



International  
Labour  
Organization

- ▶ **Quick impact assessment  
of COVID-19 pandemic  
on the key economic sectors:  
Responses, adjustment and  
resilience of business  
and workers**



This assessment was conducted by Dr Do Quynh Chi, Research Center for Employment Relations (ERC), for the International Labour Organization (ILO) in Viet Nam. The report is an activity within the framework of the Decent work in the garment sector supply chains in Asia project funded by the Swedish Government, the Promoting the application of ILO Fundamental Conventions under the framework of the EU-Viet Nam Free Trade Agreement project funded by the European Union, the Responsible Supply Chains in Asia project funded by the European Union, and the New Industrial Relations Framework project funded by the Japanese Government. The publication does not constitute an endorsement by the Swedish Government, the European Union or the Japanese Government of the opinions expressed in it.

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Quick impact assessment of COVID-19 pandemic on the key economic sectors:  
Responses, adjustment and resilience of businesses and workers

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## ► Executive summary

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With the objective of studying the impacts of Covid-19 pandemic and the responses and the adjustment processes by businesses and workers, the research is mainly based on two surveys of 58 firms and 292 workers in tourism, garment, electronics, seafood-processing and wood-processing industries during the second half of April 2020. The key findings of the research are:

- Three economic shocks stemming from the Covid-19 pandemic have resulted in devastating impacts on Viet Nameese firms and workers: One quarter of the firms surveyed have already gone bankrupt or suspended operations. Another two thirds have resorted to labour-cost reduction measures. Indeed, for ongoing operations report employing cost-cutting measures like unpaid furloughs or reduced hours that affect over 30 per cent of their workers. Finally, more than half of surveyed business feared closure if the crises continues another three months.
- For the manufacturing firms that supply to international buyers, their situation has been exacerbated by the buyers' cancellation of production orders without performing full payment commitments. As much as 60.3 per cent of the surveyed firms reported buyers' cancellation of orders as one of the biggest impacts on their business especially as a large number of brands have delayed payment for finished orders, asked for significant price reduction, or refused to pay by invoking the force majeure clauses in the business contracts.
- The economic impacts of the pandemic vary significantly among industries and firms depending on their strategic choice of sources of supply, markets, buyers, and products. Companies that opted for a diversified portfolio of supply, buyers and products tend to be much more resilient.
- Both the surveys of firms and workers confirmed that short-term and temporary workers are the most vulnerable to the cost-cutting measures. However, 36.2 per cent of the employers have taken the opportunity to eliminate poor-performing workerspoor-performing workers. Older workers and women workers tend to be targeted for (paid and unpaid) furlough and termination: 6.9 per cent of employers and 9.9 per cent of workers claimed that workers' senior age is a criteria and 2.4 per cent of workers found that women workers who are pregnant or having small children have been selected .
- The impacts on women workers and their families have been extensive. As much as 83 per cent of the interviewed women workers suffered from reduction of income or job loss.Of these, 32.3 per cent are either the main or the only earners in their families.
- Migrant workers<sup>1</sup> faced double challenges: on the one hand, their income and jobs are at risk (87.9 per cent of surveyed migrants have either lost their jobs or suffered from income reduction); on the other hand, they were separated from their families in their home villages for months due to social distancing measures.

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<sup>1</sup> All migrant workers in this study are domestic migrants who travel from rural areas to work in the industrialized regions.

## ► Executive summary

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- The majority of firms (63.4 per cent in the firm survey and 54.1 per cent in the worker survey) made unilateral decisions or chose to consult only the unit managers; yet, over 60 per cent of workers accepted the firms' decisions immediately.
- Still, among the workers who were discontent with the employers' decision, the rate of opposition is highest in the wood-processing industry (61.5 per cent), followed by seafood (46.2 per cent). Faced with workers' discontent, 41.3 per cent of employers chose to dialogue and 48.2 per cent are willing to make changes to their decisions upon workers' requests.
- Only 15.5 per cent of employers consulted the grassroots trade unions (GTUs) and 4.1 per cent of interviewed workers were represented by the GTUs in negotiating with the employers in the labour adjustment process. In comparison, the upper-level unions, especially those in Dong Nai and Hai Phong, have taken a proactive approach in protecting workers' rights in the crisis.
- The impacts on workers' mental health have been remarkably extensive: 86.9 per cent of workers have experienced anxiety, pessimism, insecurity, and negative mood changes. The crisis has worsened the family relationships of 34.2 per cent of workers and nearly 5 per cent reported domestic violence.
- In response to the crisis, most workers have chosen to cut down on basic expenses, especially food costs. The impact is most serious for the EMPs (main or only earner, migrant and parents) as over 40 per cent have faced with food shortage as they reduced their food expenditure to minimal or below minimum level. If the pandemic continues for two more months, 86.3 per cent of workers expect their livelihoods deteriorate and 18.84 per cent foreseeing their living standards falling below the minimum level.
- The affected workers, however, have shown a high level of resilience: 36.3 per cent have looked for other job opportunities and 55.8 per cent have turned to various sources of support including their social networks and the governmental programs, among others.
- Both firms and workers hold cautious view of recovery: 84 per cent of firms find their recovery dependent on the revival of the American and European markets and over 70 per cent of workers expect the recovery will be slow and difficult. Among the industries, the seafood industry is most optimistic of recovery while the tourism industry expects the business will not get back to normal until the early 2021.

## ► Executive summary

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The study recommends that:

- (i) The Government, trade unions and social organisations provide immediate support to the most vulnerable workers who are migrants with children, especially women who are the main or only earners in their families;
- (ii) Trade unions take more proactive approach to address and prevent the risks of employers' taking advantage of the crisis;
- (iii) During the time of crisis, social dialogue plays a crucial role for both employers and workers to figure out solutions that best fit with both parties and prevent labour conflicts. Therefore, both the employers' organisations and trade unions should encourage their members to practise dialogue and consultation to develop their responses to the pandemic. Solidarity across the supply chains to demand for more responsible supply chain policy by the international buyers ; and
- (iv) Adoption of market diversification and product adjustment by firms to weather the impacts of the crisis and take advantage ahead of the regional competitors.

## ► Abbreviations

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BIFA	Binh Duong Association of Furniture
CPI	Consumer Price Index
CSO	Civil Society Organisation
EMP	Main or only earner, migrant, parenting worker
FDI	Foreign Direct Investment
FOL	Federation of Labour
FPA	Furniture Producer Association of Binh Dinh
FWF	Fair Wear Foundation
GTU	Grassroot Trade Union
GSC	Global Supply Chain
HAWA	Handicraft and Wood Industry Association of HCMC
ILO	International Labour Organization
IZ	Industrial zone
LEFASO	Leather and Footwear Association
MOLISA	Ministry of Labour, Invalids and Social Affairs
MPI	Ministry of Planning and Investment
MSME	Micro, small and medium-sized enterprises
MW	Minimum wage
NGO	Non-governmental organisation
PM	Prime Minister
POE	Privately-owned Enterprises
SME	Small and Medium-sized Enterprises
SOE	State-owned Enterprises
TAB	Tourism Advisory Board
VASEP	Viet Nam Association of Seafood Exporters and Producers
VCCI	Viet Nam Chamber of Commerce and Industry
VGCL	Viet Nam General Confederation of Labour
VIFOREST	Association of Viet Nam Timber and Forest Product
VITAS	Viet Nam Textile and Apparel Association

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## ► 1. Introduction and framework for analysis

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The Covid-19 pandemic has caused enormous adverse impacts on enterprises and workers in almost all economic sectors. In Viet Nam, the GDP growth rate in the first quarter of 2020 was 3.82 per cent, the lowest in the past decade (GSO 2020). Unfortunately, the most affected industries are the labour-intensive ones such as tourism and hospitality, aviation, retailing, and the export-oriented sectors including garment, footwear, wood-processing, electronics, and food-processing. Also, the SMEs and household businesses are the first to suffer from the impacts of the pandemic. According to the survey by the Prime Minister's Economic Development Research Board, if the pandemic lasts for more than 6 months in Viet Nam, 74 per cent of enterprises will go bankrupt.<sup>2</sup> By the middle of April 2020, the General Statistics Office (GSO) estimated that around 5 million workers and 84.8 per cent of surveyed enterprises have been affected by the pandemic.<sup>3</sup>

Over 80 per cent of enterprises have actively taken measures to mitigate the economic impacts of Covid-19 on their business.<sup>4</sup> The firms' responses can be categorized into two groups: (i) personnel-related measures and (ii) searching for alternative markets/revenues. The personnel-related measures include both the changes in work arrangements such as working from home, flexible working hours, social distancing and cost-cutting ones ranging from wage cuts, unpaid leave to layoffs. All these measures, especially the cost-cutting ones, have seriously affected the livelihoods of workers. According to the ILO, the workers most vulnerable to the economic impacts of the pandemic are older workers, women, young workers, informal workers and those on precarious jobs and migrants.<sup>5</sup>

There have been quite a few surveys on the impacts of Covid-19 on the key economic sectors in Viet Nam (the major outcomes of these surveys are summarized in Chapter 2). The focus of these studies has primarily been on the economic impacts of the pandemic and how firms have been responding. Little information has been collected about how the responses by firms have been implemented and the specific impacts of the personnel measures on workers, not only in terms of income and employment but also their health and family relationships. There has also been a need to understand the affected workers' accessibility to the various sources of support, either by the government, trade unions and social organizations, or else. Most importantly, it is crucial to study the resilience, if any, of the affected labour force and businesses and what are the best policy responses to support workers and employers in recovering. 'Resilience' here refers to the capacity of peoples, institutions, and systems to resist and absorb shocks, and to reorganize so as to retain or enhance their effective functions, structures, and identities.

Therefore, it is the objective of this research to study the process of adjustment to the impacts of Covid-19 pandemic by businesses and the impacts of the personnel adjustment measures on workers' employment, health, and living standards. In particular, the study will attempt to address the following research questions:

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<sup>2</sup> Prime Minister's Board IV. Survey Report on Impacts of Covid-19 on Enterprise Performance. Published on 5th March 2020

<sup>3</sup> <https://www.gso.gov.vn/default.aspx?tabid=382&idmid=2&ItemID=19576>

<sup>4</sup> Prime Minister's Board IV. Survey Report on Impacts of Covid-19 on Enterprise Performance. Published on 5th March 2020

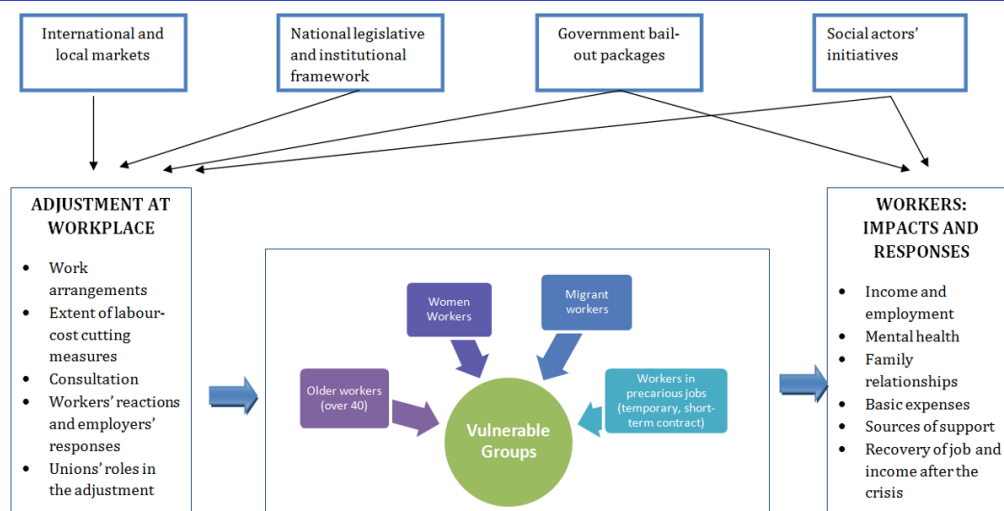
<sup>5</sup> ILO. (2020). COVID-19 and world of work: Impacts and responses. ILO Note

## ► 1. Introduction and framework for analysis

- What have been the economic impacts of Covid-19 pandemic on the businesses in the selected industries and what have been the businesses' responses?
- In cases of personnel adjustment in response to the pandemic, how has the process of adjustment been conducted? Whether or not workers and their representative organisations have been duly consulted, as required by the law, in this process?
- What have been the impacts of the adjustment measures on the mental health, employment quantity and quality, income, and living standards of the affected workers?
- What have been workers' responses to these impacts and what types of support that are accessible to them?
- To what extents the businesses and workers have been resilient in face of the pandemic's impacts?
- What are the short-term, mid-term and long-term recommendations to the government, trade unions, business associations and other stakeholders to help lessen the impacts of the pandemic and support the recovery of businesses and workers?

Although all types of workers are researched, special focus is paid on the most vulnerable groups, as identified by the ILO's global study on the impacts of Covid-19 on the labour market (ILO 2020), including the older/younger workers, women workers, migrant workers and workers in precarious jobs. It should be noted that although the empirical research will incorporate a small sample of household businesses and workers in household businesses, the study will not focus on the informal workers as there is not sufficient information to determine their informality.

Figure 1: Framework of analysis



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## ▶ 1. Introduction and framework for analysis

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### ▶ Scope and methodology

According to the MOIT's Report on Trade and Industrial Development of the first quarter of 2020<sup>6</sup>, the industries most affected by the pandemic include aviation, tourism, hospitality, and the export-oriented manufacturing sectors, particularly garment, footwear, electronics, wood-processing, and agricultural products. Upon consideration of the impacts of the pandemic and the scale of labour force in each industry, the study focuses on five industries including tourism/hospitality, garment, electronics, wood-processing and seafood processing. These five industries employ nearly 5 million workers<sup>7</sup> and contribute nearly 60 per cent of the national export value (Viet Nam Customs Office 2019).

The research is primarily based on a phone-based survey of workers and an online survey of firms:

#### Worker Survey

The interviewers identified the workers through networks of NGOs and used the snowball techniques to approach more workers. Workers were interviewed over the phone using a structured questionnaire (see Annex 1 for the questionnaire). However, the interviewers had the flexibility to dig deep into aspects that workers were willing to share additional information based on a set of guiding questions. This means that apart from a quantitative survey, we also collected qualitative, in-depth information.

Overall, the survey, conducted within the last two weeks of April 2020, covers **292 workers from 22 provinces** (see Figure 2 for the attributes of the survey sample). The sample is deliberately structured in a way that resembles the characteristics of the selected industries' labour force: women account for two thirds of the overall sample (the rates are higher in electronics, garment and seafood-processing than in tourism and wood-processing); migrants account for more than half of the survey population (except for seafood-processing where locals dominate). The sample also has a good mixture of workers from different types of enterprises<sup>8</sup>, age ranges (from 17 to 57 years old), and family structures. Assuming that the size of the labour force of the 05 selected industries is 5 million people, the survey achieves the **confidence level of over 90 per cent with the error margin of 5 per cent.**<sup>9</sup>

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<sup>6</sup> Link to the report: <https://moit.gov.vn/web/guest/bao-cao-tong-hop1>

<sup>7</sup> This figure only includes the waged employment

<sup>8</sup> 3.8 per cent of surveyed workers are from household businesses. However, the survey was not able to check whether these workers are informal workers or not as the worker survey did not reach the business owners (to check if the household businesses are registered or not) and most of these workers were not aware of their employment status

<sup>9</sup> To reach the confidence level of 90 per cent with the margin of error of 5 per cent, the sample size should be 273. The sample size of this survey is 292.

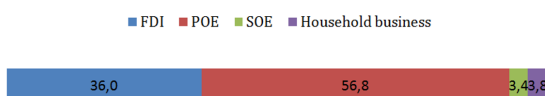
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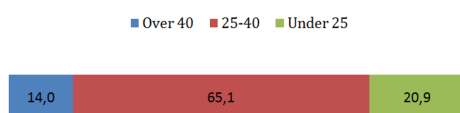
Figure 2: Overview of the worker survey (n=292)

Groups of Workers surveyed	No. of workers	Women (%)	Migrant (%)
<b>Total</b>	<b>292</b>	<b>68.8</b>	<b>54.1</b>
Wood-processing	65	53.8	47.7
Seafood-processing	52	94.2	28.8
Tourism	59	61.0	55.9
Electronics	59	71.2	89.8
Garment	57	89.5	59.6

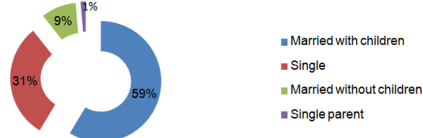
Distribution of Workers by Types of Enterprises (%)



Age Range (%)



Distribution of Workers by Family Structures (%)

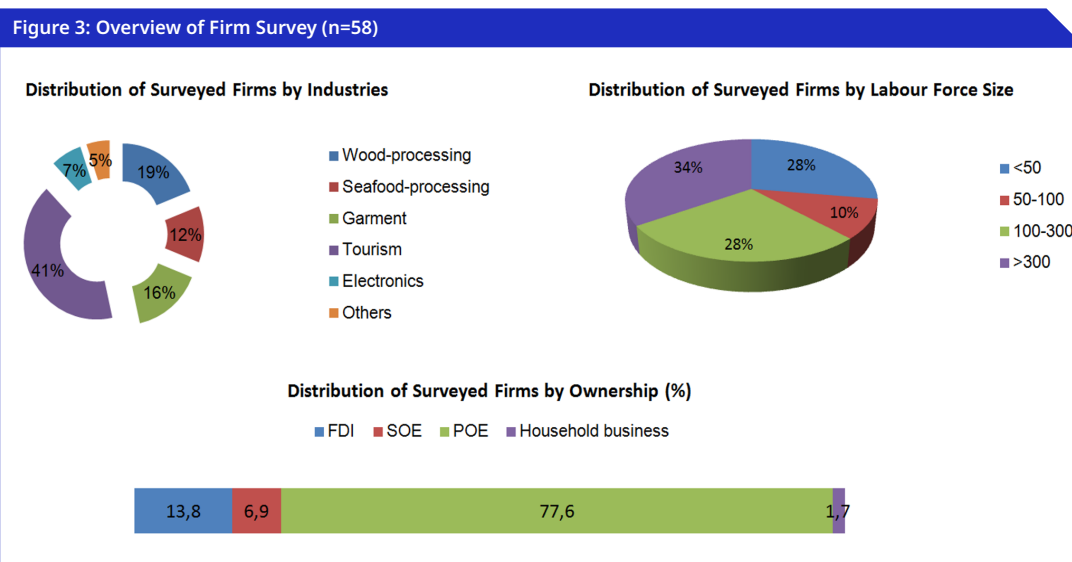


### Firm Survey

As a number of surveys have been conducted to study the economic impacts of Covid-19 on enterprises in the 05 selected industries, the firm survey in this research avoids the repetition by focusing on the proportion of the labour force affected, the processes of implementing the personnel measures including the selection of workers for each measure, the consultation of workers and unions, and the prospects for recovery. The research team had a lot of difficulties in reaching out to firms as the survey occurred when many surveys had been conducted, either by the government, business associations, international brands, and social stakeholders with similar objectives. The survey was conducted over Google form and the link to the questionnaire was shared with groups of businesses and business associations. Overall, the firm survey had 58 responses from the five industries.

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## ▶ 1. Introduction and framework for analysis



The research is also enriched by in-depth interviews with the provincial and industrial zone-level unionists in Dong Nai and Hai Phong (02), representatives of international brands (03), and NGOs (05) with emphasis on the various support initiatives for workers by the social organisations and the lead firms in the global supply chains.

### ▶ Structure of the report

- Chapter 1 presents the rationale for the research as well as a description of the research design.
- Chapter 2 discusses the firms' responses to Covid-19 and the process of (personnel) adjustments at the workplace. The chapter starts with the analysis of the overall situation before zooming in each of the industries.
- Chapter 3 analyses the various impacts of the personnel measures by firms on workers and their families in the surveyed industries with emphasis on the most vulnerable groups. This chapter also explores the level of resilience of workers after the pandemic.
- Chapter 4 specifies on the support initiatives for workers including accessibility, usefulness, and workers' need for further support.
- Chapter 5 wraps up the report by summarizing the key findings and making recommendations for the relevant stakeholders.

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## ▶ 1. Introduction and framework for analysis

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### ▶ Limitations of the research

As mentioned earlier, the sample of the firm survey is limited, affecting the analysis from the employers' perspectives, the survey outcome is analysed in comparison with a review of other surveys on the same subject. The research team also conducted in-depth phone-based interviews of 08 employers and 04 representatives of industrial business associations (BAs) to understand better the situation.

An important aspect to understand workers' responses to the pandemic is their accessibility to the social security system, especially the unemployment benefits. However, as only 10.2 per cent of surveyed workers lost their jobs at the time of research, we find the sample insufficient to have a credible evaluation of the unemployment benefit scheme.

The research would have benefited from more interviews with the unionists from more provinces to acquire a comprehensive of the strengths and weaknesses of the union system during the pandemic. However, due to the resource and time constraints, the research team was only able to reach the unionists in Dong Nai and Hai Phong, who have been known for being relatively more active. The VGCL has been carried out a large-scale survey of the Covid-19 impacts on workers and unions' responses, which will be highly complementary to this research.

## ► 2. Firms' responses and adjustment process at the workplace

### ► Overview of the surveyed industries

All of the five industries are highly dependent on the international markets. Particularly, the United States and Europe account for over 60 per cent of exports for garment and wood-processing and also play an important role for the other three industries (Table 1). Consequently, the disruption of these two important markets have created major economic shocks to the industries.

**Table 1: Overview of the surveyed industries, 2018**

Industries	No. of firms	per cent Exports to US and EU	per cent FDI contribution to export	No. of workers	per cent of female workers
Garment	6,000	US: 47% EU: 16%	76.6%	2,500,000	70%
Electronics	1,088	US: 12% EU: 31%	90%	600,000	70%
Wood-processing	4,000	US: 50% EU: 10%	47%	450,000	40%
Seafood-processing	700	US: 17% EU: 15%	5%	300,000	85%
Tourism <sup>10</sup>	N/A	Inbound: US: 11.9% Eu: 13.1%	N/A	750,000	60%

*Source: compiled by the author based on reports by industry associations*

In terms of supply, the garment and electronics industries import between 60-80 per cent of materials and components while this rate for wood-processing and seafood-processing is up to 30 per cent only.<sup>11</sup>

The five selected industries together directly employ nearly 5 million workers and millions more indirectly. Women workers dominate the labour force of all industries but the wood-processing sector. It should be noted that apart from the number of enterprises listed here, there are hundreds of thousands of household businesses which employ millions of people in seafood, wood, garment and tourism. According to ILO Viet Nam's recent analysis, informal employment accounts for 36.1 per cent of total employment in manufacturing and 81.3 per cent in accommodation and food sector (ILO Viet Nam 2020)

<sup>10</sup> Tourism industry here includes tourism services and accommodation only

<sup>11</sup> According to Viforest (2018), the domestic supply of wood can meet 70 per cent of production demand. In the seafood industry, VASEP estimates that the domestic production accounts for up to 70 per cent of processing demand.



## ► 2. Firms' responses and adjustment process at the workplace

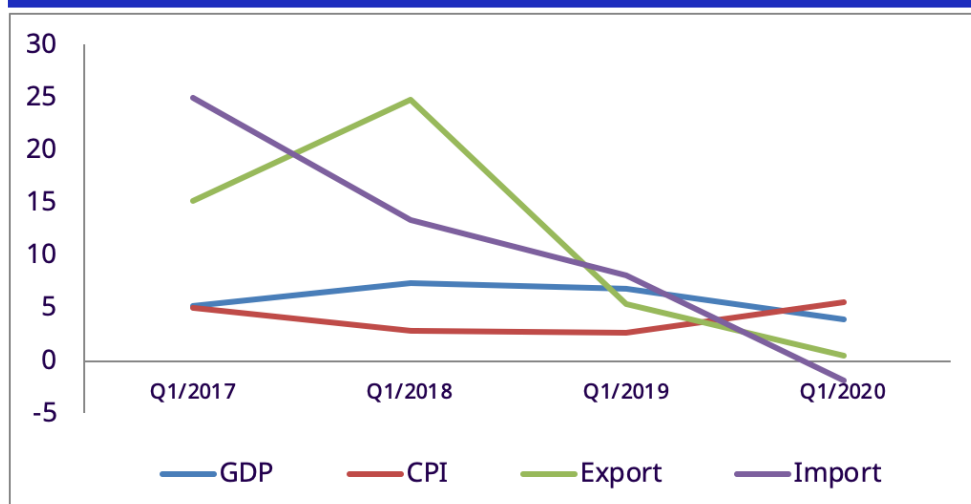
### ► Economic impacts on firms

#### Three economic shocks hitting the MSMEs the hardest

The lockdown measures applied by governments have led to the disruption of the global supply chains: from material supply, production, to consumption markets. In Viet Nam, the first shock came from the closure of Chinese borders on 31st January 2020, which resulted in the disruption of up to 70 per cent of material supply for many industries such as garment, footwear, and electronics. Also, the lockdown in China meant the serious drop of demand for quite a few industries including tourism and hospitality<sup>12</sup>, wood and furniture, and agricultural products. On March 6th, Viet Nam stepped into the second phase of the pandemic with further restriction of gatherings, which significantly reduced domestic consumption of non-essential products and services. In the middle of March, the United States and many European countries applied lockdown measures, which have led to the third economic shock, particularly to the export sector of Viet Nam. At the time of writing, although the lockdown has been removed in China, Viet Nam and several Asian countries, the United States and Europe remain heavily affected by the pandemic. This means that the recovery of the export sector of Viet Nam, which relies on the US and European markets may not happen soon.

The economic indicators of the first quarter of 2020 clearly show the impacts of the lockdown measures on the economy (see Figure 4). The growth rates of GDP, export and import of the first quarter of 2020 are the lowest in the past decade whereas the inflation rate increased to 5.56 per cent, the highest in the past 4 years.

Figure 4: Key economic indicators of Quarter 1, 2020 compared with previous years



<sup>12</sup> Chinese tourists account for over 30 per cent of in-bound guests for Viet Nam tourism industry (GSO 2017)

## ► 2. Firms' responses and adjustment process at the workplace

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The VCCI's survey of 700 enterprises indicates that 83.3 per cent of firms experienced shrinking markets, 52.5 per cent had cash flow reduced and 45.1 per cent had disruptions of supply (VCCI 2020). The impacts have been most severe for the private domestic companies and the least for state-owned enterprises (SOEs). The MPI also reported a year-on-year surge of 26 per cent in business temporary closures in the first quarter of 2020.<sup>13</sup> The survey by the National Economics University (NEU) covering 510 enterprises indicates that if the pandemic continues until the end of June, 38.5 per cent of the surveyed firms will have to suspend or go bankrupt. This rate goes up to 75.5 per cent if the pandemic lasts until end of the year (NEU 2020).

Recent surveys on the economic impact of Covid-19 suggest that the private MSMEs (micro, small and medium-sized enterprises) are the most vulnerable to the adverse impacts of the pandemic. The bigger enterprises tend to be more resilient as only 18 per cent of big companies will lose more than 60 per cent of turnover in the first half of 2020 while this figure for SMEs is 21 per cent and 45 per cent in case of micro businesses (CCIFV 2020).

### Disruption of the global supply chains

The disruption of material/component supply, mainly due to China's lockdown measures, did not hit the export sector as hard as the closure of almost all retail stores and shops in the key export markets such as United States, Europe, Japan and South Korea. In particular:

- In garment, VITAS reported 74 per cent of their member garment firms experienced the reduction of orders by 30 per cent or more in the first quarter of 2020 (VITAS 2020).
- In furniture, around 80 per cent of production orders to the US and Europe have been delayed or cancelled by the end of March 2020. This rate for export to Japan and South Korea ranges from 60-80 per cent (Viforest 2020).
- In the first quarter of 2020, the seafood industry also experienced a delay of 20-40 per cent and cancellation of 20-30 per cent of export orders (VASEP 2020).
- The electronics industry has seen recovery of supply from China and South Korea but the disruption of the consumer markets makes 62 per cent of electronic brands worldwide expect sale reduction by the end of 2020 (IPC 2020).
- Tourism and hospitality have been hit the hardest as the whole industry was frozen until the end of May and by April 2020, 98 per cent of tourism workers have been furloughed or lost their jobs (Government Office 2020).

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<sup>13</sup> MPI. Report on economic-social development of first quarter 2020. Published on April 6th, 2020

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## ▶ 2. Firms' responses and adjustment process at the workplace

### Impacts on manufacturing suppliers exacerbated due to buyers' reactions

The retail brands have reacted differently to their supply chains when production orders are delayed or cancelled. Some brands have committed to share the burden with their suppliers by agreeing to pay for purchased materials and finished products. In the garment industry, for instance, Inditex, H&M, Adidas, or Uniqlo<sup>14</sup> are among the fashion brands that have committed to pay for the orders completed or in production, which have helped their suppliers to keep employment and income for workers. However, such good examples are rare as a large number of buyers in garment, furniture, and seafood processing have delayed payment for finished orders, asked for significant price reduction, or refused to pay by invoking the force majeure clauses in the business contracts<sup>15</sup>.

In our survey, 62.8 per cent of the surveyed manufacturing firms reported buyers' cancellation of orders as one of the biggest impacts on their business. The firms refused to name the buyers that have delayed or refused to pay for the finished orders but the impacts on their business and workers are considerable:



"Many buyers cancelled orders in short notice, some asked for price reduction of 70 per cent. Consequently, our supplying factories have furloughed between 50-80 per cent and laid off 10 per cent of the labour force" – Representative of a fashion vendor corporation indirectly employing 150,000 workers.

"We have the finished products shipped to the US already but the buyer cancelled without paying us. We have no budget left to pay rents and worker salaries so we had to totally shut down" – CEO of a furniture exporting factory in Binh Duong, employing 150 workers.

"We finished a big export order but the buyer asked for a delay. Our storage is full. We do not have budget left to pay workers while bank credits are difficult to access. We have laid off 20 per cent of our labour and furloughed 50 per cent. We are planning to sell products at discount prices to recover our capital" – CEO of a shrimp-processing exporting company in Kien Giang, employing 200 workers.

### Mixed impacts at industry and firm levels suggesting clues for improving supply chain sustainability

The ILO has highlighted that the economic shocks stemming from Covid-19 are not uniform and some sectors are affected more severely than others.<sup>16</sup>

<sup>14</sup> For a list of brands in garment and footwear that have committed to full payment to their suppliers, see <https://www.workersrights.org/issues/covid-19/tracker/>

<sup>15</sup> For the garment industry, see Worker Right Consortium's Tracker (<https://www.workersrights.org/issues/covid-19/tracker/>) industry. For the seafood industry, see VASEP's report to the Prime Minister (link:

[http://vasep.com.vn/Tin-Tuc/1217\\_59890/Tham-lu-an-cua-VASEP-tai-Hoi-nghi-Thu-tuong-Chinh-phu-voi-DN-ngay-952020.htm](http://vasep.com.vn/Tin-Tuc/1217_59890/Tham-lu-an-cua-VASEP-tai-Hoi-nghi-Thu-tuong-Chinh-phu-voi-DN-ngay-952020.htm)).

For the furniture industry, see the article by the WTO center (link: <http://trungtamwto.vn/chuyen-de/15266-ung-pho-nhanh-cho-nganh-go>)

<sup>16</sup> ILO, COVID-19 and the world of work 2nd Edition, 7 April 2020

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In Viet Nam, the expected impact of the crisis on the economic output of the manufacturing sector, for instance, is rated as 'medium high' whereas that for accommodation and food services is 'high' (ILO Viet Nam 2020). However, this research finds that within the manufacturing sector, the economic impacts vary significantly among industries and firms depending on their strategic choice of sources of supply, markets, buyers, and products.

At the industry level, apart from tourism in which the negative impacts of the pandemic have been widespread, the impacts on the manufacturing industries have been mixed. The seafood industry, for instance, has seen a quick recovery by late April, as reported by VASEP. The seafood-processing industry, which is dominated by the domestic private companies, has successfully reduced their dependence on imported materials and developed a diverse portfolio of export markets. Thanks to the quick containment of the pandemic in Viet Nam, the seafood industry enjoys a significant advantage in expanding market share over regional competitors such as India, Thailand, and the Philippines that are still struggling with the pandemic (VASEP 2020).

The electronics industry experienced two contrasting trends: on the one hand, the production and export of computers, phone and phone components enjoyed a slight growth in the first quarter of 2020; on the other hand, other consumer electronic products such as cameras, printers, electronic components for cars and machinery have experienced a drastic drop (see Table 2).

**Table 2: Summary of Industry-specific surveys of Covid-19 impacts**

Industry	Economic Impacts	Affected Workers	Source and survey coverage
Garment	<ul style="list-style-type: none"> <li>74% firms have orders reduced by 30% or more</li> </ul>	70% of firms furlough workers in March 2020	VITAS – 200 domestic companies
Wood-processing	<ul style="list-style-type: none"> <li>58% firms suspended all or part of operations</li> <li>35% firms expect to suspend all or a part of operations</li> </ul>	45% of workers furloughed	Viforest/HAWA/BIFA – 120 domestic companies
Seafood-processing	<ul style="list-style-type: none"> <li>Export value in Q1/2020 reduced by 8% y.o.y</li> <li>30% export orders postponed and 40% cancelled</li> <li>Recovering in the late April 2020</li> </ul>	Expected shortage of labour as the industry recovers	VASEP report to the Prime Minister, May 2020
Electronics	<ul style="list-style-type: none"> <li>Export of computers, phones, and phone components increased (2-16%) in Q1/2020 y.o.y</li> <li>Export of other consumer electronics (printers, cameras and components) dropped by 52% in Q1/2020 y.o.y</li> </ul>	N/A	GSO Report on socio-economic development in the first quarter of 2020
Tourism	<ul style="list-style-type: none"> <li>71% of firms had turnover reduced by over 30% y.o.y and 77% expect turnover reduction of over 80% in 2<sup>nd</sup> quarter</li> </ul>	18% firms furlough all workers; 48% furlough 50-80%	Tourism Advisory Board (TAB) and VnExpress, 394 companies

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The anecdotal evidence from our interviews with employers, workers, unionists and local CSOs suggests that a proportion of firms in garment and wood-processing have successfully sheltered from the negative impacts of Covid19 pandemic. In the garment industry for instance, a survey of over 50 garment exporters to Europe by Fair Wear Foundation (FWF) found that none of the companies has difficulties in paying their workers and some enjoyed increase of export orders.<sup>17</sup> Approximately 5 per cent of our interviewed garment workers reported that they still worked overtime in April 2020. According to our informants, the garment companies manage to weather the pandemic's impacts because they maintain a diverse portfolio of clients with a fair share between fast-fashion products and higher-end ones (such as sportswear) as well as between American, European and other buyers. The CEO of a former garment SOE said:



'The companies that rely solely on American and European buyers suffer most from Covid19. For us, apart from these two markets, we also sell to Taiwan, South Korea and Russia so we still have enough orders. Our factory produces a range of products from suits, jackets to fashion clothing. Now, our workers even have to work overtime. The lesson is not to put all eggs in one basket' – Interviewed in April, 2020

Similarly, the wood-processing companies that over-rely on the American and European markets have suffered the most. In the meantime, the firms that have a fair share of sales to China, South Korea, Japan or the domestic market have recovered a part of their production. Several furniture companies in our survey also reported that they have swiftly adjusted their products to approach the domestic and Chinese/Taiwanese markets.

It seems that the pandemic will not only influence the international brands to diversify their supply chains but also encourage the manufacturers to diversify their client portfolios.

### ▶ Firms' responses

The responses by firms to the Covid-19 crisis can be categorised in 04 groups:

- (i) Searching for alternative sources of revenue
- (ii) Changing work arrangements
- (iii) Cutting labour costs; and
- (iv) Suspension (whole or part) of the business operations

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<sup>17</sup> Interview with FWF country representative, May 2020.

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The household businesses have almost no cash reserve to sustain their operation when the orders are cancelled or significantly reduced. In our firm survey, all household businesses in tourism/hospitality, garment, and seafood processing had shut down by the early March. As almost all of their workers are seasonal or without labour contracts, they were laid off in a very short call virtually without any support.

### Two thirds of firms turned to labour-cost reduction measures

The result from the firm survey also echoes the trends captured by previous studies: the majority of firms (67.2 per cent) economically affected by the Covid-19 crisis have resorted to labour-cost reduction measures while only 25.9 per cent have searched for alternative sources of revenue either by exploring new markets and clients or creating new products. This outcome echoes the trend identified by other surveys: the VCCI survey points out that 75 per cent of companies have reduced their labour force due to the pandemic (VCCI 2020); in the NEU survey, 35 per cent of companies have laid off workers and 34 per cent have reduced wages (NEU 2020). There are two plausible reasons for the employers' choice: first, searching for alternative clients or creating new products is not necessarily a possible option for all companies, especially in a short time. The firms in seafood production, garment, and, to some extents, furniture industries can adjust their products to the new demands. For instance, a seafood processor in our survey dealt with the unexported semi-processed oyster by producing dried oyster for the domestic market; several furniture firms have boosted online sale; and some garment companies turned to making facial masks. However, these options are not possible for electronic component producers or tourism agencies. Second, labour costs account for a large proportion of total production expense in the manufacturing industries (around 30 per cent for FOB production and up to 80 per cent for assembly). Therefore, as the orders are delayed or cancelled, cutting labour cost becomes unavoidable for firms.

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### Box 1: Legal provisions on labour adjustment due to the impacts of Covid-19

Document 1064 issued on 25 March 2020 by MOLISA provides the guidelines for labour adjustment and payment for the affected enterprises:

Para.1: Payment for the furloughed/suspended employees shall comply with Article 98 of the 2012 Labour Code depending on the causes of suspension

Para. 3: For the enterprises having difficulties in sourcing materials and accessing markets, which result in the shortage of work, the employer may temporarily assign employees to perform a work not prescribed in the employment contracts, in accordance with Article 31 of the 2012 Labour Code; if the impacts on the enterprise are prolonged, affecting its financial capacity, the employer and workers shall agree to temporarily suspend the employment contracts in accordance with Article 32 of the 2012 Labour Code; if the enterprise has to scale down production and reduce the workforce, the labour adjustment should comply with Article 38 or 44 of the 2012 Labour Code

Art. 31 (1) of 2012 Labour Code: In the event of sudden difficulties such as natural disasters, fire, epidemic ....., the employer may temporarily assign an employee to perform a work which is not prescribed in the employment contract provided that the assignment does not exceed 60 accumulated working days within one year unless otherwise agreed by the employee.

Art.38 (1c) of 2012 Labour Code: An employer shall have the right to unilaterally terminate the employment contract in the cases .... (c) in the event of a natural calamity, fire or force majeure as prescribed by the law and the employer has exhausted all possibilities, and is forced to scale down production and reduce the workforce

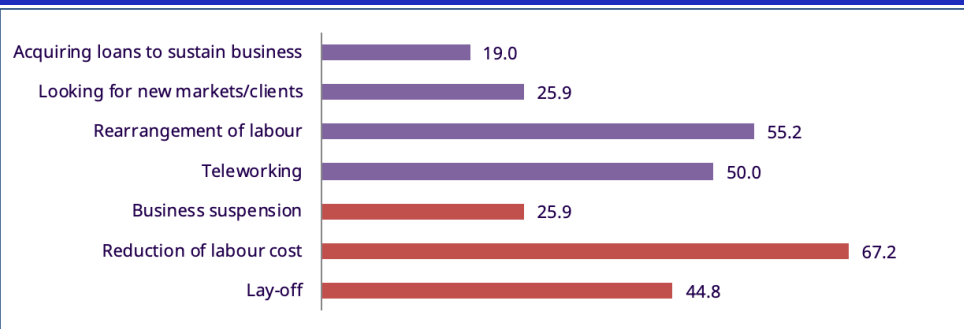
Art. 44 of 2012 Labour Code: (i) In cases there is a change in the structure or technology which affects the employment of multiple employees, the employer has the responsibility to establish and implement a labour utilisation plan; (ii) In case the employer fails to create employment and has to resort to dismissing employees, the employer shall pay job-loss allowance to the employees.

Art. 98 (3) of 2012 Labour Code: where work has to be suspended, in the event of force majeure such as natural calamities, fires, dangerous epidemics, wars....., the wage paid during suspension shall be agreed by the two parties, but shall not be lower than the regional minimum wage provided by the Government.

Art. 116 (3) of of 2012 Labour Code: In cases of taking unpaid leave other than leave stipulated in Clauses 1&2 of this article, the employee may negotiate and agree with the employer

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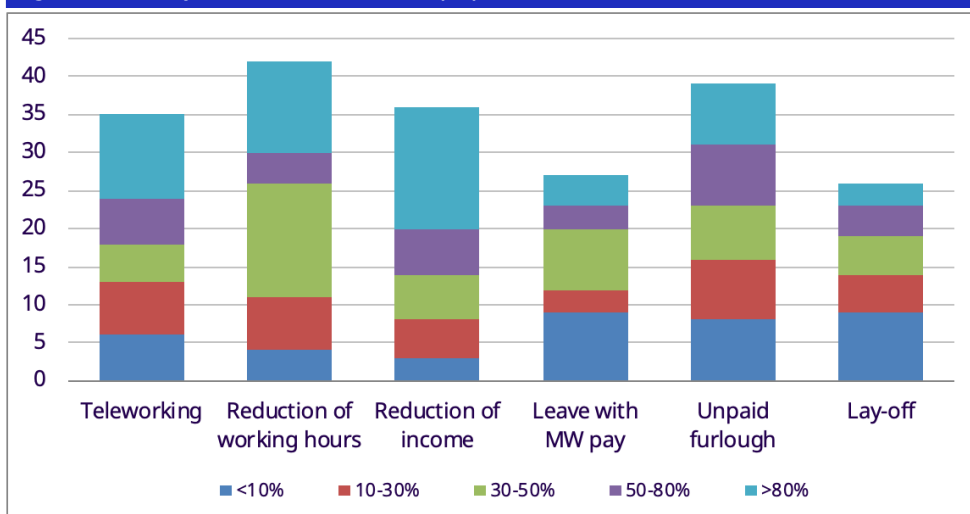
Figure 5: Responses by firms (%; n=58)



However, despite the employers' efforts, the possibility of business suspension/bankruptcy is looming large for most of the companies. At the time of our survey, 25.9 per cent of the firms have already gone bankrupt or closed temporarily and 55.1 per cent feared that their business will have to close down if the crisis continues for another 3 months. For most of the firms that are still in operations, more than 30 per cent of the workforce has been affected by cost-cutting measures which ranges from unpaid furlough<sup>18</sup> to reduction of income and working time (Figure 6).

The Covid-19 crisis has clearly shown the vulnerability of suppliers and workers at the bottom of the global supply chains as they gain the least benefits in the normal time; yet, they are the first to suffer when the crisis hits.

Figure 6: Firms' Adjustment Measures and the proportion of workforce affected

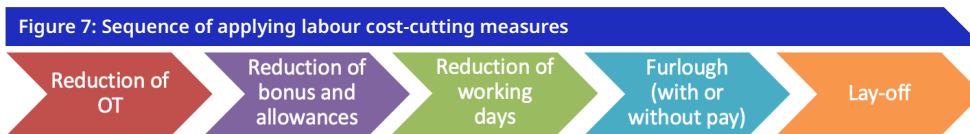


<sup>18</sup> The term 'furlough' used in this context means temporary suspension of work, in which case the employee may receive the minimum wage pay in accordance with Article 98 of the Labour Code, less than the minimum wage or no pay at all (Article 32 and 116 of the Labour Code). In all these cases, the law requires that the decision is made upon the agreement of both parties.



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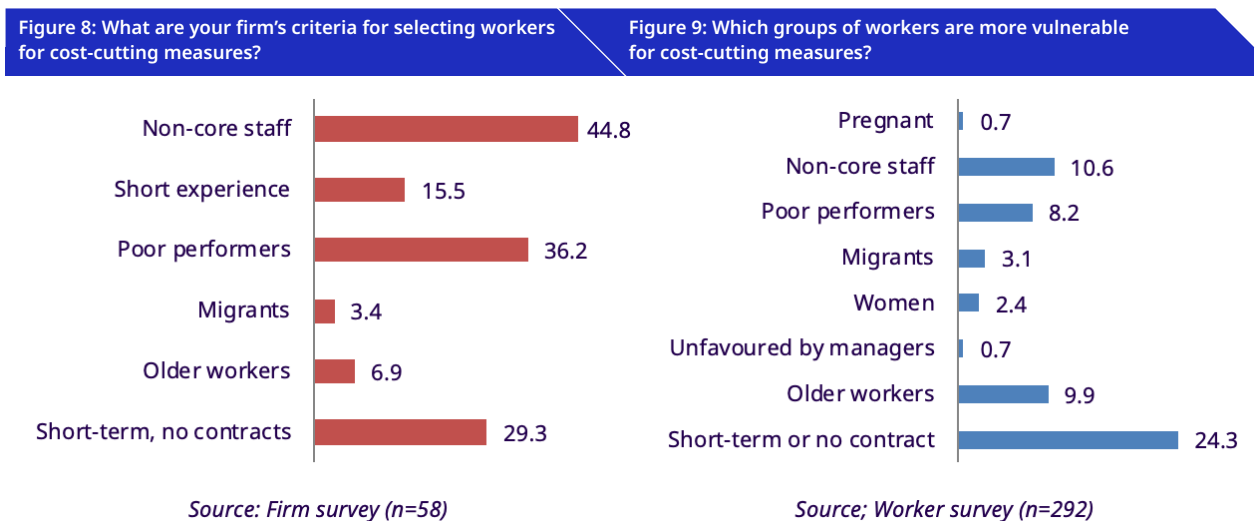
### ► Labour adjustment process



#### Application of cost-cutting measures: signs of discrimination in terms of age and gender

An important question that has not been addressed by any previous survey is how the employers have applied the adjustment measures on their workers? We asked both employers and workers about the criteria they (or their employers) applied to select workers for the cost-cutting measures. According to the employers, the most important criteria is *whether the workers belong to the core staff* of the business, which also means that the short-term/seasonal workers tend to be the first group to face with cost-cutting measures. This trend is also found in the workers' responses. The finding echoes other studies in showing that workers in precarious employment terms such as short-term and temporary workers tend to be the most vulnerable in the Covid-19 crisis.

The survey of employees, however, suggests that the employers appear to take *the opportunity to filter their labour force of the perceived poor-performing workers* as 36.2 per cent of surveyed firms targeted this group (Figure 8) and 8.2 per cent of workers believed poor performance was a criterion invoked by management for cost-cutting measures (Figure 9).



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Discrimination against older workers, women (including pregnant women), and workers not favoured by the management is also found, as claimed by the workers. Age is the reason for being selected for labour cost-cutting measures among 6.9 per cent of employers. Also, 9.9 per cent of workers believe that older workers are among the first to deal with cost-cutting measures. A small proportion (2.4 per cent) of surveyed workers in garment, electronics, and furniture claimed that pregnant women and women raising small children tend to be targeted for furlough or termination due to their family responsibility and perceivably low productivity rather than the Covid-19 crisis.



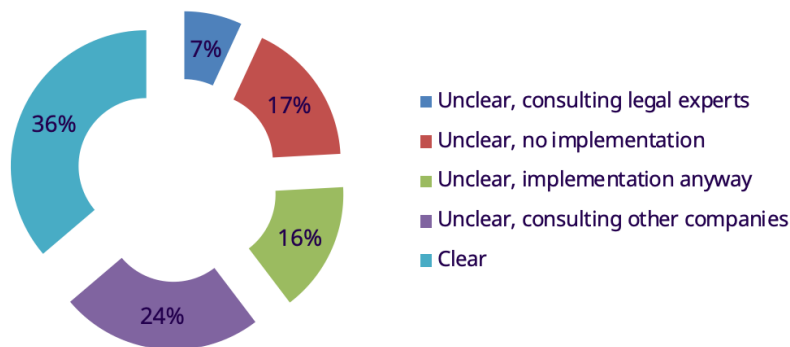
“The company normally has fewer orders between April and June and they also laid off workers during this time last year. This year, they used Covid19 as an excuse. Women with small children or pregnant women are often targeted because they tend to take leave often” - A 26-year-old electronic worker in Bac Ninh, furloughed and paid half of the MW, interviewed in April 2020.

### Two thirds of employers found legal provisions on labour adjustment unclear

The Covid-19 pandemic poses an unprecedented situation for both employers and policy-makers. Although the 2012 Labour Code provides for furlough and employers' unilateral termination of labour contracts in cases of force majeure, the law does not specify on the criteria for evaluating the impacts of the crisis on companies and the procedure for applying the labour adjustment measures. Despite MOLISA's issuance of Document No. 1064 on March 25th, 2020, which provides guidelines on the adjustment of labour and payment during the Covid19 crisis, 64 per cent of the firms in our survey admitted that they remained unclear about the legal framework for furlough and lay-off in force majeure “situations (see Figure 10). In response, the employers may learn from other companies (24 per cent), consult legal experts (7 per cent), or implement their decisions anyway (16 per cent) whereas the rest has not taken any action (17 per cent).

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Figure 10: Employers' understanding of the legal framework for furlough and lay-off



As indicated above, a proportion of employers have made use of the Covid19 crisis to lay-off workers. According to the interviewed workers, unionists and labour NGOs, the usual modus operandi by the employers is to require workers to submit voluntary resignation letters<sup>19</sup>. Some workers called the local FOLs for help while many others succumbed to the pressure of the management:



'I was not given any notice. One day the HR department asked workers in our team to sign in voluntary resignation letters. They said it was because of Covid19. We did not want to sign but we were too scared to resist' – A garment worker at an FDI company in Hai Duong

'After the issuance of Document 1064, a Taiwanese company required all of their 600 workers to submit voluntary resignation letters. The workers called us and we intervened. Finally, the firm agreed to pay one month's salary and furlough workers instead of laying them off' – A provincial unionist in Dong Nai.

### Workers' voice in the adjustment process

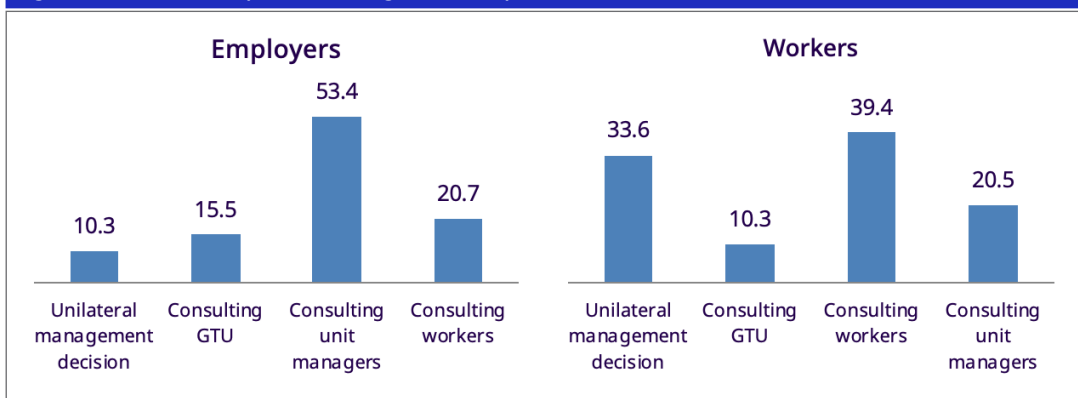
Although the Covid-19 pandemic presents a force majeure situation for companies, it is important that workers and their representatives are consulted, explained and informed about the management decisions that may affect their employment and income. That is not to say that in case of temporary work suspension/furlough, either with or without pay, the Labour Code requires the agreement of both parties to the decision (Art. 32, 98 and 116 of the 2012 Labour Code). We asked both employers and workers the same question of whether or not the top management consulted upon implementing the cost-cutting measures and if so, whom they consulted with.

<sup>19</sup> The legal grounds for laying off workers, by Viet Nameese law, are limited. Even in force majeure situations, the employers have to prove that they have exhausted other measures before unilaterally terminating contracts with workers and they have to make advanced notice of 30-45 days (otherwise, the employer has to pay for the notice period). If a worker submits a resignation letter, the employer is able to skip these legal obligations

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In both surveys (Figure 11), the majority of firms made unilateral decisions or chose to consult unit managers (63.4 per cent in the firm survey and 54.1 per cent in the worker survey). The fact that leaders of GTU in many enterprises are also managers make the consultation with the GTU less relevant and important for employers.

Figure 11: Consultation upon cost-cutting measures ( per cent)



Despite the fact that consultation of workers was not commonly practiced in the surveyed firms, over 60 per cent of interviewed workers said that they accepted the firms' decisions immediately as they were "sympathetic of the employers' difficulties" (Figure 12). The rate of opposition is the highest in the wood-processing industry, followed by seafood.

Figure 12: per cent of workers' acceptance vs. opposition of management adjustment decisions by industry (n=292)

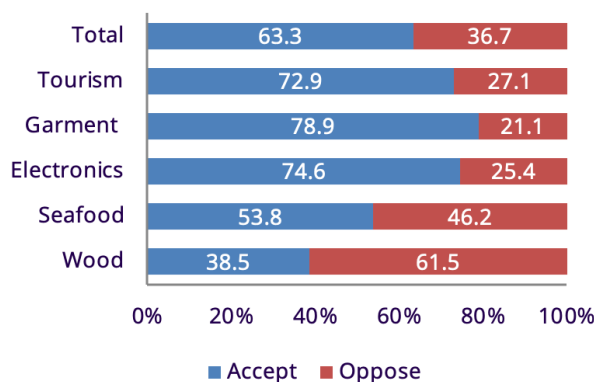
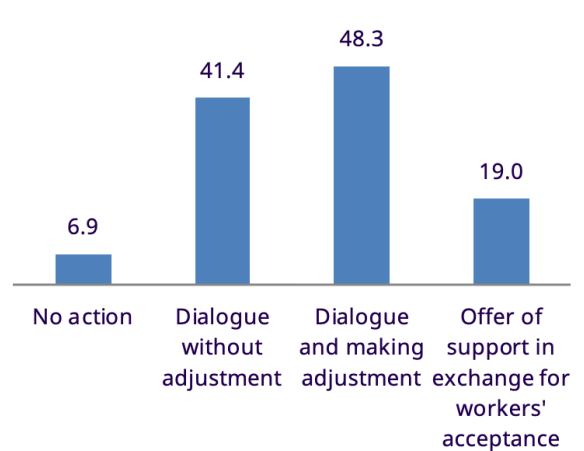


Figure 13: How employers respond to workers' opposition (per cent; n=58)



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Most of the cases in which workers opposed to management adjustment decisions were because they were not consulted and they believed that the application of the cost-cutting measures was not fair. The followings are quotes from our interviews with the workers:



"I had no idea that our allowances were cut until I received the pay slip. Some pregnant workers or those with small children were laid off" – A seafood worker in Kien Giang

"I just finished the probation and started a six-month contract when the HR people called me up and asked me to sign in a letter of voluntary resignation. They said because of the pandemic, the company had a lot of difficulties. I felt very upset but I did not know what to do" – A garment worker in Hai Duong

"Half of the workers in the company are older people from the nearby villages. Most of them have no contracts, sort of seasonal workers only. In the late February, the company said that the orders to the US were cancelled so they just lay off all the seasonal workers without providing any support. We all felt very insecure now" – A worker in a furniture factory in Binh Dinh

The survey reported no strikes; however, the workers resorted to other ways to express their discontent such as complaining to their managers, unionists, submitting petitions to the companies, or talking directly to the employers. Although the employers take a unilateral approach to making cost-cutting decisions, they tend to be more willing to dialogue and negotiate if challenged by the workers. In the firm survey, 41.3 per cent of employers chose to dialogue if workers disagreed with their decisions and 48.2 per cent are willing to make changes to their cost-cutting measures upon workers' requests. Only a small proportion of 7 per cent took no action despite workers' opposition, mainly because they had no other choice. The owner of a tourism agency explained: "we are able to keep the core staff only. Some staff complained because it is very difficult for them to find other jobs at the moment. But I had no choice. I am on the edge of bankruptcy". Nearly 20 per cent of the employers offered additional support to the affected workers, especially those furloughed or laid-off, to persuade them to accept the decisions. The support ranges from one month's salary to in-kind such as rice and even unsold products, in the case of seafood firms.

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### Lower satisfaction among women and workers in companies with unilateral approach to adjustment

We asked the workers to rate their satisfaction of the employers' handling of the cost-cutting process from 1 to 5 (1 as least satisfied and 5 as most satisfied). It is interesting to note that the women workers are generally less satisfied with the management than men, particularly so in the wood and tourism industries (Table 3). A possible reason is that women are among the most vulnerable groups, including workers with precarious jobs, in these industries. The workers who claimed that their management made unilateral decisions on cost-cutting measures are least satisfied. Again, women are also less satisfied than men in this particular group.

Table 3: Ranking of worker satisfaction with the adjustment process

	All	Men	Women
<b>Total</b>	<b>3.1</b>	<b>3.3</b>	<b>3.0</b>
Wood	3.0	3.4	2.8
Seafood	3.5	3.6	3.4
Tourism	3.0	3.4	2.7
Garment	3.1	3.0	3.1
Electronics	3.2	3.2	3.2
<b>Companies making unilateral decisions</b>	<b>2.7</b>	<b>3.1</b>	<b>2.7</b>

Although most workers are sympathetic with the difficulties of their companies during the crisis, it is important for the employers to consult and negotiate with the affected workers to ensure that workers cooperate and prevent labour conflicts. In April 2020, the management's unilateral approach in dealing with cost-cutting measures caused strikes in Tomiya Summit<sup>20</sup> in Dong Nai and Yesum Vina<sup>21</sup> in HCMC.

### Unions' roles in the labour adjustment process

While it is not easy to generalize due to small number of cases observed in this study, there seems to be different approaches between unions at grassroots and regional levels<sup>22</sup>. On one hand, the firm and worker surveys both show that the GTUs played a minor role in the dialogue and bargaining between employers and the affected workers: in the firm survey, only 15.5 per cent of employers consulted the GTUs on their cost-cutting measures and in the worker survey, only 4.11 per cent of interviewed workers were represented by the GTUs in negotiating with the employers during the Covid-19 adjustment.

<sup>20</sup> <https://laodong.vn/cong-doan/cty-cho-nu-cong-nhan-lon-tuoi-ng-hi-viec-bang-to-thong-bao-nho-nhu-gang-tay-801837.lido>

<sup>21</sup> <https://laodong.vn/cong-doan/tph-cm-gan-600-cong-nhan-ngung-viec-vi-bi-cham-dut-hop-dong-lao-dong-799744.lido>

<sup>22</sup> Here we are referring to the provincial, district and industrial-zone unions

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On the other hand, among the interviewed upper-level unions, quite a few have taken a more active approach in supporting workers on employment. The IZ union of Hai Phong, for instance, negotiated with the local Korean Business Association for a three-step plan to sustain employment for workers. In the first step, the workers taking leave receive 70 per cent of the basic salaries. In step 2, wages for workers are further reduced. Moreover, in the last step, workers take unpaid leave but their jobs are secured.<sup>23</sup> In another approach, the Dong Nai FOL monitors the lay-offs by companies and intervenes quickly to make sure that the employers do not use Covid-19 as an excuse to unfairly dismiss workers.<sup>24</sup>

### ▶ Prospects for post-pandemic recovery and support to firms

Figure 14: Prospects of recovery if the pandemic ends by June 2020

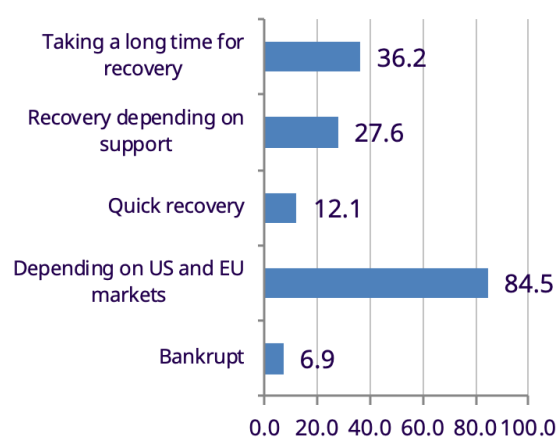
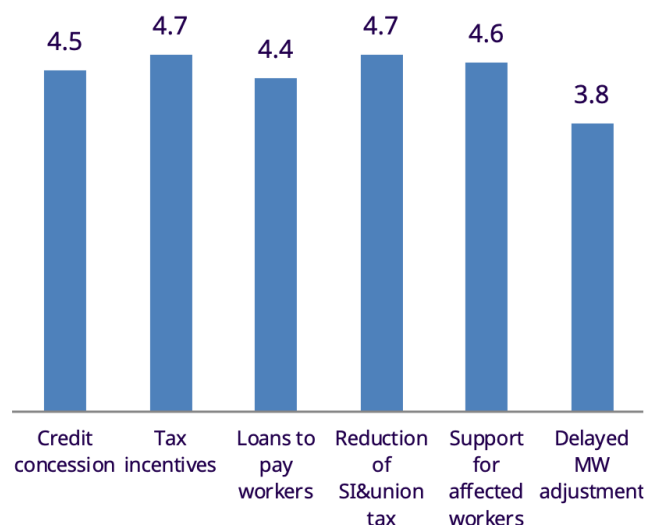


Figure 15: Ranking the importance of support schemes for firms (n=58)



At the time of writing, the lockdown and most of social distancing measures have been lifted in the whole country, facilitating the recovery of the domestic markets. However, the recovery of the export sector depends first and foremost on the American and European markets (see Figure 14). Nearly a third of the surveyed firms claim that they will depend on additional support to be able to recover and 36.2 per cent expect that recovery will take time.

<sup>23</sup> Interview with the chairperson of Hai Phong IZ Union, April 2020

<sup>24</sup> Interview with the representative of Dong Nai FOL, April 2020

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Despite the business community's frequent complaints about the annual increase of regional minimum wages (MWs), the employers do not regard delaying this year's MW adjustment as important as other measures. The employers argued that they have already planned wage increases for their workers any way. Among all the supporting schemes for firms, the most important are the reduction of taxes including social taxes such as social insurance and union tax (Figure 15). This result echoes a recent survey by the National Economics University (NEU) that for the businesses, especially the SMEs, reduction of operation costs is more effective for them to recover than credit concessions (NEU 2020). In fact, as reported by VCCI, only 20 per cent of the affected firms have accessed to the credit concession schemes offered by the government.<sup>25</sup> The complicated procedures and the requirement for mortgages present the biggest obstacles to SMEs in accessing the loans.<sup>26</sup>

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<sup>25</sup> <https://congluan.vn/doanh-nghiep-van-kho-tiep-can-cac-goi-ho-tro-post78714.html>  
VITAS Newsletter, May 2020

<sup>26</sup> <https://e.vnexpress.net/news/business/data-speaks/five-million-Viet-Namese-workers-lose-jobs-to-covid-19-4089701.html>



## ► 3. Workers: Impacts, responses and resilience

The General Statistics Office (GSO) reported that by middle of April 2020, nearly 5 million workers have been affected by the Covid19 pandemic. Of these, 13 per cent lost their jobs, 59 per cent furloughed and 28 per cent were taking turns to work.<sup>27</sup> Processing and manufacturing industries were most heavily impacted with 1.2 million jobs affected followed by wholesale and retail with 1.1 million. A recent analysis by the ILO Viet Nam estimates that by the end of the second quarter of 2020, the crisis may affect the income and employment of between 4.6 and 10.3 million workers in Viet Nam (ILO Viet Nam 2020). On the basis of these estimations, this chapter will dig deeper into the various aspects of the pandemic impacts on workers' employment, income, health and livelihoods as well as the measures they have adopted to support themselves and their families.

### ► Impacts on income and employment

The impacts of the pandemic on workers' income and employment have been extensive. The worker survey indicates that 18.1 per cent of workers, mainly in household businesses and MSMEs, have lost their jobs or their whole income at the time of interview and 5.8 per cent are trying to make ends meet with the pay lower than the MW (Figure 16). Even for 15.8 per cent of workers who are lucky enough to retain their jobs and income, they still suffer from the reduction of overtime pay which normally accounts for up to 50 per cent of the net compensation in garment or electronics (Do 2017).

Figure 16: Impacts on Workers' Employment and Income (n=292)

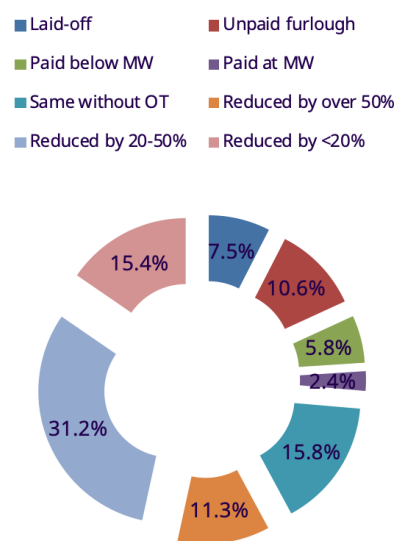
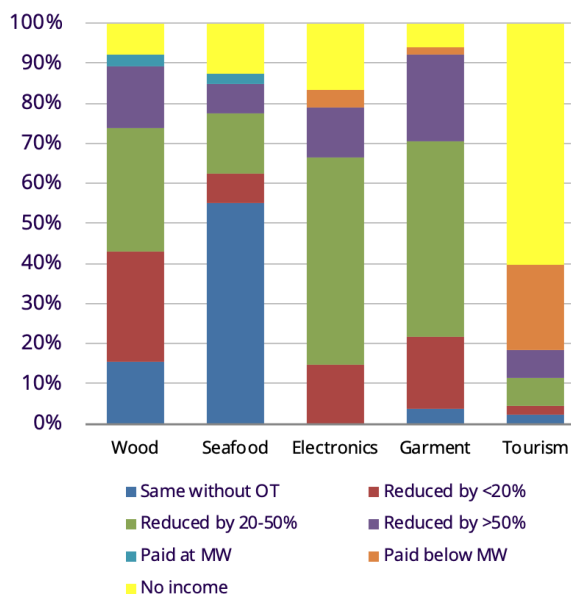


Figure 17: Impacts on Workers' Income by Industry



<sup>27</sup> [https://e.vnexpress.net/news/business/data-speaks/five-million-Viet Namese-workers-lose-jobs-to-covid-19\\_4089701.html](https://e.vnexpress.net/news/business/data-speaks/five-million-Viet-Namese-workers-lose-jobs-to-covid-19_4089701.html)

## ► 3. Workers: Impacts, responses and resilience

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By industry, the biggest impacts on workers' income are in tourism and electronics with nearly 100 per cent of surveyed workers suffered from wage reduction or job loss. The situation in wood-processing and garment is mixed: the private domestic SMEs in the wood-processing industry have been heavily affected with 58 per cent of domestic furniture firms had suspended all or a part of their operations by the early April 2020 (VIFOREST 2020). However, according to our informants, the FDI companies have been performing better, with a few Chinese companies extending their labour force.<sup>28</sup> Similarly, while VITAS reported that their members have been heavily affected and 70 per cent has furloughed workers by the end of March 2020, a survey by Fair Wear Foundation covering over 50 garment exporters<sup>29</sup> to Europe found that none of the firms has difficulties in paying their workers.<sup>30</sup>

The crisis has been particularly devastating for women, especially those who act as the breadwinners of their families. As much as 83 per cent of the interviewed women workers suffered from reduction of income or job loss. Of them, 32.3 per cent are either the main or the only earners in their families.

The pandemic has created double difficulties for the migrant workers: on the one hand, their income and jobs are at risk (87.9 per cent of surveyed migrants have either lost their jobs or suffered from income reduction); on the other hand, due to social distancing and lockdown measures, they were separated from their families in their home villages for months.



'In March and April I had no overtime. The attendance allowance has been cut off. My income has reduced by 50 per cent but the daily expenses like rents and food remain the same. My husband and little son are in the home village, about 100km from here. I have not seen them for 3 months. I have no savings to send them either' – A garment migrant worker in Hai Duong.

In our sample, only 8.8 per cent of migrants have returned home while the rest trying to stay on either to continue working or searching for jobs. However, the significant reduction of income push migrants into extreme difficulties as they can hardly cut back on basic expenses.<sup>31</sup>



"My husband and I were furloughed in the late February. The company promised to call us back when they have more work. We have no income and very little money left but we still have to pay the rents. We have no money for food now. Every day we have only one meal with plain rice and instant noodle" - A Dao-ethnic couple, migrating from Tuyen Quang to work in an electronic company in Bac Ninh, were furloughed without pay and suffered from hunger for weeks.<sup>32</sup>

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<sup>28</sup> Interviews with CSOs in HCMC, Dong Nai and Binh Duong (April 2020)

<sup>29</sup> These companies manufacture sportswear rather than fast-fashion products

<sup>30</sup> Interview with FWF country representative, May 2020

<sup>31</sup> Migrant workers reported an increase in food expenses as they no longer get free meals from the factories

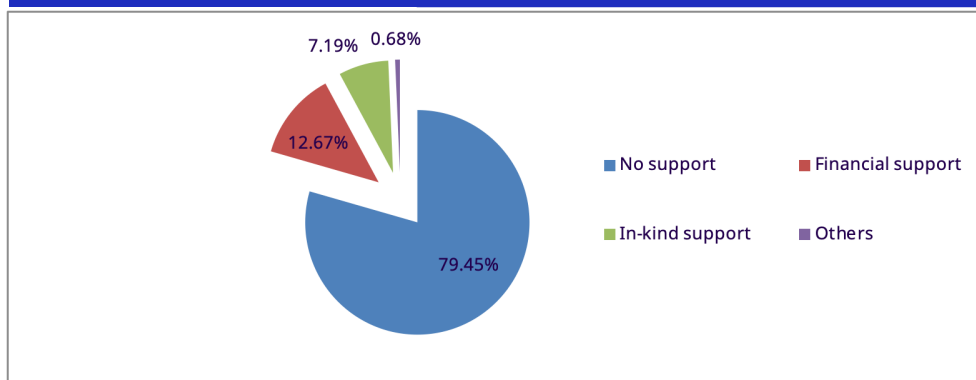
<sup>32</sup> After the interview, the interviewers advised the couple to get to the 'rice ATM' funded by Bac Ninh FOL for free rice

## ► 3. Workers: Impacts, responses and resilience

“My company closed down last month. I tried to look for another job but in vain. I got sick and now have to spend the saving for my elder daughter to go to college. I don’t know how long our family can go on” – A single (migrant) mother of two living in HCMC. She used to work for a shrimp-processing company.

As much as 79.45 per cent of workers reportedly received no support, either cash or in-kind, from the employers (Figure 18).

Figure 18: Have you received any support from the employers?



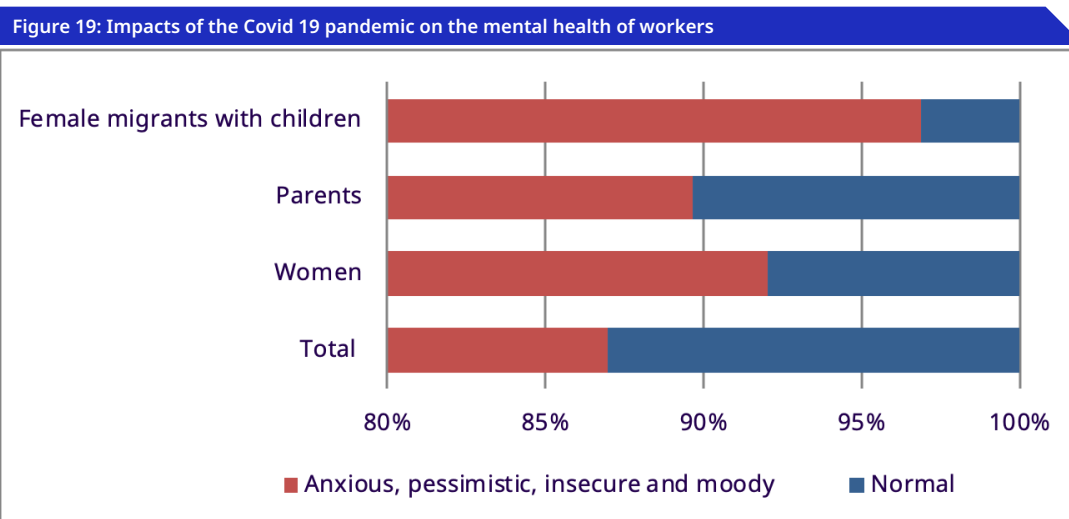
### ► Impacts on workers’ mental health, family relationships, and basic expenses

**Affected workers experienced anxiety, pessimism, insecurity, and negative mood changes**

The worker survey shows that the impact of the pandemic on workers’ mental health increases in line with their employment vulnerability, gender and family responsibility. First, we compare the outcome of our survey which focus mainly on the rank-and-file workers in the selected industries and a survey conducted at the same period covering over 900 office clerks and managers (Vu et al. 2020). While Vu et al. (2020) indicates that only 8 per cent of office clerks and managers feel stressed and pressured during the pandemic time, as many as 86.9 per cent of workers in our survey have experienced anxiety, pessimism, insecurity, and negative mood changes. The impacts are significantly more prevalent among workers who are parents (including the married and single parents), women and *most extensive among the female migrants who have children* (Figure19).

- ▶ Quick impact assessment of COVID-19 pandemic on the key economic sectors: Responses, adjustment and resilience of business and workers

### ▶ 3. Workers: Impacts, responses and resilience



Source: Worker survey, n=292

#### Mixed impacts on family relationships – Signs of domestic violence

The Covid19 crisis has yielded mixed impacts on the family relationships of surveyed workers. On the one hand, 13.7 per cent of workers report positive impacts of the pandemic on their family relationships as family members stay at home and spend more time together; on the other hand, 34.25 per cent claim that the crisis has worsened their family relationships (Figure 20). In particular, the proportion of workers suffering from worsened family relationships increases among migrants (36.7 per cent) and especially among *female migrants with children* (47.7 per cent). According to the workers, their family relationships worsened mainly because the family members have become more anxious about their health and future (Figure 21). However, nearly 10 per cent of the workers reported more quarrels among family members and nearly 5 per cent said that *there have been verbal and physical abuse* within the family.

### ► 3. Workers: Impacts, responses and resilience

Figure 20: How has the pandemic affected your family relationships? (n=292)

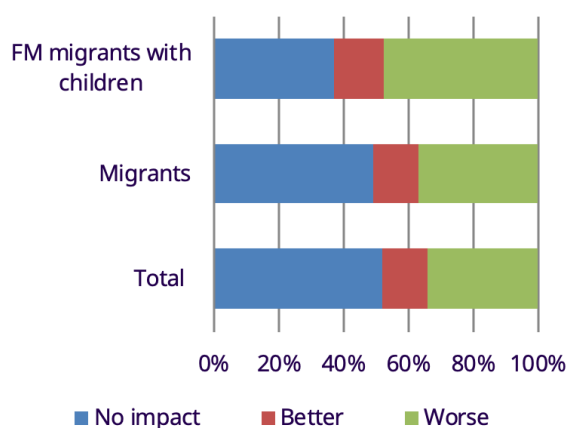
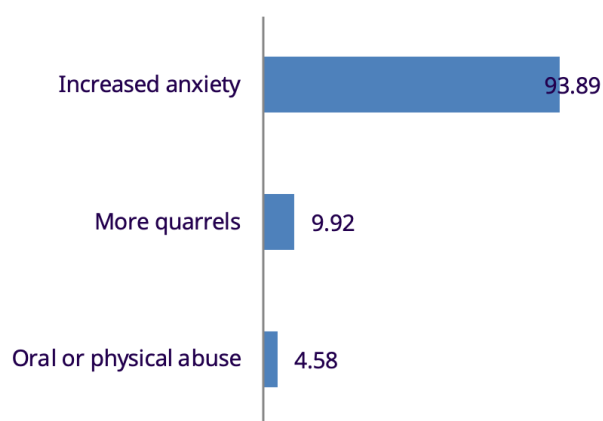


Figure 21: In what ways has your family relationship worsened? (n=131)



Studies have found that financial strain is linked to increases in the frequency and severity of domestic abuse (Weaver et al. 2008 ; Adams et al. 2008). In the United States, for instance, a 1 per cent increase in the unemployment rate leads to a 25 per cent increase in child neglect and a 12 per cent increase in physical abuse (Brown and Cao 2017). Other research has suggested that the stress from catastrophic events like natural disasters can also increase the risk of domestic and family violence (TCFV 2019) . Upon consideration of the high rate of domestic violence in Viet Nam (according to a national survey in 2010, 58 per cent of Viet Nameese women report experiencing at least one type of domestic violence in their lifetime),<sup>33</sup> the impact of the pandemic on domestic violence in workers' families should be paid due attention to because it is particularly difficult for the victims to search for help during this special time.

#### Impacts on basic expenses: food expenditure seriously cut down

To understand the impacts of the pandemic on the expenses of workers and their families, we classify the expenses of workers and their families into three categories of food, housing and other basic expenses (such as clothing, transportation, education etc.) using three benchmarks of 'basic', 'minimal', and 'below minimum'<sup>34</sup> (Ankers 2015).

<sup>33</sup> GSO (2010)

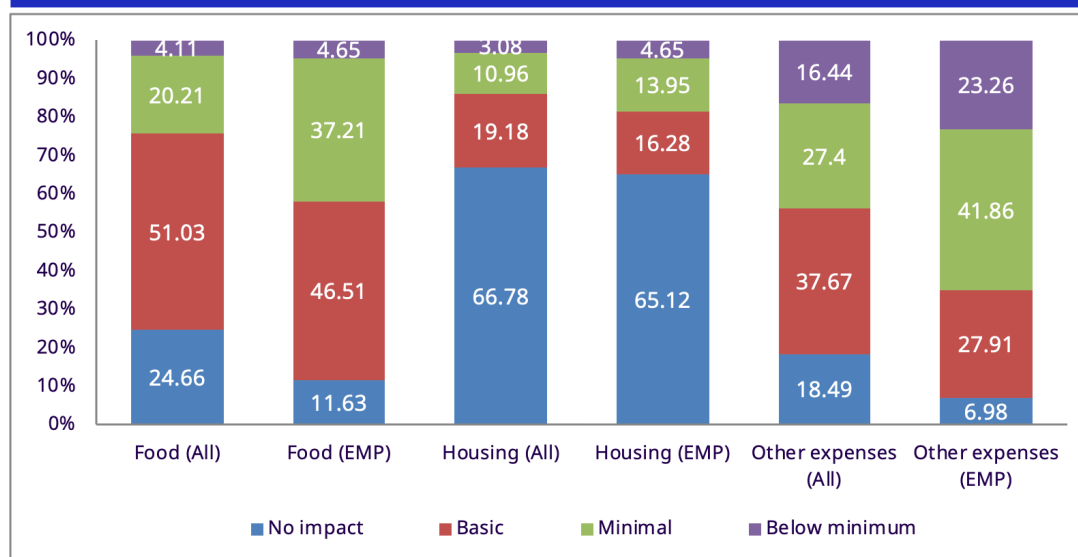
<sup>34</sup> Basic: when nutrition/housing/other living standards are maintained at the minimum acceptable level. For instance: in terms of food, workers have the minimum portion of protein, fat and carbon hydrates; in terms of housing, workers and their family have safe shelter that ensures access to basic services such as security, clean water, sanitation etc. Minimal: when nutrition/housing/other living standards are only enough to sustain life, and below which the life and safety of the worker can be threatened. Below minimum: when nutrition/housing/other

### ► 3. Workers: Impacts, responses and resilience

Assuming that the impacts are most severe among the workers who are the main or the only breadwinner of their families and those who are migrants with children, we compare in Figure 22 the results for all surveyed workers and the group of EMP (main or only earner, migrant and parents). The non-food-non-housing expenses are the first and most reduced expenditure for the workers: as much as 81.51 per cent of workers have reduced their expenses and 16.44 per cent have cut down to below minimum level. According to the workers, the social distancing and lockdown measures mean that they do not have to spend on children's education and transportation, which has eased certain financial burden for them. Yet, some workers have to cut down on healthcare and remittances for their families in the countryside.

Workers are much more likely to thrift on food expenses rather than housing: 75.3 per cent of workers have cut down on food expenditure whereas that number for housing is 33.2 per cent only (Figure 22). The reason is because the housing cost is minimal for the local workers who usually own their houses and for the migrants, it is difficult for them to rent another place during the pandemic time. Therefore, the migrants either choose to cut down on other expenses or negotiate with the landlords for rent reduction.

Figure 22: Impacts on Workers' Expenses ( per cent)<sup>35</sup>



\*Three levels of expenditure reduction: (i)Basic: when nutrition/housing/other living standards are maintained at the minimum acceptable level. Minimal: when nutrition/housing/other living standards are only enough to sustain life, and below which the life and safety of the worker can be threatened. Below minimum: when nutrition/housing/other living standards are at such low level that workers and their families suffer from hunger, homelessness, or acute shortage of other basic necessities

<sup>35</sup> N(all)=292; n(EMP)=43

## ► 3. Workers: Impacts, responses and resilience

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However, the impacts of the pandemic on the expenses of EMPs are considerably more serious: nearly 90 per cent of the EMPs have to cut down on their food expenses and over 40 per cent have reduced the food expenditure to minimal and below-minimum levels (Figure 22). The EMPs report that they no longer afford meat and now rely only on rice and instant noodle, which they get from friends/relatives or the rice ATMs funded by the FOLs or the women's unions.



'Normally my mother sells lottery in the street and earns a bit to support me but now she has to stay home. My company closed down last month and I cannot find another job. Now I have four mouths to feed and no job. Lucky for me, a neighbor lent me some money. We also got free rice and (cooking) oil from the local government. I'm really not sure how long we can go on like this and how I can pay back the debt' – A widow from Bac Giang, now living in HCMC with her mother and two children. She used to work for a small private Viet Nameese garment company but lost her job in the early March as the company went bankrupt.

'I used to earn more than 6 million but now no overtime, I got 4 million last month. My husband is a 'xe om'(motorbike driver) and now he cannot work. We cannot afford four people here so he brought the kids back to the village. I am trying to cut back on any expense I can ... I'm worried that the company will lay me off any day, maybe tomorrow, I don't know' – An electronic migrant worker in Bac Ninh.

### ► Workers' responses

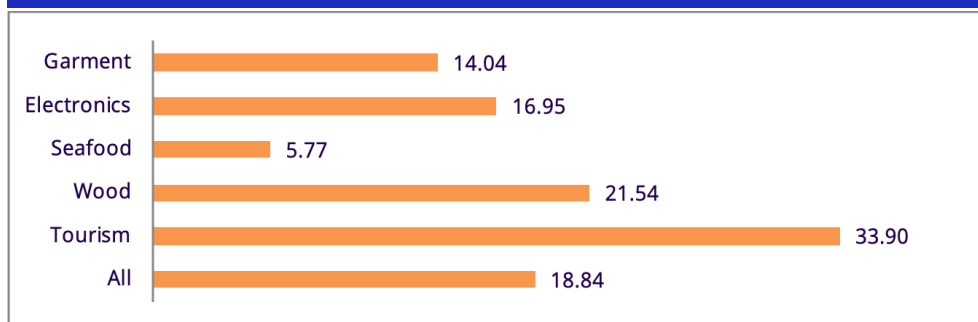
As shown in the previous section, cutting back on basic expenses, especially food and non-food-non-housing, is the first reaction of workers towards the negative impacts of the pandemic on their income and employment. There is, however, a limit to the practice of thrift in sustaining a minimum living standards for the workers who have lost all or a large part of their income. According to the job-lost workers who are also the main or only earners in their families, their savings are only sufficient for up to three more months despite their minimisation of basic expenses. As much as 86.3 per cent of workers expect that their livelihoods will further deteriorate if the pandemic continues for two more months. Particularly, 18.84 per cent claim that their living standards will fall below the minimum level if the situation does not get better by July 2020. By industry, the tourism workers are far more pessimistic than others about the prospects of their livelihoods in the next two months as 55.9 per cent believe that their living standards will get worse and 33.9 per cent are concerned that they will get below the minimum level(see Figure 23).

## ► 3. Workers: Impacts, responses and resilience

Most of the interviewed tourism workers live in the cities (mainly in Hanoi, Da Nang and Ho Chi Minh city) where the living costs are significantly higher than in other provinces. Also, unlike those in garment or electronics who still retain a part of their income, the vast majority of tourism workers have lost their jobs and all of their income as their companies temporarily closed down or went bankrupt.

The second most pessimistic group is workers in the wood-processing industry. As much as 61.5 per cent of workers expect their living standards will deteriorate and 21.54 per cent falling below the minimum level. As one of the hardest-hit industries, 58 per cent of wood-processing companies have suspended all or a part of their operation and 45 per cent of the labour force have been furloughed (VIFOREST 2020). The wood-processing workers, especially the migrants, have faced with extreme difficulties sustaining life in the industrial zones with a meagre of their usual income. In the meantime, although the seafood industry has also been heavily affected by the pandemic, its workers who are mainly locals with agricultural background have been able to sustain an acceptable living standards thanks to their own resources (such as growing their own food or relying on the income from their farms).

Figure 23: Percentage of workers expecting their living standards falling below the minimum level<sup>36</sup> if the pandemic continues for another two months



Despite the difficulties and the gloomy prospects for recovery, workers have actively searched for solutions. The worker survey indicates that 36.3 per cent of workers have looked for other job opportunities to make up for the loss of their income. Among these workers, over 12 per cent, most of whom are tourism workers, have turned to online retailing while others have found temporary jobs such as shippers or construction workers. The other 15.4 per cent have searched for ways to reduce their expenses by working on their gardens and farms to grow their own food or persuading the landlords to reduce rents. The migrant workers also received support from their families as their parents babysit their children as schools are closed or provide them with self-grown rice and vegetables.

<sup>36</sup> Below minimum level: when nutrition/housing/other living standards are at such low level that workers and their families suffer from hunger, homelessness, or acute shortage of other basic necessities



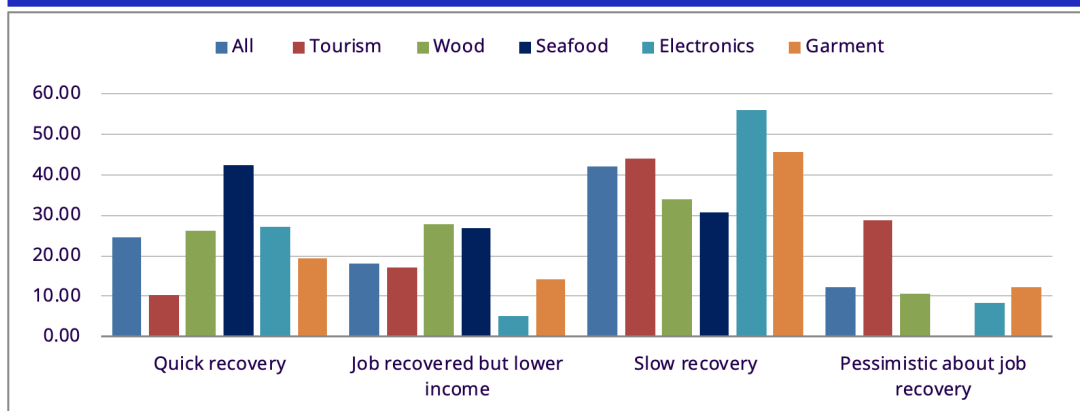
### ▶ 3. Workers: Impacts, responses and resilience

#### ▶ Prospects for recovery of employment and income

##### Most workers expect slow and difficult recovery

In general, the surveyed workers hold a cautious view about the possibility of quick recovery<sup>37</sup> of their employment and income to the pre-pandemic level. Only one quarter of the workers believe that their employment and income will bounce back to the pre-pandemic level within 3 months after the crisis. This is in line with the anticipation of the employers in the firm survey. Among the studied industries, the seafood-processing workers are the most optimistic about post-pandemic recovery whereas the most pessimistic are those in tourism (Figure 24). According to the tourism workers, unlike food or other necessities, the tourism industry will take much longer to fully recover. According to the TAB survey of 394 tourism companies, 82.7 per cent expect to get back to business by the third quarter this year and 41.1 per cent believe that business will only be back to normal by 2021.<sup>38</sup>

Figure 24: Workers' anticipation of employment and income recovery post pandemic



Furthermore, all of the five industries heavily rely on the export markets, especially the U.S and Europe which are still deeply engulfed in the pandemic. The revival of the Chinese and the domestic market may help but will not be able to fully replace the revenues from export in the short term.

Over 40 per cent of the workers across the five industries believe that the recovery process will take more than three months and 18 per cent expect that they will have to accept lower wages post-pandemic. According to many workers in garment, wood-processing and electronics, not only their overtime pay but also allowances and benefits have been removed until the end of the year or until the export orders fully recover.

<sup>37</sup> For this study, 'quick recovery' is defined as the resumption of the level of employment and income as before the pandemic within 3 months after the pandemic is over.

<sup>38</sup> [https://congthuong.vn/nganh-du-lich-viet-nam-bi-anh-huong-nhu-the-nao-vi-dich-covid-19\\_136255.html](https://congthuong.vn/nganh-du-lich-viet-nam-bi-anh-huong-nhu-the-nao-vi-dich-covid-19_136255.html)

## ► 4. Support to workers

Since the early March, the Government of Viet Nam has launched stimulus packages for the affected firms including the credit concession initiative of 250 trillion dong, suspension of union tax and contribution to the pension and bereavement schemes, among others. A support package of 62 trillion dong (in form of cash transfer) for workers has also been launched to support the affected workers and poor households (Table). Additionally, there are a number of support initiatives by the trade unions, women's unions, CSOs, employers and individual philanthropists, focusing mainly on providing in-kind support, rent reduction and trainings for workers. In the garment industry, FWF, CNV International together with VITAS and LEFASO have waged a campaign (starting with the Netherlands and Germany) to call for the European buyers to pay for the in-process or completed production orders and provide additional support to the garment suppliers in Viet Nam to protect workers' income and employment.<sup>39</sup>

Table 4: Overview of support initiatives for workers affected by Covid-19

Types of support	Workers furloughed without pay	Worker terminated but ineligible for unemployment benefits	Self-employed and workers without contracts	Household business
Cash transfer	1.8 million dong/month (Gov.)	1 million dong/month (Gov.)	1 million dong/month (Gov.)	1 million dong/month (Gov.)
Protection equipment (facial masks, sanitiser)	VGCL, Employers	VGCL, Employers	Women's Union, Individual philanthropists	
Food and necessities	VGCL, Women's Unions, Individual philanthropists	VGCL, Women's Unions, Individual philanthropists	VGCL, Women's Unions, Individual philanthropists	
Rent reduction	VGCL, Local governments			
Trainings	Gov., CSOs, Employers, Brands	Gov., CSOs, Employers, Brands	Women's Unions, CSOs	Women's Unions, CSOs

In our survey, 55.8 per cent of workers have turned to various sources of support (Figure 25). Among these workers, 93.87 per cent have applied for the governmental cash-transfer program but at the time of survey, none has received the support. Still, 84 per cent of the workers who have applied for the government support find the program 'very useful' or 'somewhat useful' (Figure 26).

Apart from the government program, the social networks of workers have been the most important source of support as 38.65 per cent of workers have either secured loans, food supply, or childcare support from their friends and extended family members.

<sup>39</sup> Interviews with representatives of FWF, CDI and CNV International, April 2020

## ► 4. Support to workers

This is also the most useful source of support as 57.76 per cent of the beneficiaries find it 'very useful' and 36.21 per cent 'somewhat useful'. The social organisations, especially the women's union and local trade unions, have also provided basic food like rice, cooking oil, and instant noodle to 17.18 per cent of workers. Over 8 per cent of workers enjoy rent reduction by landlords.

Figure 25: Sources of support to workers (per cent; n=163)

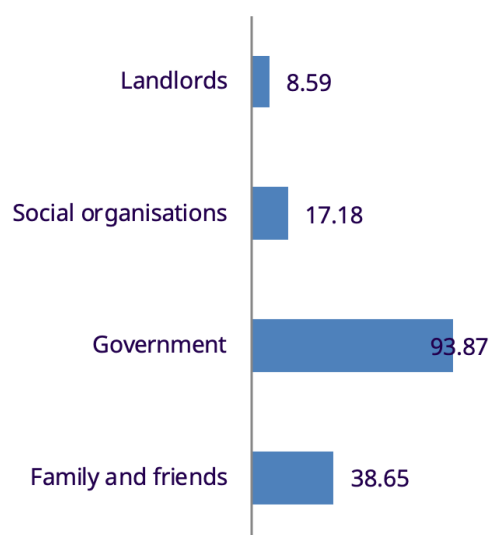
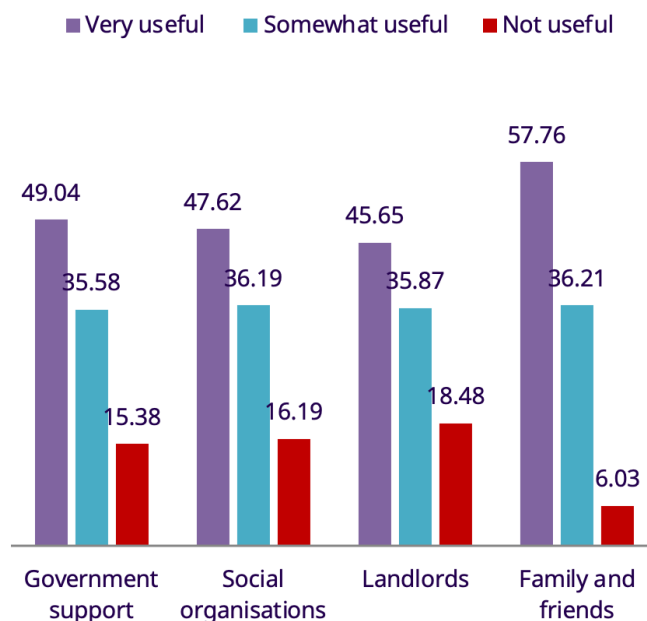


Figure 26: Workers' evaluation of the usefulness of different types of support (per cent)

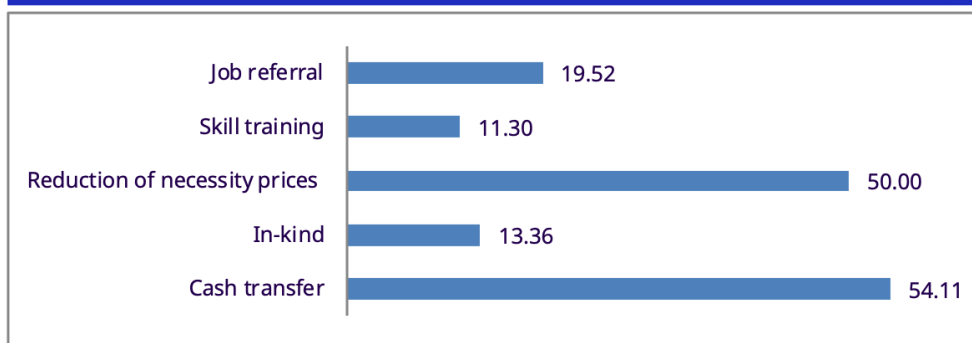


### Immediate need of cash transfer and in-kind support to sustain minimum livelihoods

With a mostly gloomy anticipation of their possible recovery of employment and income post-pandemic, it is not surprising that more than half of the interviewed workers wish to receive immediate support to sustain their livelihoods. As seen in Figure 27, 54.11 per cent of workers need cash transfer, 13.36 per cent need in-kind support such as rice, instant noodle and cooking oil, while 50 per cent express a need for reduction of electricity tariffs, rent, and prices of basic food such as pork. Only 19.52 per cent of workers ask for job introduction and 11.3 per cent for skill training. Understandably, the need for job introduction and skill training is highest among the tourism workers (40.6 per cent) who face with a much higher rate of job loss than workers in other industries.

## ► 4. Support to workers

Figure 27: Workers' needs for support to recover post-pandemic



The lessons learnt from the 2008 financial crisis show that the resilience of affected workers and businesses depend on the following factors:

- (i) Social networks of the workers: the strong social networks allow workers to resort to local support quickly during difficult time
- (ii) Well-designed and implemented labour laws: for deterring the employers from taking advantage of the crisis to attack workers rights
- (iii) Effective social protection systems to reduce the vulnerability of the poor people
- (iv) Channeling fiscal stimuli into female-dominated, labour-intensive

In response to the Covid19 pandemic, Viet Nam has done right in providing timely social protection programs to the vulnerable workers<sup>40</sup>. By May 2020, around 20 per cent of the affected enterprises have benefited from the stimulus package by the government and there are signs of recovery in seafood, garment and electronic industries. However, as shown in this research, there have been claims by workers that a proportion of employers have been got unfair treatment to workers on precarious jobs, women workers and older workers. Also, the fact that the enterprise unions have played a minor role in representing workers' rights and interests in applying labour adjustment measures raise concerns about the protection of workers' rights in the crisis. In a few provinces where the local FOLs are active, workers have turned to the unionists for counselling and remediation while in others, workers either accepted the employers' decisions or resorted to wildcat strikes.

<sup>40</sup> [http://hanoitimes.vn/Viet-Name-govt-to-support-unskilled-laborers-affected-by-covid-19-from-may-10\\_312011.html](http://hanoitimes.vn/Viet-Name-govt-to-support-unskilled-laborers-affected-by-covid-19-from-may-10_312011.html)

## ► 5. Conclusion and recommendations

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Beyond an economic impact assessment, this study has attempted to dig deeper into the process in which employers and workers have responded to the Covid-19 crisis, focusing on the workers' voice in the labour adjustment process as well as the impacts on their livelihoods and resilience. The results raise concerns about the shortage of consultation with workers and their representatives, the employers' possible discrimination against the most vulnerable workers and the extensive impacts of cost-cutting measures on workers' health, family relationships and basic needs.

Beyond these immediate impacts on firms and workers, the Covid-19 crisis has also unveiled a number of problems threatening the sustainability of industries, firms and workers' livelihoods. In the export sector of Viet Nam, the assembly suppliers in the GSCs operate on paper-thin profit margins during the normal time and in time of crisis, the factories and their workers have been the first to suffer as brands cancelled orders and refused to make due payment to protect their core business.

The consequence of GTUs' weakness in representing workers' interests has become much more serious during the crisis as workers are subject to employers' authoritarian approach and have little protection in negotiations with employers to save their employment and income. Workers still have to resort to informal forms of activism to put pressure on employers for dialogue and concession. The fact that the upper-level unions have been active and responsive to workers' complaints has created an effective channel of remediation. However, there is a limit to the support of the upper-level unions as not all workers turn to the external sources of support and not all upper-level unions are capable and proactive in responding to workers.

Low wages for rank-and-file workers and their dependence on overtime pay have shown serious consequences on workers' livelihoods during the pandemic. For many workers, the loss of overtime means the reduction of 20-50 per cent of their usual income. Therefore, most workers only have enough savings to last for up to three months and for those who have to support the whole family, they are easily pushed to the verge of hunger.

The study also brings light of hope as a number of firms and workers have shown strong resilience. Quite a few companies in seafood, wood-processing and garment have adopted a flexible approach to search for alternative sources of revenues or diversified their products and markets to weather the negative impacts of the pandemic. Workers have also quickly adapted to the situation by looking for additional sources of income and turned to their social networks to sustain their livelihoods.

## ► 5. Conclusion and recommendations

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To lessen the impacts of the crisis and further support the recovery firms and workers, the study has the following recommendations:

### Recommendations for short-term remedies:

1. The local BAs should work in solidarity with business associations in other countries to demand for more responsible supply chain practices by the international buyers during the pandemic. For instance, in the early April, VITAS joined with the garment associations of 8 other countries to call for fashion brands to make commitments to pay for the in-process or completed orders.<sup>41</sup> Recently, a joint statement by a coalition of thirteen international organisations working on better labour conditions for garment workers has called on garment brands and governments for urgent action amid the COVID-19 pandemic.<sup>42</sup>
2. The Government and BAs may consider setting up hotlines to provide immediate support to affected businesses in accessing the support packages. On the one hand, the hotlines can provide information on procedures for businesses; on the other hand, through the hotlines, information about the real needs and difficulties of the businesses can be recorded and reported directly to the competent authorities.
3. The trade unions at the local and grassroots levels need to take a more proactive approach to support workers who may be the victims of employers' taking advantage of the crisis. The FOLs of Dong Nai and Hai Phong, for instance, maintain constant contacts with the GTUs and operate hotlines for workers to report their grievances. Signs of discrimination against older workers, migrants and women workers should be investigated and carefully handled to prevent the replication of the unscrupulous practices.
4. During the time of crisis, social dialogue plays a crucial role for both employers and workers to figure out solutions that best fit with both parties and prevent labour conflicts. Therefore, both the employers' organisations and trade unions should encourage their members to practise dialogue and consultation to develop their responses to the pandemic.
5. The trade unions, mass organisations and CSOs should identify the most vulnerable workers who need immediate support. As identified by this study, these workers are the migrant workers with children, especially women workers who are the main or the only earners in their families.

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<sup>41</sup> <http://hanoitimes.vn/vietnamese-government-to-support-unskilled-laborers-affected-by-covid-19-from-may-10-312011.html>

<sup>42</sup> See the joint statement here: <https://www.fairwear.org/covid-19-dossier/covid-19-garment-industry-coalition-statement/>

## ► 5. Conclusion and recommendations

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### Recommendations for mid- and long-term adjustments:

1. As Viet Nam has been successful in containing the Covid-19 virus, the local manufacturers are enjoying considerable advantages over the regional competitors who are still trapped in the pandemic. Therefore, the BAs should encourage firms to actively extend their markets. Also, the experience in seafood shows that the consumers' taste may change from higher-end to lower-end products, which requires the producers to adjust their production.
2. The pandemic will push the surviving international brands to adjust their supply chains and supply chain policy. It is crucial that the BAs communicate closely with the major buyers and industry associations in the important export markets to identify the directions of these changes as quickly as possible and provide guidance to the local companies. For instance, LEFASO collaborated with FDRA (Footwear Distributors and Retailers of America) organised a webinar with 60 footwear importers in the US in May 2020 to discuss changes in American market demands. Similar fora should be organised for other industries and export markets on a regular basis.
3. The pandemic again stresses the need for the Viet Nameese businesses, especially those in the global supply chains, not only to move up the value chain but also to diversify their buyer portfolios and products. The Viet Nameese industries are now in a good position to do so as the international buyers are also diversifying their supply chains,.
4. As Viet Nam emerges as a promising alternative destination for sourcing, the Viet Nam government is also in the favourable position to be more selective of the (foreign direct) investment that is best for the sustainable development of the country and the economic upgrading of their industries. It means that the government should prioritise the investments that have high technological contents and value-added, environmentally and socially sustainable rather than those that only focus on assembling.
5. The pandemic also exposes the fact that workers are being paid too low for their regular hours that they have been highly dependant on over-time pay. This requires the unions to push for genuine collective bargaining to raise workers wages rather than relying on the minimum wage adjustments. This should be done, however, in line with keen investment into labour upskilling.

- ▶ Quick impact assessment of COVID-19 pandemic on the key economic sectors: Responses, adjustment and resilience of business and workers

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<sup>1</sup> <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.887.9633&rep=rep1&type=pdf>

<sup>2</sup> <https://tcfv.org/wp-content/uploads/2019/08/Hurricane-Harvey-Report-FINAL-and-APPROVED-as-of-060619.pdf>





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