



International
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▶ Sustainable supply chains to build forward better

Advancing decent work in five global supply chains of key importance to the European Union for a fair, resilient, and sustainable COVID-19 crisis recovery

ELECTRONICS MANUFACTURING IN VIET NAM FOR THE EUROPEAN MARKET

About the EC-ILO cooperation

The European Union (EU) Programme for Employment and Social Innovation (EaSI) has partnered with the International Labour Organization (ILO) for a joint intervention that uses global supply chains as an entry point for advancing decent work.

Over two years, the ILO and its Decent Work Teams and Country Offices will support governments, employers' and workers' organizations and other stakeholders in five countries and in further tiers of the supply chains, with new knowledge, tools, guidance, policy advice, technical assistance and training to address decent work challenges and opportunities in five sectors: coffee, electronics, fisheries, rubber gloves and textiles.

The COVID-19 crisis has highlighted the need for resilient and sustainable global supply chains. Decent work – employment creation along with social protection, respect for rights at work, and access to social dialogue – is essential for inclusive growth and eliminating poverty.

This Action will support the EU's commitment to responsible global leadership, to the Sustainable Development Goals, and to promoting international labour standards.

The industry at a glance

The electronics industry is one of the largest employers and fastest growing industries within the broader global manufacturing sector.

Production processes and functions occur across a number of different countries. The vast majority of

manufacturing happens in Asia, which accounts for approximately 70 per cent of all electronics output.



Global electronics imports totalled €2.31 trillion in 2017. In 2019, the EU-27's share of electronics imports was estimated at €362 billion, with more than half of the imports of high-tech products from non-EU countries coming from China, the United States, Switzerland and Viet Nam. Specifically, ICT goods account for 7.8 per cent of all global imports to the EU. Viet Nam is one of the biggest exporters of ICT goods to the EU.

The EU and Viet Nam

Viet Nam is the EU's second-largest trading partner in the Association of Southeast Asian Nations (ASEAN). In 2018, EU imports of telephone sets from Vietnam were valued at \$13.12 billion, which represented nearly one third of Vietnam's global exports of telephones. The sale of computers and electronics accounted for 16 per cent of the country's revenues from global exports of these goods.

The European Union-Vietnam Free Trade Agreement (EVFTA) is the second FTA between the EU and an ASEAN country. The agreement entered into force on August 1, 2020 and includes legally binding commitments to fundamental human and labour rights and environmental protection.

Viet Nam's most important exports to the EU include telephone sets, electronics, footwear, textiles and clothing, coffee, rice, seafood, and furniture.

Electronics exports have grown from 5 per cent of total exports in 2010 to 28.9 per cent in 2019, and is currently the largest export industry in the country. In 2017, it accounted for 14 per cent of Viet Nam's GDP, up from 5.2 per cent in 2010. The electronics supply chain in Viet

Nam comprises both domestic and export-oriented segments, but labour-intensive assembly with relatively low value added is a dominant feature of both.

Structure of the supply chain

The small number of domestic firms that join the global supply chains are mostly second-tier or packaging suppliers. There are few linkages between large foreign and small local enterprises, which means technology transfer is limited.

The electronics industry relies on supplies of components made in other Asian countries, which in turn are made from raw materials mined around the world. Recently, several advanced integrated circuit enterprises and mobile phone producers have relocated operations to Viet Nam to access its large but well-educated workforce.

Decent work challenges and opportunities

While data on working conditions in the industry is limited, ILO research has found incidences of non-standard forms of employment, long working hours, occupational safety and health issues, use of forced labour, and violations of rights at work.

With Viet Nam's new industrial relations system and recent revision of its Labour Code, which address aspects of freedom of association as well as discrimination of employment, and contractual practices, the country is taking important steps towards achieving decent work. The challenge now is to fully implement the new system, revised Code and the fundamental ILO Conventions, and to take the further envisaged reform steps.

Furthermore, Viet Nam has proceeded with the ratification of two core conventions (the Right to Organise and Collective Bargaining Convention, 1949 (No. 98) in 2019 and the Abolition of Forced Labour Convention, 1957 (No. 105) in 2020, making the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87), the only remaining core Convention to be ratified in coming years.

As one of the major engines of economic growth in the country, the electronics industry can help advance decent work and responsible business conduct by establishing new labour relations systems as an opportunity to achieve better productivity and working conditions. By addressing decent work deficits and investing in an enabling environment for sustainable enterprises, the country has a unique opportunity to

create more and better jobs, increase productivity and skills, and support growth across the supply chain.



Worker at an electronics workshop (in training).

COVID-19 the electronics industry in Viet Nam

The COVID-19 pandemic disrupted global supply chains, and the electronics industry in Viet Nam was not spared. Many firms have suffered from a loss of orders, and the industry anticipates a decrease in demand.

Meanwhile, the crisis has accentuated decent work deficits in global electronics supply chains due to restrictions of movement, a loss of working hours and wages, suspension of collective bargaining agreements and cancellations of wage increases, along with health and safety risks. In Viet Nam, the ILO is working with its constituents to promote a safe return to work and to "build forward better" with improved business continuity planning. This includes a more resilient, inclusive and sustainable electronics industry and global electronics supply chain.

Key constituents and stakeholders

The Action will work with different stakeholders in the EU, in Viet Nam and along the supply chain. Key Vietnamese stakeholders are the: Ministry of Labour-Invalids and Social Affairs, Ministry of Industry and Trade, Vietnam Chamber of Commerce and Industry, Vietnam General Confederation of Labour, and new representative workers' organizations.

Using global supply chains as an entry point to advance decent work, the Action will also work with other key stakeholders in the electronics industry in Viet Nam and across all sectors of its economy and with stakeholders in lower tiers, upstream and downstream, including in the EU.

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