

## Trade Unions in Transition – Changing Industrial Relations in Vietnam

by Erwin Schweissheim

### Introduction

Trade unions in Vietnam are closely tied to the Communist Party of Vietnam (CPV) and have yet to find their role as autonomous representatives of the interests of workers. However, the ever growing influence of foreign investors and the increase in wildcat strikes put pressure on the Vietnam General Confederation of Labour (VGCL), the only legally registered trade union in Vietnam. This pressure has an impact on both the ideological self-perception of the VGCL, as well as its organisational behaviour. It then faces a difficult political dilemma: if the situation remains unchanged and the VGCL does not deal with the challenges of changing labour relations, workers will nevertheless fight for better working conditions and render the official trade unions obsolete. Should the VGCL start to perform its role of a genuine representative of the interests of workers in Vietnam, it must do so independently of the party and state in Vietnam.

### Trade Unions in Transition – from harmony to conflict

Under the political conditions of a Leninist one-party state, the trade unions are a “mass organisation” under the leadership of the CPV. According to Article 10 of the Constitution of Vietnam, the VGCL is the only trade union organisation in Vietnam and represents the whole working class in Vietnam, not limited to its members.

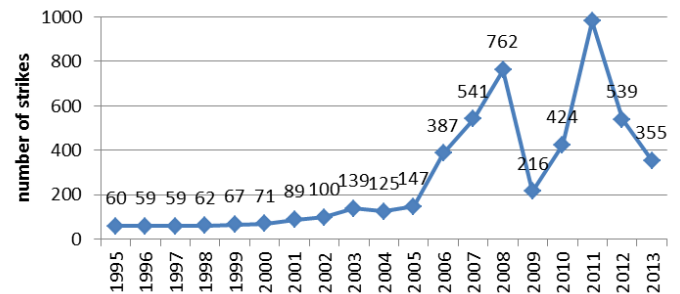
According to figures provided by the VGCL in 2013<sup>1</sup>, the total membership was 7.9 Million; in about 113.000 “grassroot” trade unions, the larger majority of which are in government institutions and state-owned enterprises. Since the Vietnamese government is gradually “equitising” state-owned enterprises, there is growing pressure on the VGCL to learn how to organise in non-state enterprises.

Industrial relations in Vietnam are undergoing substantial changes as a consequence of the *Đổi mới* economic opening process and the concomitant restructuring of the Vietnamese economy towards a global market economy “of socialist orientation”. These relations were relatively harmonious up until the year 2004, but since 2005 a dramatic increase in the number of strikes has been observed.

The right to strike was only granted to Vietnamese workers when the Labour Code came into force in 1995. In subsequent years, however, there were only isolated cases of strikes (see figure 1). Over the years, the pattern of strikes has been relatively uniform until 2005 where the trend was interrupted by a steep increase. The wave of strikes reached its first peak in 2008 with 762 strikes and after a short-lived decline, the number of strikes reached a new record value of 981 in 2011. Since then, some calm has returned with 539 strikes in 2012 and 355 in

2013.<sup>3</sup> Nonetheless, there is evidence that, in Vietnam, labour relations are reflecting the different interests of workers and capital.

Figure 1: Number of strikes in Vietnam



A closer look at the strike data reveals several trends. Strikes mainly occur in the private sector; almost 80% in foreign direct investment (FDI) companies alone.<sup>4</sup> The textile sector is most affected with 30% of strikes. Consequentially, work stoppages especially occur in the strongly industrialised provinces of southern Vietnam.

Moreover, strikes in Vietnam see several defining characteristics where they are almost exclusively *peaceful strikes*. This, supposedly, is one reason why most strikes are tolerated by the local authorities and police. Strikers actually consider the presence of the police as protection against violent backlashes perpetrated by the private security forces of the companies. Another distinctive feature of strikes in Vietnam is their *lack of a visible leadership*. And almost all strikes over the last years were indeed *wildcat*, i.e. *illegal strikes*. Vietnamese Labour Law provides for the possibility of work stoppages under certain conditions but these conditions are so unrealistic that workers only call wildcat strikes as a last resort.<sup>5</sup>

In addition to these constraints, a qualitative change has been observed over the years. During the 1990s and at the beginning of the 2000s, the predominant reasons for work stoppages were infringements and harsh violations of applicable labour laws perpetrated by employers. Whilst the causes of these rights-based strikes are still relevant, interests-based causes are also gaining importance.<sup>6</sup> Due to the spiralling inflation resulting from the world economic crisis, there has been a growing demand for an increase in wages. For the most part, this has been enforced by means of strikes.<sup>7</sup> The high number of illegal strikes shows that the existing methods of dispute resolution are not working, and that the legal conditions do not do justice to the prob-

lem area.

### The role of the VGCL in industrial relations in Vietnam

Most experts ascribe a large part of the responsibility, for the lack of efficient dispute resolution, to the VGCL which is strongly interlinked with the state and the party, and brings enterprise unions and industry unions together under one umbrella organisation. So far, the VGCL has reacted only cautiously to the strike wave. The main strategy consists of enhancing the rate of unionisation, especially in private companies. Furthermore, the VGCL has initiated several programmes for building up the capacities of trade union officials in recent years. As shown above, this measure is indeed necessary, but the main problem – the lack of a genuine representation of workers' interests – remains untouched.

### Official reactions: Amending the legal framework and increasing the minimum wage

The CPV and the government have now recognised the problem as well, and have developed a number of approaches geared towards reaching a solution. New bills for trade union and labour law were tabled in 2012. Dispute settlement mechanisms were streamlined by one judicial body, the *Enterprise Conciliation Council*. Mandatory quarterly meetings between employers and employees are now expected to improve mutual understanding.<sup>8</sup> Progress was also made in the field of collective bargaining policy with the Labour and Trade Union Act. These improvements constitute the legal opening for industry-wide collective agreements. But as strikes are not foreseen in the negotiations strategy of the VGCL as a means of last resort, the power and impact of collective bargaining will always be limited.

Another strategy of the government involves gradually raising the minimum wage. After the focus of Vietnamese economic policies was fixed on increasing attractiveness for FDIs for many years, there is now greater willingness to allow ordinary people to participate more in growth.

### Structural problems persist

The decreasing number of strikes, since 2012, is mainly due to macroeconomic stabilisation and a significantly reduced inflation rate. Real pay increases were registered again, along with an increase in the minimum wage, compared with the period between 2007 and 2011. Another cause lies in the gradual improvement of collective bargaining agreements, which once barely went beyond the legal requirements.<sup>9</sup>

It is apparent, however, that the fundamental shortcomings in the industrial relations of Vietnam have not been remedied. The number of strikes consequently remains at medium-level. As long as inflation can be maintained at a constantly low level and real wages manage not to fall, it can be assumed that the conditions seen in 2011 will not materialise again. If another economic slump were to hit again though, vast numbers of illegal strikes might well become common once again in Vietnam. In this case, the question would be how long the strikes would remain apolitical, and for how long the CPV can afford to treat the problem superficially.

### Conclusion

25 years of transition from a planned economy to a market economy have definitely changed the pattern of industrial relations in Vietnam. Formally, the state ideology still upholds the perception of a socialist society in which no contradiction between workers and the owners of capital exists and subsequently, industrial relations are characterised by a harmonious balance. In practice, the dynamic growth process, global integration and the rise of private Vietnamese and foreign enterprises in the economy have put the workers in Vietnam under the same pressures as elsewhere in the world: Low wage competition, growing forms of precarious employment, low levels of social security protection, etc. Since the economic reform process was not accompanied by political reforms and the VGCL still perceives itself as a transmission belt of the Communist Party of Vietnam, trade unions have not really been able to establish themselves as an independent representation of workers. On the other hand, in some fields the VGCL has made important steps to a more genuine trade union organisation that protects its members in conflicts with employers through a countrywide system of legal aid offices or is increasingly able to conclude collective agreements that are significantly better than the provisions in the labour law. Since the political system is a given fact, the efforts of the VGCL to improve legal protection and collective bargaining should be supported. However, lawmakers should change the provisions in the law that prevent the trade unions to use industrial actions and strikes as a legitimate means of last resort in negotiations with the employers. Otherwise, the relations between employers and workers in Vietnam will never reach a level playing field.

<sup>1</sup> Report by VGCL to foreign guests of the 11th VGCL Congress, Hanoi, 28th July 2013

<sup>2</sup> Vietnamese for *renewal*

<sup>3</sup> The figures are based on VGCL data. Primarily Korean, Taiwanese or Japanese owners are involved;

<sup>4</sup> Cf. CHI/VAN DEN BROEK (2013): Wildcat strikes: A catalyst for union reform in Vietnam?, in: *Journal of Industrial Relations*, 55(5), p. 786. Hereinafter: CHI/VAN DEN BROEK (2013).

<sup>5</sup> Cf. VAN GRAMBERG/TEICHER/NGUYEN (2013): p. 256.

<sup>6</sup> Clarke, S., & Lee, C. H. (2007). From rights to interests: the challenge of industrial relations in Vietnam, in: *Journal of industrial relations*, 49(4), p. 564.

<sup>7</sup> Cf. CHI/VAN DEN BROEK (2013): p. 786f.

<sup>8</sup> ([http://www.infoclient.gide.com/newsletters/en/vietnam/index.php?option=com\\_content&view=article&id=188:gide-loyrette-nouvel-client-alert-vietnam-legal-update-new-labour-code&catid=1:latest-news](http://www.infoclient.gide.com/newsletters/en/vietnam/index.php?option=com_content&view=article&id=188:gide-loyrette-nouvel-client-alert-vietnam-legal-update-new-labour-code&catid=1:latest-news))

<sup>9</sup> (<http://vietnamnews.vn/society/251704/sectoral-labour-pacts-ease-bouts-of-industrial-action.html>)

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