conventions. The remaining standard not yet ratified is the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87). As a commitment to the European Union–Viet Nam Free Trade Agreement and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, Viet Nam undertook to ratify the (at the time, three) remaining core labour Conventions. It began with ratification of the Right to Organise and Collective Bargaining Convention, 1949 (No. 98) in July 2019 and the Abolition of Forced Labour Convention, 1957 (No. 105) in June 2020.6 The Labour Code was also revised in 2019 to incorporate the necessary changes to be compatible with Viet Nam’s international commitments. According to the revised Labour Code, the law will allow for independent worker representative organizations to be established at the enterprise level, alongside the Viet Nam General Confederation of Labour-affiliated unions.

2.2.2 International treaties and import market requirements

The wooden furniture firms are expected to comply strictly with the timber legality requirements when exporting to the United States, the European Union and Australia. In the case of the European Union–Viet Nam FLEGT VPA and the Illegal Logging Prohibition Act of Australia (apart from complying with the national labour legislation of the home countries), the exporters of wood products are also required to conduct due diligence of their supply chain to monitor the potential risks of violations (table 3).

<table>
<thead>
<tr>
<th>Markets</th>
<th>United States</th>
<th>European Union</th>
<th>Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Timber legality instruments</td>
<td>■ The 2008 Amended Lacey Act</td>
<td>■ The 2010 European Timber Regulation (EUTR 995)</td>
<td>■ The 2012 Illegal Logging Prohibition Act</td>
</tr>
<tr>
<td></td>
<td>■ European Union–Viet Nam FLEGT VPA</td>
<td>■ Exporters are required to comply with all national legislation (including labour legislation)</td>
<td></td>
</tr>
<tr>
<td>Key labour requirements</td>
<td>■ Exporters are required to comply with all national legislation (including labour legislation)</td>
<td>■ Exporters are required to comply with all national legislation (including labour legislation)</td>
<td>■ Exporters are required to undertake due diligence on certain regulated processes</td>
</tr>
<tr>
<td></td>
<td>■ Exporters are required to monitor the supply chain</td>
<td>■ Exporters are required to monitor the supply chain</td>
<td></td>
</tr>
</tbody>
</table>

Source: Author’s compilation based on WTO Centre 2018.

2.2.3 MNE Declaration and buyers’ CSR requirements

The Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration) is the only ILO instrument that provides direct guidance to multinational and national enterprises on social policy and inclusive, responsible and sustainable workplace practices. It was adopted 40 years ago and amended

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6 Convention No. 105 became enforceable in July 2021.
several times, most recently in March 2017. The MNE Declaration covers five thematic areas: employment, training, conditions of work and life, industrial relations as well as general policies. The guidance is founded substantially on principles contained in the international labour standards.

Over the past four decades, the MNE Declaration has been widely adopted by governments, employers and workers around the world. Specifically for the wooden furniture industry, the MNE Declaration has been incorporated into the global framework agreements of major construction corporations and international trade union organizations. For instance, the Building and Wood Workers’ International Trade Union has signed global framework agreements with such European construction companies as Acciona, Dragados, Ferrovial, Lafarge, Obrascon, Sacyr and Sanili-Impergilo. This means that suppliers to these construction companies must comply with the principles of the MNE Declaration as part of the latter’s CSR policies.

2.3 Global supply chain of wooden furniture

2.3.1 Mapping of the supply chain in Viet Nam

Supply of wood for furniture manufacturing

After years of investing in timber forest plantation, Viet Nam has achieved a significant increase in the proportion of its domestic supply of wood. By 2018, the domestic forests and plantations supplied 75 per cent of the total wood demand, increasing from only 60 per cent in 2010. Among the 290,000 hectares of forest plantation, 75.8 per cent had attained Forest Stewardship Council certification. This major progress was attributed to both the Government’s policy to encourage forest plantation and the boosted linkage between furniture manufacturers and forest planting households to develop new plantations.

In the complicated furniture supply chain (figure 3), the furniture manufacturer is central in connecting the planting households and the buyers and furniture brands. The next section looks at the role of the key players in the supply chain.

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7 For an overview of references to the MNE Declaration, see www.ilo.org/empent/areas/mne-declaration/WCMS_570367/lang--en/index.htm.
Furniture manufacturers

An important feature of Viet Nam’s wooden furniture industry is the formation of clusters of manufacturers. The biggest cluster is the triangle of Binh Duong and Dong Nai provinces and Ho Chi Minh City, with two important groups: the foreign-invested manufacturers, mainly located in industrial zones, and the domestic companies located outside of the industrial zones. Binh Duong alone has a group of more than 200 domestic wood-working SMEs, while as much as 73 per cent of the active foreign direct investment (FDI) wood-processing companies are located in the province (VIFORES et al. 2018b). The second-most important cluster of furniture manufacturers is Binh Dinh, with more than 150 wood-processing companies, mostly focusing on outdoor furniture. This group includes about ten big companies while the rest are SMEs. The third cluster is the northern provinces, with more than 300 craft villages that produce mainly for the domestic market.

The formation of clusters of wood-processing plants has enabled cooperation and sharing of good practices among the companies, especially among those of the same nationality. The domestic wood-processing companies in Binh Dinh, Binh Duong and Dong Nai provinces have established their own networks (business associations) to share experiences and information about the industry. In Binh Dinh, the bigger companies tend to subcontract to smaller ones. The Taiwanese-owned furniture companies in Binh Duong and Dong Nai provinces also hold regular dialogues (normally among companies in the same industrial zone) to agree upon the basic wage rates and other working conditions to prevent cost-based competition (ILO Viet Nam 2017).

Original design manufacturing has been increasingly encouraged by the buyers towards their suppliers. It tends to save the buyers the designing cost while increasing the profit margin for the suppliers. However, only the bigger manufacturers have been able to invest into designing, whereas the SMEs follow the designs provided by the buyers or copy from other sources (ETI United Kingdom 2017; Dao and Buser 2011).

Domestic buyers

The domestic market for wooden furniture has been growing fast. There are two types of domestic buyers: (i) the furnishing contractors, such as AA, TCT Hanoi, Tien Phong Prime Construction and TTT, that purchase furniture products then install them into their construction projects, such as five-star hotels and resorts; and (ii) retailers with their own store chains, such as UMA and Nha Xinh. However, there are also furniture manufacturing companies, such as Truong Thanh and Hoa Phat, that have their own retail stores.

International buyers

The buyers of wooden furniture from Viet Nam include wholesalers and retailers. The retailers are the supermarkets or global networks of furniture store chains, such as IKEA, Kingfisher, Metro, Nitori, John Lewis and Ashley (table 4). The wholesalers, such as Landmann, Scancom and Unique, source furniture from Viet Nam and sell to middlepersons or retailers in the importing countries. Some wholesalers also have their own production capacity in Viet Nam, such as Scancom and Unique.

Table 4. Top international buyers of wooden furniture from Viet Nam

<table>
<thead>
<tr>
<th>International buyers</th>
<th>Type of buyer</th>
<th>Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Walmart</td>
<td>Retailer</td>
<td>N/A</td>
</tr>
<tr>
<td>IKEA</td>
<td>Retailer</td>
<td>Outdoor</td>
</tr>
<tr>
<td>Scancom</td>
<td>Wholesaler</td>
<td>Outdoor</td>
</tr>
<tr>
<td>Landmann</td>
<td>Wholesaler</td>
<td>Outdoor</td>
</tr>
<tr>
<td>Nitori</td>
<td>Retailer</td>
<td>Indoor</td>
</tr>
<tr>
<td>John Lewis</td>
<td>Retailer</td>
<td>Indoor</td>
</tr>
<tr>
<td>Coop</td>
<td>Retailer</td>
<td>Outdoor</td>
</tr>
<tr>
<td>Marks &amp; Spencer</td>
<td>Retailer</td>
<td>N/A</td>
</tr>
<tr>
<td>Kingfisher</td>
<td>Retailer</td>
<td>Mainly outdoor</td>
</tr>
<tr>
<td>Ashley</td>
<td>Retailer</td>
<td>Indoor</td>
</tr>
<tr>
<td>Migros</td>
<td>Retailer</td>
<td>Outdoor/bed furniture</td>
</tr>
</tbody>
</table>

Note: N/A=not applicable.
Source: Based on Dao and Buser 2011 and updated with information from in-depth interviews.
To achieve economy of scale and lower production costs, the big buyers tend to work with bigger suppliers that are able to produce large orders at lower costs (VIFORES et al. 2018b). Additionally, the bigger suppliers are able to satisfy the strict technical, wood-origin and CSR requirements of the big buyers. Without such capacity, the SMEs either must subcontract to the big suppliers or sell to smaller buyers. However, there are also cases in which the big buyers allocate smaller orders to the SMEs to diversify their suppliers and avoid overdependence on a few big manufacturers.

2.3.2 Procurement and CSR policies of international buyers

Procurement policy

The big buyers that target lower-end products typically offer orders of high volume but with downward pressure on prices. IKEA, for instance, is said to push their suppliers to lower prices by 5–10 per cent every year, although the profit margin of suppliers in orders with IKEA is only one quarter of those with other buyers (Dao and Buser 2011). The high-end buyers purchase smaller orders but with higher prices and quality requirements.

For this study, representatives of two European buyers were interviewed: One of them sources directly from the Vietnamese manufacturers (hereinafter referred to as Brand 1) while the other (Brand 2) purchases via vendors. Brand 1, a world-famous furniture brand, had 65 direct suppliers in Viet Nam in 2019, half of which were domestic companies. The purchasing criteria of Brand 1 at that time required: (i) low cost; (ii) quality; (iii) sustainability; (iv) growth; and (v) volume. It stressed increasing production volume for economies of scale, based on which the costs can be lowered. Brand 1 produces their own product designs and appoints the material suppliers. Suppliers to Brand 1 have to comply strictly with its technical, quality and sustainability standards. The orders are big and stable, but the profit margin is modest.

Brand 2 is a major supermarket chain that sells a variety of furniture products. Brand 2 has a number of vendors that are wholesalers and traders. Each vendor has their own network of suppliers. The vendors are in charge of product design, marketing, management of their own supply chains and selling to the retailers. The vendors offer product designs to Brand 2 and negotiate prices. Once the negotiation is complete, the vendor starts the production process. The vendor decides upon the suitable factories for manufacturing. Once selected, the vendor sends the product design to the factory for sample production, quotation and lead time negotiations. During the production process, Brand 2 is rarely engaged. In the case of Brand 1, the buyer closely monitors the manufacturing process, sometimes by sending their own specialists to the factories.

Corporate social responsibility policy

Generally, due to their domestic legal requirements, the buyers from the United States, Europe and Australia are concerned about suppliers’ compliance with labour standards, whereas the buyers from Japan, the Republic of Korea and China focus on quality. Eight of the nine surveyed companies that export to the United States, Europe and Australia must comply with codes of conduct on labour practices, such as the Business Social Compliance Initiative’s Code of Conduct, Sedex Supplier Code of Conduct and the Ethical Trading Initiative Base Code. The big brands tend to have their own CSR code of conduct, such as IKEA’s IWAY. The one factory that produces for Asian and domestic market is the only company in the survey that did not implement any code of conduct on labour standards. The audit requirements vary among buyers. According to the research, there are three types of CSR audit requirements:

Type 1: First-party audits

Only a small number of the major furniture brands, such as IKEA, use the first-party audits for their supply chain. The social audits are conducted by the brand’s local audit team, and the suppliers do not have to pay for the audit fees. There are three stages of audits:

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10 In-depth interviews, April 2019.
11 In-depth interviews with IKEA and John Lewis, April 2019.
12 Also interview with IKEA representative, April 2019.
1. **Pre-assessment audits:** When a new supplier is to be considered for cooperation, the brand’s audit team conducts a pre-assessment audit to make sure that the supplier meets the minimum CSR standards. For IKEA, the minimum standards include no violation of the five core standards in IKEA’s code of conduct and compliance with at least 90 per cent of the CSR standards in IWAY.\(^{13}\)

2. **Regular audits:** During the time of cooperation, the supplier is audited regularly, usually once every two years. If non-compliance is found, the suppliers are often given a specific time to correct; otherwise, the orders are subject to postponement or even cancellation. However, the proportion of suppliers suspended due to violations of CSR standards has been extremely small. In the five years between 2014 and 2019, for instance, IKEA had only suspended two suppliers.\(^{14}\)

3. **Self-evaluation:** For the suppliers that have established a long-term partnership with the brands and have achieved a high level of compliance, the brands do not audit but require them to conduct self-evaluation. However, the suppliers in Viet Nam that have reached the stage of self-evaluation are limited among the major FDI firms only.

**Type 2: Third-party audits**

Most of the wholesalers and smaller retailers rely on third-party audits to monitor their supply chains. If the suppliers sell through intermediaries, the audit fees are covered by the vendors. In case the suppliers sell directly to brands, the audit fees can either be shared between the two parties or paid by the suppliers. Similar to Type 1, the suppliers are subject to pre-assessment audits and regular audits. The buyers provide a short list of third-party auditing agencies with the suppliers, and the latter has the freedom to choose the company to conduct the audit. In Type 2, the buyers only accept the results of their authorized auditing agencies.

**Type 3: Sharing audit records**

In Type 3, the buyers accept the third-party CSR certification that the suppliers have achieved, though not under their direct authorization. For instance, many furniture buyers mutually recognize the Business Social Compliance Initiative or Sedex audit records. The brands that are members of the Ethical Trading Initiative also accept its audit records. As the sustainability manager of Brand 2 explained:

> “The factories have to present their ethical audit report, which is conducted by a third-party independent auditor. In our case, we accept [Ethical Trading Initiative], Sedex and [Business Social Compliance Initiative] audit reports. The ethical audit report is graded by our internal team according to the number and severity of issues found by the auditor. If the factory is unable to meet our requirements they will not be approved.”

In Type 3, a factory only needs to conduct one social audit and submit it to several buyers. Still, the audits must be repeated every two years, and the supplier must prove able to meet the minimum requirements of each buyer.

The interviewed buyers admitted that there can be loopholes in CSR monitoring, which they have not been able to address. Because the buyers must rely totally on the factories’ good will and the third-party auditors to check on the factories’ compliance, it may happen that the auditors are bribed and/or the factory management cheat by “double-booking”.\(^{15}\) As the production manager of a European wholesaler explained:

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13 Interview with IKEA Viet Nam Compliance Officer, April 2019.
14 One supplier was suspended due to double-booking and the other because of outstanding social insurance debt (Interview with IKEA compliance officer).
15 “Double-booking” refers to the practice of a company keeping two systems of reporting on wages, working time, disciplines, etc., with one as the actual record and the other is the fabricated one shown to auditors and inspectors.
“I will not accept double-booking. If they ask workers to do overtime, they must pay for that. But I don’t know what are the rules for overtime in Viet Nam. I don’t need to see the salary books, but we require the factories to show the books to the auditors. If violations are found in the audit reports, I encourage the factories to play by the rules, ask them to correct them. Still, I’m not 100 per cent sure because sometimes factories pay auditors money. But if I find out, we will stop cooperation with the factories.”

“Compliance with CSR is only the precondition to export to the United States or European Union. Yet, the volume of orders or prices are determined by the factory’s production capacity. Therefore, when exporting factories are required to sustain CSR compliance every year, it is very challenging for the SMEs.”

**Conflict between procurement and CSR practices**

According to the survey findings, the big-sized suppliers have better CSR awareness and compliance. These factories have both the resources and production capacity to receive big orders while complying with the CSR standards. The SMEs often must struggle between upholding CSR standards and the need to sustain their business. As the owner of a domestic supplier explained:

“Our company only targets [CSR] compliance ranking C, which is the minimum threshold for the buyers. We still have some areas that need to be improved, but we do not have the resources to comply fully. The big buyers always stress on CSR compliance but their purchasing prices are low. We have to diversify our client portfolio to sustain the business.”

While compliance with CSR standards tends to increase the costs for the suppliers, the procurement decisions by the buyers do not take into account the CSR performance of the suppliers. Instead, procurement decisions are based upon the factories’ production capacity and costs. According to a leader of the Binh Duong Furniture Association, the lack of linkage between CSR compliance and purchasing volume from buyers has created difficulties for the SMEs:

The conflicting pressures of procurement and CSR policies exert negative impacts on the human rights practices of the suppliers in the global supply chains. Anner (2015), for instance, found that declining prices paid by lead firms, short lead times and contract volume fluctuations led to workers’ rights abuses, such as chronic overtime and unauthorized outsourcing. In Viet Nam, Do (2016) found in the Bangladesh garment industry that the conflicting pressures of procurement and CSR policies of the buyers in the garment, footwear and electronic industries resulted in violations to keep the costs down, such as wage theft, double-booking and evasion of social insurance contributions.

To prevent the adverse impacts of the conflict between procurement and CSR on the supply chain, it is important that the buyers establish a close link between the CSR performance of suppliers and procurement decisions. For instance, H&M, Nike and Adidas created sustainability scoring systems in which the supplier with the higher CSR score receives priority in order allocation (Adidas 2016; H&M Group 2016; Nike 2015).
Chapter 3. Labour practices in the furniture industry

3.1 Overview of the labour force in the wooden furniture industry

According to the General Statistics Office’s Statistical Book 2020, there were 5,338 furniture companies in 2019, employing a total of 384,254 workers (GSO 2020). In 2019, women accounted for 42.4 per cent of labour in the furniture industry.

The shortage of labour skills has always been a challenge for the wood-processing industry. The employees with university degrees accounted for 2–3 per cent of the workforce in 2018, and technical workers accounted for 20–30 per cent, while the rest were unskilled labour. The seasonal workers accounted for 35 per cent of the total labour force. The wood-processing industry as a whole needed an estimated 64,000 employees with tertiary education by 2020; as of 2019, there were only 4,000 employees with that level of education, or one engineer per firm on average. Poor labour quality was regarded as one of the reasons for the low productivity of the Vietnamese wood industry when compared with other countries.

The survey for this study found that the furniture firms in Binh Dinh, Binh Duong and Dong Nai provinces faced a shortage of both skilled and unskilled labour as of 2019 (table 5 gives an indication of the shortage based on an overview of the furniture industry in 2017). Regarding the unskilled labour, the furniture companies in Binh Dinh could not attract young male workers, who tend to migrate to Ho Chi Minh City for higher-paying jobs. Instead, the firms had been relying more on local, middle-aged female workers. According to the Forest Product Association Binh Dinh, women accounted for 40 per cent of the labour force in 2019, and 54 per cent of the workers were of older than 35 years. Faced with the same shortage of labour supply, the furniture firms in Binh Duong and Dong Nai lowered their entry requirement for unskilled labour to primary education. The shortage of unskilled labour had been an important driver for the furniture companies to adopt automation. The surveyed companies in Binh Dinh, for instance, had reduced their total headcount between 2014 and 2019 by 30 per cent, on average, whereas their production output had increased by 15–25 per cent.

16 There were no statistics available on the labour force in furniture companies.
18 The labour productivity of the Vietnamese wood industry in 2015 was equivalent to 50 per cent of the Philippines’ productivity and 40 per cent of China’s productivity (Nguyen 2015).
19 Interview with the vice-president of Forest Product Association Binh Dinh, April 2019.
20 Interviews with managers of furniture firms in Binh Duong and Dong Nai, April-May 2019.
21 Ibid.
While the shortage of unskilled labour can be partially addressed by automation and the reduction of recruitment requirements, the lack of skilled labour has seriously affected the furniture firms’ ability to upgrade economically and increase their added value in the supply chain. The first group of required skills are the technicians and skilled workers who can operate and maintain new machines. It is difficult to recruit these technicians and skilled workers from vocational training schools because the supply of graduates remains limited and the labour quality is not up to the factories’ expectations. Big firms, such as Scancom, run their own training centre (Scancom Academy) to provide the labour skills they need. The SMEs have turned to on-the-job training to upskill their workers. Some companies also cooperate with technical schools to train their workers on new skills. A few other companies had requested the machine providers to send their own technicians to the factories to train their workers on the new machines.

The second group of skill deficiency includes the engineers, product designers and marketing officers. To move up the value chain, the furniture companies must be able to develop their own designs, update to new technologies and connect with international buyers. Therefore, high-skilled employees are of crucial importance. However, only the big firms can afford these professionals. The deputy director of a medium-sized Vietnamese firm commented on the difficulties for SMEs:

“We want to create product designs as this may increase our profit by around 10 per cent, but recruiting designers is very expensive. We also want to connect with international buyers through overseas fairs, but we lack a marketing manager who can speak good English. Therefore, in the foreseeable future, we still have to work through vendors and produce based on their designs.”

### 3.2 Implementation of labour standards: Common practices and good practices

#### 3.2.1 Occupational safety and health

Work safety is a constant concern for the furniture industry. Two of the biggest risks in this industry are fire and occupational accidents. According to the Dong Nai labour inspectorate, OSH is the area with the highest non-compliance rate among the furniture companies in the province. In 2016, for instance, 87.5 per cent of the inspected furniture companies did not have complete OSH rules and procedures in place; 87.5 per cent failed to provide regular health checks for workers, and 75 per cent did not provide full personal protective equipment (table 6). Although the non-compliance rate for these aspects reduced in 2017, they remained the most challenging area for the furniture companies in 2019.
Table 6. Non-compliance of OSH-related regulations by wooden furniture enterprises in Dong Nai Province, 2018

<table>
<thead>
<tr>
<th>Violations</th>
<th>% of non-compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016 (n=34)</td>
</tr>
<tr>
<td>Incomplete rules and procedures on OSH</td>
<td>87.5</td>
</tr>
<tr>
<td>Shortage of regular health checks for workers</td>
<td>87.5</td>
</tr>
<tr>
<td>Lack of classification of heavy, dangerous and toxic jobs</td>
<td>75.0</td>
</tr>
<tr>
<td>Lack of required OSH trainings</td>
<td>75.0</td>
</tr>
<tr>
<td>Insufficient provision of personal protective equipment</td>
<td>75.0</td>
</tr>
</tbody>
</table>


The interviews with the international buyers made clear they prioritize auditing the fire prevention system and chemical safety for the workers in their supplying factories. However, these are also the most difficult areas for the SMEs to improve because the correction may require costly infrastructural and technological upgrading. According to the surveyed companies, SMEs opt for gradual improvements. The growing level of automation has also reduced the rate of occupational accidents for the past few years.

Apart from improving the infrastructure and technology, the education of workers on OSH rules is important for ensuring work safety in the research for this study. The Dong Nai labour inspectorate found that more than half of the inspected furniture companies did not provide all of the compulsory OSH trainings for workers in 2017. Many workers had low awareness of complying with OSH rules. The Business Social Compliance Initiative’s audit reports, for instance, pointed out that many workers used little protective equipment other than gloves and face masks. Some workers did not wear ear plugs or changed from shoes to slippers while working. A female worker in the sanding section of a surveyed company admitted in a group discussion:

“It is very dusty in the sanding workshop. When I go home, I am usually covered in dust. I tried to wear the mask but it is very hot and sometimes unbreathable. So sometimes I did not use the mask although I knew it would not be good for my health.”

However, many of the surveyed companies had good practices for improving work safety. To improve workers’ compliance with OSH rules, a few companies conduct repeated trainings and provide incentives to workers with good compliance. As a manager of an FDI company said:

“At first, the workers refused to wear masks, earplugs and shoes because they were not used to them and [they] felt uncomfortable. So, we did monthly trainings for the workers about the possible risks of not using protective equipment. We also added a small bonus for those who use protective equipment properly. But it all took a long while for them to get used to it.”

Some companies also set up their own network of safety officers in all production sections. These safety officers frequently contact all the departments and the top management to report any potential risk. The safety officers also provide on-the-spot support to employees on safety issues in all shifts.
To quickly deal with fire, a major FDI company in Binh Duong established their own fire-fighting team with one fire truck. The fire-fighting team also serves other companies in the neighbourhood.

### 3.2.2 Working hours

The overtime limit (especially the monthly limit of 30 hours) is a major compliance challenge for the furniture companies. According to the Dong Nai labour inspectorate, 87.5 per cent of the inspected furniture companies, which included both FDI and domestic ones, violated the overtime limit in 2016. This non-compliance rate reduced by 14.3 per cent in 2017, but excessive overtime remains the biggest challenge of compliance for the wooden furniture companies. For years, exceeding the overtime limit had been one of the most common violations of export-oriented manufacturing industries, including garment, footwear, electronics, food processing as well as wood-processing. For instance, Better Work Viet Nam\(^2^2\) reported that 77 per cent of their member companies violated the overtime limit in 2017.\(^2^3\) In the 2017 Inspection Campaign of the electronic industry, 130 of 216 inspected companies were found exceeding the overtime limits (MOLISA Labour Inspectorate 2017).

The interviews with the furniture companies affirmed that overtime limits remain a major challenge, especially during the high season. Some of the causes cited by the management of these companies:

1. delay of imported materials;
2. poor production planning;
3. urgent or changing orders from the buyers; and
4. demand from workers for overtime to improve their income.

### Good practices

The research found that several companies had managed to keep their overtime record below the legal limit while maintaining sustainable business performance and lowering labour turnover.

1. These companies established a portfolio of long-term clients and buyers who place stable orders every year. The long-term partnership with the buyers allowed the manufacturers to make production planning for the whole year and prevent delays in sourcing materials. Apart from the long-term clients, some companies still sell to new clients, which account for a small proportion, to ensure that any unexpected changes will not cause major fluctuations in production.

2. To reduce the pressure from workers for more overtime, these companies provided a generous benefit package. While the wage rate remained similar among companies in the region, these companies offered their workers travel allowances, child care benefit and financial support to build a house or purchase household appliances.

3. These companies invested in upskilling and multiskilling the core part of their labour force.\(^2^4\) Because the core workers were able to perform tasks in different sections, they could be flexibly moved from one production line to another so as to reduce the need for overtime due to lack of labour or poor labour skills.

4. The firms that were exposed more to clients’ demand for compliance with the CSR standards tend to comply better with the labour regulations, including the overtime limit. In comparison, the awareness of the need to comply with the overtime limits in companies that sell to the buyers that do not regard CSR compliance as a priority tended to be much lower.

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\(^{22}\) Better Work Viet Nam is an ILO and International Finance Corporation-funded project that works in garment and footwear industries.

\(^{23}\) See https://betterwork.org/blog/portfolio/better-work-vietnam-annual-report-2017/.

\(^{24}\) In the SMEs, this core group accounted for up to 70 per cent of the labour force in 2018.
The research also found a growing trend of using temporary workers during high seasons to reduce the need to work excessive overtime. According to the surveyed enterprises, the proportion of temporary workers recruited can be up to 30 per cent of their total labour force. The temporary workers are paid on a daily basis for up to one month. Although the use of temporary workers may reduce the pressure to work overtime, it may also cause challenges for the firms, including higher risk of accidents (because the temporary workers are not properly trained on safety rules) and a higher production faulty rate (because the temporary workers are not as skilled as the regular workers). The sudden growth of orders resulting from the ongoing United States and China trade war may increase the trend of using temporary workers among the exporting furniture firms.

3.2.3 Wages and benefits

The surveyed furniture firms applied two payment schemes for the rank-and-file workers: The machine operators were paid on a monthly basis, while the manual workers in assembling and finishing were paid on a piece rate. The basic salary was slightly higher than the regional minimum wage. As noted previously, the workers also received allowances and benefits, such as travel allowance, compliance allowance and childcare benefit. Overtime pay accounted for 25–35 per cent of the net income of workers. Without overtime pay, an average worker in Binh Dinh earned 4–4.5 million dong per month in 2019, and those in Binh Duong and Dong Nai earned 5 million dong per month. During the high season, the overtime pay could increase their income to 6–7 million dong in Binh Dinh and 7–8 million dong in Binh Duong and Dong Nai.

The net regular income of workers in Binh Dinh (minimum wage region 4) and Binh Duong (minimum wage region 1) was compared to the living wage benchmarks calculated by the Wage Indicator Foundation, a Dutch non-governmental organization that uses the Anker Living wage methodology to estimate the living wages for 125 countries, including Viet Nam. In 2018, the Wage Indicator Foundation published the living wage estimates for December 2018 in Region 1 and 4 of Viet Nam. This report applied the net living wage estimates for a standard family of two adults and two children (figure 4).

Figure 4. Comparing net income of furniture-making workers in Binh Dinh and Binh Duong provinces with the net living wage, 2018

Without overtime pay, the income of workers in Binh Dinh and Binh Duong provinces did not reach the living wage level in 2019: The net regular income of workers in Binh Dinh was 17 per cent lower than the living wage of Region 4, while that of Binh Duong was 28 per cent lower than the Region 1 living wage estimate. Clearly, the workers in both provinces could only reach a liveable wage when they worked overtime, especially for the workers in Binh Duong Provinces. This explains the urge of workers for more overtime work.

25 Interviews with furniture companies in Binh Dinh and Binh Duong provinces, April–May 2019.
3.2.4 Employment is freely chosen

The violations of this standard in many manufacturing industries in Viet Nam are not uncommon (Do 2016; Do 2017; ILSSA, ILO and NIRF 2019). The most frequently reported types of violation included:

1. **Forced overtime**: Workers were pressured or threatened to take up overtime against their will.

2. **Limited toilet breaks**: The managers used different ways to prevent workers from taking toilet breaks, such as granting a limited number of toilet break cards, providing for the maximum times of toilet breaks, cutting off a bonus if a worker took longer-than-usual time for toilet breaks.

3. **Creating difficulties for workers to take paid sick leave or resign legally**: The management in some companies refused to accept the sick leave requests or resignation letters.

According to the reports of the labour inspectorates, these violations were not common in the furniture industry, although there had been several cases of limited toilet breaks. One company in the survey also applied the restriction of two toilet breaks for each shift.

3.2.5 Child labour

According to the 2018 National Child Labour Survey findings, there were 15,822 child labourers in the furniture-making sector, three quarters of whom were aged 15–17 (table 7). In accordance with the Labour Code, enterprises are allowed to employ minor workers younger than 18 years, but their working time must be shorter than the adult workers. The law also prohibits using minor workers in heavy and dangerous jobs that, in the furniture-making industry, include operating sewing and planing machines or carrying heavy wood logs.

### Table 7. Child labourers in the furniture sector of Viet Nam, 2018

<table>
<thead>
<tr>
<th>No of child labourers in furniture sector</th>
<th>% of national incidence</th>
<th>By age group (%)</th>
<th>By sex (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>12–14</td>
<td>15–17</td>
</tr>
<tr>
<td>15,822</td>
<td>1.8%</td>
<td>25.4</td>
<td>74.6</td>
</tr>
</tbody>
</table>


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27 Group discussion with the workers, May 2019.

28 Interviews with human resources managers, April–May 2019.


30 Minor workers aged 15–17 years cannot work more than eight hours per day and 40 hours per week; minor workers aged 13–15 years cannot work more than four hours per day and 20 hours per week (2012 Labour Code; article 163; 2019 Labour Code, article 143).

31 Circular 10/2013/TT-BLĐTNXH.
The 2016 survey of 154 export-oriented wood-processing companies by the World Trade Organization Centre established that this rate of using minor workers was bigger for the domestic firms than the foreign-owned ones. In particular, the survey found that on average there were 2.5 workers either younger than 18 years or older than 60 years among the domestic firms. This figure among the FDI companies was 0.5 workers per enterprise (WTO Centre 2018). There was also a high risk of not complying fully with the regulations on using minor workers. According to the reports of Dong Nai Labour Inspectorate, 33 per cent of the inspected wood-processing companies in 2017–18 violated the legal provisions on using minor employees.32

The risk of violating the corporate social responsibility standards by recruiting minor workers also made exporting firms resistant to hiring workers younger than 18 years. Eight of the nine exporting furniture companies in the three provinces that were surveyed claimed that they only used workers aged at least 18 years. Denied of employment opportunities in the formal sector, the young workers may seek hazardous jobs in the informal sector or with subcontractors to the exporting companies.

In an effort to foster the legal and sustainable inclusion of minor workers into the furniture supply chain and minimize the risks of young workers seeking hazardous jobs, IKEA Viet Nam initiated a pilot project to include young workers in its supply chain. The project, which started in 2017, led to the recruitment of 88 youth in five supplier factories. The young workers were disadvantaged youth who had dropped out of school. The young workers who were hired as part of this project were guaranteed full wages and training opportunities throughout their time at a factory. The emphasis of the trainings was on technical skills, but the young workers also learned life skills.33 According to an FDI company representative participating in the IKEA project, this initiative did not bring immediate economic benefits but had important implications for the whole industry:

“Our company received 19 young workers as part of this project. We invested a lot, including intensive trainings and coaching. So far, we have not gained any tangible benefit from the project yet but I think it has important meaning for the industry. Hopefully it will change the common policy of not using young workers; instead, we should use them in a legal and sustainable way.”34

3.2.6 Non-discrimination

While gender-based discrimination remains a challenge in a number of furniture companies (discussed in the next chapter), the research for this study found no evidence of discrimination on other grounds among the surveyed firms. Instead, there were several good practices of eliminating discrimination in work and employment.

**Inclusion of people with disabilities:** One company in Binh Duong Province recruited six workers with disabilities and provided them with on-the-job training. These workers were paid the same as other workers.

**Inclusion of older workers:** Workers older than 50 years have limited employment opportunities, although many of them are able and willing to work to support their families. There have been reports of workers older than 35 years being laid off by companies in other manufacturing industries.35 The furniture companies, on the contrary, have been open to older workers. According to the Forest Product Association Binh Dinh, workers older than 46 years accounted for 15 per cent of the total labour force of wood-processing companies in the province.

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32 ILSSA, ILO and NIRF 2019.
33 Interview with IKEA Viet Nam compliance officer, April 2019.
34 Interview with human resources manager of an FDI furniture company, April 2019.
3.2.7 Freedom of association and collective bargaining

The historical background of the Viet Nam General Confederation of Labour and its long-lasting alliance with the Communist Party granted it a special position in the political regime. It is one of the socio-political organizations subordinate to the Communist Party-controlled “Fatherland’s Front.” In addition, the Viet Nam General Confederation of Labour is recognized as the sole representative organization of all workers in Viet Nam by the revised State Constitution of 2012 (article 10). Despite the legal changes in the early 1990s, which laid the regulatory foundation for labour-management negotiation in the workplace, the labour relations practices of state-owned enterprises remain largely unchanged. Collective bargaining, handling of grievances and settlement of labour disputes have been adopted by state-owned enterprises merely as formalities, without having any practical impact on the labour-management relationship (Do 2017). Particularly, the company unions in state-owned enterprises have not changed their traditional socialist approach and have become even more dependent on the management. In other words, the labour relations processes in the state-owned enterprises were not substantially different from the practices in the socialist command economy, despite a different labour-management relationship that the State has officially promoted.

The model of enterprise unions in the state-owned enterprises was largely transferred to the non-state sector. It is common to find enterprise union leadership dominated by high-ranking managers (Trinh 2014). These enterprise unions often operate as an “extended arm” of the personnel department of the company and provide the stamp of legitimacy for management’s decisions. This specific union model was found among the surveyed enterprises.

All of the surveyed enterprises were organized. The union leaders were typically mid-level managers (such as production managers or human resources managers) and their key function was to handle welfare issues, such as organizing entertainment or sport events and paying visits to sick workers. The union leadership was dominated by the male representatives while the female unionists served as shop stewards. The enterprise unions in general were not active in representing workers’ voice, either in handling grievances or in negotiations with the employers.

The enterprise unions were far from the trusted grievance channel for workers in all of the surveyed enterprises, mainly because unionists were part of the management structure. The interviewed workers did not regard grievance handling as a function of the trade union. When asked if she had ever voiced her grievances through the enterprise union, a worker said:

“The union is not responsible for receiving grievance. They [the union leadership] are in charge of visiting sick workers and organizing factory parties. If I have a grievance, I will go straight to the human resources department.”

36 Viet Nam Fatherland’s Front is an umbrella group of pro-government “mass movements” and has close links to the Communist Party of Viet Nam and the Vietnamese Government. It is an amalgamation of many organizations, including the Viet Nam General Confederation of Labour, the Youth League, the Women’s Union, the Farmers’ Union and the Veterans’ Union, among others.
37 The revision of the Labour Code in 2019, which took effect 1 January 2021, allows for workers to establish representative organizations that are not affiliated with the Viet Nam General Confederation of Labour. However, at the time this report, which was written in 2019, was published in 2022, the Government had not issued the guidelines (decree) for the registration, establishment and operation of these workers’ representative organizations.
38 For further information about unions in countries in transition like Viet Nam, China and the Russian Federation, refer to Pringle and Clarke (2011) and Clarke, Lee and Do (2007).
39 This study was conducted in 2019, before the 2019 revisions to the Labour Code and before the provisions for the formation of non-Viet Nam General Confederation of Labour-affiliated worker organizations took effect.
40 There is one firm in which the union chairman was the deputy director.
The research also found that wage bargaining and consultation with workers on wage-related issues were not common practices among the furniture companies, either domestic or foreign-owned. According to the workers, wages increased once or twice per year and the rates were decided by the management without consulting the workers.

Table 8. Unions and workers’ grievances in the surveyed companies

<table>
<thead>
<tr>
<th>Enterprise union</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Union chairperson</td>
<td>Male: 88% (n=9)</td>
</tr>
<tr>
<td>Most effective grievance channel</td>
<td></td>
</tr>
<tr>
<td>SMEs: director</td>
<td></td>
</tr>
<tr>
<td>Big companies: human resources department</td>
<td></td>
</tr>
<tr>
<td>Workers’ biggest concerns</td>
<td></td>
</tr>
<tr>
<td>Work safety (dust, noise, electricity)</td>
<td></td>
</tr>
<tr>
<td>Low wages</td>
<td></td>
</tr>
</tbody>
</table>

Source: Interviews with union chair people and group discussions with workers, April–May 2019.

There were two types of grievance handling (table 8). In the big companies, the responsibility of addressing workers’ grievances was delegated to the human resources department, usually after the workers had voiced their opinions to their team leader. The workers could alternatively bypass the team leader and take their grievances directly to the human resources department if necessary. In the SMEs, the directors or their deputies were directly in charge of addressing workers’ grievances. The directors and owners of the SMEs in the survey were particularly attentive to receiving and resolving workers’ grievances. As one worker in a SME explained:

“The director is very accessible. He often walks around the factory and talks to us. If we have any question or request, we can talk to him directly. He is also receptive to our requests; so, we feel comfortable working here.”

The interviews revealed that the wooden furniture firms, especially the domestic ones, had maintained a dual system of labour-management dialogue. The firms had to comply with the legal regulations on organizing quarterly labour-management dialogues and worker congresses, which were more of a formality. But the firms conducted genuine dialogues with their workers on a much more regular basis and in the ways that fit their company culture. For instance, one company organized general meetings between the director and all workers every Monday morning to discuss production issues and address workers’ questions. In another company, the top management met with each production section every month so as to quickly handle any concern among workers. The interviewed managers insisted that communicating with workers on a weekly or even daily basis was crucial for healthy labour-management relations.

An important feature of labour relations in the domestic furniture SMEs was the community-oriented approach of the management. The management tended to treat their workers, who were mainly people from the local villages, as members of a community. The management had been responsive to workers’ concerns and demands. The SME management had built a long-term relationship with their employees by regular communication, handling grievances and providing financial support to workers experiencing difficulties. The workers regarded the firms not just as a workplace but more a community that they felt a belonging to. When asked if he would work for another company for higher pay, a worker said:

“I will not because I have worked here for a long time. The director has helped me through many difficulties. As long as he [the director] is here, I will not quit the job.”

One important reason for the wooden furniture firms to maintain healthy relations with their workers was the need to compete for labour with other manufacturing firms, such as garment, footwear or electronics, which generally pay higher wages. Also, labour skills remain important in
furniture-making. Therefore, the furniture firms have a strong motivation to be responsive to their workers’ demands to retain the skilled workers who are crucial for their business. As a result, although the wood-processing industry is known among the workers for low pay and heavy workload, the surveyed firms had been able to keep their core labour force stable.

The incidence of (wildcat) strikes in the wood-processing industry remains low compared to the garment, footwear and electronic sectors. The wood-processing industry accounts for less than 10 per cent of the national strike number, or around 20 cases per year (figure 5).

![Figure 5. Strike incidence in the wood-processing industry, 2014–2017](image-url)

Source: Viet Nam General Confederation of Labour strike statistics.
Chapter 4. Equal opportunities for women in the wooden furniture industry

4.1 Overview of gender equality in employment

The ILO’s 2019 global report *Women in Business and Management: The Business Case for Change* presents a strong case for promoting equal opportunities for women in business. Based on a thorough survey of 13,000 enterprises in 70 countries, the report concluded that gender diversity initiatives improve business outcomes: Almost three quarters of those companies that tracked gender diversity in their management reported profit increases of between 5 per cent and 20 per cent, with the majority seeing increases of between 10 per cent and 15 per cent. And at the national level, an increase in female employment was positively associated with gross domestic product growth (ILO 2019). Creating equal opportunities for women in employment and management offers a pathway for companies to improve their business performance and for economies to boost growth.

Viet Nam has one of the highest female labour force participation rates in the ASEAN region, at 73.2 per cent in 2015 (ILO 2019). The qualification and employability of female employees has improved significantly in the past decade: The percentage of trained female employees increased from 12.8 per cent to 18 per cent between 2010 and 2016 (GSO 2016). Women accounted for 53.8 per cent of total tertiary graduates in 2019, an important rise from 42.4 per cent in 2005 (ILO 2019). However, Vietnamese women have not been able to achieve a commensurate role in business management. According to the General Statistics Office’s Enterprise Survey findings for 2016, only 23.1 per cent of enterprises had a female CEO; 16.3 per cent of enterprises had a female chairperson on the board, and 1.4 per cent of enterprises had a majority-female board (GSO 2016). Women in all job positions were not paid equally with their male colleagues, with gender pay gaps ranging from 12 per cent to 19.4 per cent (figure 6).

Figure 6. Gender pay gaps, by job position, 2016

<table>
<thead>
<tr>
<th>Job Position</th>
<th>Gender Pay Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manager</td>
<td>12%</td>
</tr>
<tr>
<td>High-skilled technicians</td>
<td>19.4%</td>
</tr>
<tr>
<td>Mid-skilled technicians</td>
<td>16.4%</td>
</tr>
<tr>
<td>Unskilled</td>
<td>15.6%</td>
</tr>
</tbody>
</table>

According to the ILO *Women in Business and Management* report, the beneficial effects of gender diversity begin to accrue when women hold 30 per cent of senior management and leadership positions. However, women's share of the top and senior managerial positions in Viet Nam in 2019 was less than 10 per cent and only 5 per cent of enterprises had an equal employment or diversity and inclusion policy (ILO 2019). In other words, Vietnamese businesses have a long way to go to tap into the invaluable talent pool of female managers and workers. This chapter assesses the opportunities of and challenges to women’s participation in the employment and management of wooden furniture-making companies. Good practices are featured, followed by recommended measures to create a more enabling environment for female employees and managers.

4.2 Recruitment, assignment and promotion of female employees in the wooden furniture industry

Overall, women accounted for 44 per cent of the total labour force in the wooden furniture industry in 2019. However, the survey of nine companies found that women represented a growing proportion of the rank-and-file labour force. As table 9 shows, women accounted for an average of 50.7 per cent of the rank-and-file labour force of the surveyed companies. Women also had a significant presence in the production team leadership, at 45 per cent of junior management positions. However, women only occupied 25.5 per cent of the senior management positions (this percentage was slightly lower than the national figure of 27.2 per cent) (ILO 2019).

<table>
<thead>
<tr>
<th>Company</th>
<th>Province</th>
<th>% female rank-and-file workforce</th>
<th>% female team leaders</th>
<th>% female senior managers*</th>
</tr>
</thead>
<tbody>
<tr>
<td>FDI 1</td>
<td>Binh Duong</td>
<td>30%</td>
<td>50%</td>
<td>20%</td>
</tr>
<tr>
<td>FDI 2</td>
<td>Dong Nai</td>
<td>65%</td>
<td>60%</td>
<td>60%</td>
</tr>
<tr>
<td>POE 1</td>
<td>Binh Dinh</td>
<td>77%</td>
<td>60%</td>
<td>0%</td>
</tr>
<tr>
<td>POE 2</td>
<td>Binh Dinh</td>
<td>57.8%</td>
<td>50%</td>
<td>0%</td>
</tr>
<tr>
<td>POE 3</td>
<td>Binh Dinh</td>
<td>60%</td>
<td>25%</td>
<td>0%</td>
</tr>
<tr>
<td>POE 4</td>
<td>Binh Dinh</td>
<td>62%</td>
<td>50%</td>
<td>0%</td>
</tr>
<tr>
<td>POE 5</td>
<td>Binh Duong</td>
<td>25%</td>
<td>30%</td>
<td>0%</td>
</tr>
<tr>
<td>POE 6</td>
<td>Binh Duong</td>
<td>40%</td>
<td>30%</td>
<td>100%</td>
</tr>
<tr>
<td>POE 7</td>
<td>Binh Duong</td>
<td>40%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td></td>
<td><strong>50.7%</strong></td>
<td><strong>45.0%</strong></td>
<td><strong>25.5%</strong></td>
</tr>
</tbody>
</table>

Note: *Senior managers include the top executives (CEO, deputy directors and heads of department).
Source: In-depth interviews with human resource managers, April–May 2019.

Traditionally, women were only recruited into the so-called “softer” low-skill jobs, such as sanding and packaging. The skilled jobs, including machine operating, assembling, measuring and chemical-handling, which are also better paid, were given to men. Such gender-based classification of jobs reflects both hostile and benevolent sexism, which is deep-rooted among the management in the wooden furniture industry. From the perspective of hostile sexism, women are regarded as inferior to men, such as being weaker or less capable in technical skills, while benevolent sexism often

41 Statistics provided by the Binh Duong Furniture Association and Forest Product Association Binh Dinh.
associates women with positive traits that men lack, such as caring, detail-orientation and communality. The combination of these attitudes maintains the traditional gender-role stereotyping and male-dominated societal structure (Glick and Fiske 2000; Nadler and Morrow 1959). This is reflected in the wooden furniture firms, where women were not allocated to skilled jobs because they are supposedly “too hard and heavy” for women. A human resources manager explained his policy of job allocation as follows:

“For each job, we will consider whether the job is fit for a man or woman. In some sections, such as assembling, chemical and cutting, we always choose men because the jobs are heavy and dangerous for women.”

As a consequence, these prejudices have also affected the upskilling opportunities for women. When selecting workers to attend skill trainings, according to survey responses, management tends to prioritize men over women because they see women unfit for skilled jobs.

Gender-based discrimination in recruitment and job allocation in the surveyed enterprises is gradually lessening due to two important factors: the shortage of (male) labour supply and the rise of female managers. In Binh Dinh, the shortage of male workers in the local labour market had resulted in furniture firms recruiting more middle-aged women, and not just in the traditional female-dominated sections like sanding and packaging. Women had received more opportunities for upskilling through on-the-job training to work in higher-skill jobs, such as measuring and machine operating. As the owner of a medium-sized furniture company in Binh Dinh explained:

“It is always easier for me to talk to female managers. As women, they understand my issues and concerns, such as family issues or health issues.”

Another factor that may change the sexist attitude towards recruitment, assignment and skill training in the furniture industry is the increasing growth of female managers, including female CEOs. Among the surveyed companies, three were led by a female CEO. The female executives tended to be more open to offer training and promotional opportunities for women. When asked if it is true that some jobs in the wood industry are too hard for women, the female CEO of an FDI company argued:

“That is not true. In our company, women are allowed to do any job they are capable of. For example, measuring used to be regarded as too technical for women but our company has successfully trained many female workers to master this skill. If the job involves heavy lifting, we may revise it so that two women can join hands to reduce the workload.”

Additionally, the female workers tended to be more open to female managers and unionists. As many as 85 per cent of the interviewed female workers in the survey affirmed that they found it easier communicating with female managers and union officials than with men, especially regarding women-specific issues. As a female worker explained:

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42 Interview with the human resources manager of an FDI company, April 2019.
As a result, many furniture companies had appointed women to lead the production teams that had a majority of female workers.

Still, promotion of women to senior managerial positions remained rare in the industry as of 2019. While women accounted for 50–60 per cent of the team supervisors in many of the surveyed companies, men dominated the senior posts. In the survey for this study, five of the nine companies had no woman in senior management. Women in senior management were found mostly in the accounting, administration or human resources management departments.

4.3 Promotion of women in the furniture industry: Obstacles and good practices

This research entailed interviewing at least one senior female manager and three to five female workers in each factory, seeking to identify the obstacles they face as women in the furniture industry. The interviews granted the opportunity to compare the successful and unsuccessful experiences of women in attaining promotions in the factories. The findings of these interviews point to four main obstacles to women’s promotion to higher-ranking positions in the furniture industry:

Discriminatory management in recruitment, skills training and promotion

As explained earlier, the management’s sexist approach to recruitment, training and promotion, either hostile or benevolent, had created major obstacles to women’s rise in skill development and management. Several cases in this research prove that the belief that women are not fit for technical and managerial jobs are groundless. Two companies headed by female CEOs in this survey provided equal upskilling and promotional opportunities to both women and men. A number of women had become machine operators, technicians and senior managers.

Lack of female candidates in skill jobs

Even when the companies are open to recruiting women for technical jobs, it is difficult to find available female candidates. As of 2019, there were few female graduates from the technical colleges or female workers trained for high-skill jobs such as engineering or welding. As the human resources manager of a furniture company pointed out:

“It is not because we do not want to recruit female technicians, but almost all of the graduates from the technical schools in the neighbourhood are men.”

Although there was a shortage of external female candidates, the factories had been training their workers, including the female workers, with new skills. As explained earlier, whether or not women can benefit from the internal training programmes depends largely on the gender approach of management.

Lack of supportive systems for female employees

The shortage of support to working women in their household and family responsibilities has been the major obstacle to women’s advancement everywhere in the world. The 2019 ILO Women in Business and Management report pointed out that the lack of policies that support inclusivity and work–life balance (for both men and women), such as flexible working hours and paternity leave, is one of the key factors preventing women from reaching decision-making positions. When asked what may have hindered them from taking up promotional opportunities, the female workers and managers interviewed for this study cited the following factors:

1. **Cultural stereotypes** discriminate against career-oriented women. Male partners are not willing to share the household and child-rearing responsibilities. The women are also bound by the traditional belief that women who embrace career development are not good wives and mothers.

2. **Childcare services** are not available nor affordable in many regions, especially for migrant workers. Women either must leave their children in the home village or suspend their career to take care of young children.
3. **Enterprise cultures** are generally not designed to support working women. In many companies, promotion may entail more travelling and longer working hours, which creates difficulties for women to balance work and their household responsibilities. Consequently, many women turn down a promotion and even upskilling opportunities to save the time for their family.

Unfortunately, no good practices in terms of childcare services and enterprise cultures were found in this study. However, a supportive family background proved to be decisive for women. In the survey for this study, the women who successfully made it to senior management levels usually had supportive partners and families. A female production manager explained her success:

> “I think the most important factor in my career success is my husband. He was willing to take care of the children so that I could attend night classes. Sometimes he waited for hours to pick me up in the late evening.”

**Women’s self-stereotyping**

The responses from female workers that were interviewed presented repeated examples of self-stereotyping, such as, “women are not fit for ‘men’s’ jobs”, “women should prioritize family over career”, “women should not be ambitious” and “management positions are for men”. These beliefs have stopped many women from improving their skills to pursue promotional opportunities.

4.4 **Recommended measures for businesses and local authorities to create a more enabling environment for female employees**

With the shortages of labour and skills in 2019 by the wooden furniture companies, creating an enabling environment to attract, retain and develop a female labour force will be necessary and beneficial for businesses. As asserted by the ILO global report, engaging women in business and management improves business outcomes significantly. To improve the working environment for female employees, therefore, the following measures should be considered:

- **Businesses should develop gender-diversity policies** that ensure the provision of equal opportunities in recruitment, job allocation, training and promotion to overcome the discriminatory management practices that have deprived women of equal advancement in the workplace. Businesses should make clear in such a policy that both male and female candidates must be considered equally for any job position, training or promotion opportunities. There should be no job or position that only fits men or women.

- **Training** to raise awareness on gender equality is necessary for both the management and workers, including female workers. These trainings can help to undo gender stereotypes and self-stereotypes held by managers and workers.

- **Cases of successful female managers and business owners** in the industry can be shared widely, either through reports or public talks and among the managers, workers and trainees in the technical colleges and vocational schools.

- **Businesses and local authorities can cooperate to develop supportive services** for female workers, such as the provision of early childhood development and childcare facilities. Also, companies should invest in multiskilling their workers to reduce the pressure to work overtime during high seasons. Consequently, female workers can spend more time on family responsibilities when needed. The arrangement of trainings by companies should take into account the needs of female workers so that the women can fully participate in these courses.
Chapter 5. Conclusion and recommendations for ILO

The wooden furniture industry in Viet Nam is at the threshold of a new development stage, in which improving the awareness of and compliance with national and international labour standards has become an important condition for further market expansion and growth. This research found that the Vietnamese furniture-exporting companies have made efforts to comply with the CSR requirements by the international buyers. In so doing, the firms’ awareness of labour standards has significantly improved, compared with those that do not have to comply with CSR codes of conduct. A number of good practices were found among both domestic and foreign-owned furniture manufacturers to comply strictly with national and international labour standards. Still, the research points out challenges that will continue to hamper the efforts of the furniture companies, especially the SMEs, in achieving economic upgrading and better CSR compliance.

Challenge 1: Conflict between procurement and CSR policies of international buyers.

The procurement and CSR policies of the international buyers have created conflicting pressures on local manufacturers, especially for SMEs. On one hand, the buyers put downward pressure on prices; on the other hand, the CSR requirements have pushed up costs for the manufacturers. Such conflict threatens to result in violations and cheatings in the supply chains.

Recommendations

- This issue of conflict should be discussed in an industry dialogue between the buyers, suppliers and other stakeholders in search of plausible solutions.
- The ILO project can initiate discussions with the buyers about linking between CSR performance and procurement decisions to encourage better CSR compliance.
- The ILO project can share good practices in addressing the conflict between procurement and CSR policies in other industries to encourage discussion in the furniture sector.

Challenge 2: Shortage of support to SMEs in complying with CSR requirements.

The SMEs are facing the risk of being marginalized from big furniture supply chains as the major buyers prioritize bigger suppliers. Also, the SMEs lack the resources and support needed to improve their CSR compliance, which at times requires costly infrastructure and system upgrading.

Recommendations

- The ILO project can organize training for CSR officers in SMEs. These CSR officers can become trainers to improve the awareness and practices of their own companies in complying better with CSR standards. Multiple requests
Labour practices in Viet Nam’s wooden furniture industry: Challenges and good practices

for this were made by furniture companies throughout the research process, including by the Forest Product Association of Binh Dinh.

- The ILO project and the furniture business associations can collaborate to develop online libraries of CSR standards, CSR manuals and information about the sustainability requirements of important export markets.

- The ILO project and business associations can organize dialogues with multinational enterprises in the industry to discuss initiatives to support the SMEs to engage better in the global supply chains.

Challenge 3: Obstacles to women’s equal access to employment and promotion opportunities.

Gender-based discrimination in relation to recruitment, job allocation, training and promotion exists in the furniture industry, hampering women’s equal access to employment, training and promotional opportunities. Other obstacles to women’s promotion include the lack of female candidates with important technical skills, the shortage of supportive services for women to balance their work and household responsibilities and stereotypes held by many of the women themselves.

Recommendations

- The ILO project, together with business associations and major furniture brands, should encourage the manufacturers to develop a gender-diversity policy. Businesses should make clear in such a policy that both male and female candidates are to be considered equally for any job position, training or promotion opportunity.

- The ILO project, together with the local trade unions, business associations and major furniture brands, should organize trainings for both the management and workers (including the female workers) to raise awareness about gender equality.

- The ILO project, together with the local trade unions, should develop mechanisms, such as hotlines, that are designed for women workers to report issues and incidents relating to gender in employment. The hotline operators should be trained on gender issues and able to provide advice to the workers or refer the cases to the relevant authorities.

- The ILO project and business associations can share cases of successful female managers and business owners in the industry.

- Businesses and local authorities can cooperate to develop supportive services for female workers, such as childcare facilities competent in early childhood development.

Challenge 4: CSR is still regarded as an obligation for the exporting companies rather than a beneficial investment.

Most companies still find CSR compliance a burden imposed by international buyers. The initial empirical evidence from this study shows that companies that must comply with CSR standards tend to have better labour practices and thus a strong reputation, low labour turnover rate and reduced labour conflict.43

Recommendations

- The ILO project can develop business cases of CSR compliance among wooden furniture companies in Viet Nam, focusing more on the SMEs. Cost-and-benefit analysis of CSR compliance will present strong evidence to change the mindset of business owners.

- The ILO project can work with the business associations and trade unions to organize a multistakeholder forum on CSR in the wooden furniture industry. In these events, the companies with good practices in compliance can report their experiences and share lessons with others.

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References


Labour practices in Viet Nam’s wooden furniture industry: Challenges and good practices

EUROPEAN UNION

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