

The HCMC export turnover in the first three quarters of 1995 was US\$575.1 million, increased by 30.9% compared with the corresponding period last year. One of HCMC's staples was garment. It brought in US\$143 million and made an increase of 32.3% compared with the same period last year.

In spite of its role in HCMC exports, the development of the garment industry was considered as "unplanned and unstable" according to an interservice survey carried out by HCMC Service of Labor-War Invalid and Social Affairs, Service of Industry and Federation of Laborers in September 1995.

The garment industry came to its first stage of development in the early 1990s, and since 1994 on, it consisted of small and medium businesses only. Most of garment businesses have the ability to fill orders for various items such as jacket, shirt, sportwear, pullover, kimono, garments for women and children, underwear, protective clothing, etc. placed by foreign companies from the EU, Russia, Japan, South Korea, Taiwan and the US with some Taiwanese, South Korean or Japanese companies acting as middlepersons. The total sales of 24 leading garment businesses in HCMC in this year are estimated at VND141,312,960,000.

At present, the average workforce of a garment business varies from 230 to 250 people, nearly 70% of it came from other provinces, especially from Quảng Nam - Đà Nẵng, Thừa Thiên - Huế, Hải Phòng, Bình Thuận, Long An, Tiền Giang, Bến Tre and Minh Hải. The level of redundancy fluctuated from 20% to 30% every month. The cause of this situation is that 95% of garment businesses, including state-owned ones, had only foreign orders to fill. These orders are usually placed in the period between April and October every year, so they have no job to do in the remainder of the year.

Regarding per capita income, a worker of a garment business earns from VND300,000 to 400,000 on average every month. In some businesses, the average monthly income of a worker is reduced to VND150,000 or 200,000. This average income, however, is high enough to attract laborers from other provinces, because a laborer working in the garment business in Đà Nẵng can earn some VND130,000 a month at most, and 80,000 at least. A laborer in Đồng Tháp can earn VND180,000 at most. This difference originated from the floating piece-rates: an HCMC worker receives US\$2.5 for making a

jacket while a worker in the North receives only US\$1.9. The piece-rate for making a waistcoat is US\$1.45 in HCMC and only US\$0.9 in other provinces.

In order to help the garment industry develop healthily and ensure the laborer a reasonable income and save the piece-rates from being pulled down by foreign parties, the Government had better discuss with foreign companies and fix the agreeable piece-rates which can ensure an HCMC laborer a monthly income of VND450,000 to 500,000 and ensure the garment business an after-tax profit rate of 3% or 4%.

VND3,716,669 (1%) on amortization. Thus, the business makes a profit of VND14,866,700 (4%) every month.

The above-mentioned data are the business sales and profit in the high season when most orders come to the business, in other months of the year (from January to March) its sales could decrease to US\$20,000.

Another problem needs to be taken into consideration is the contributions to the social insurance fund. The laborers in garment industry are very reluctant to pay their contributions, because of the high degree of mobility of labor and low monthly income. In this case, the Trade Union

THE STATUS QUO OF PRIVATE GARMENT BUSINESSES IN HỒ CHÍ MINH CITY

by MINH TÂM



We can give an example of what we suggest here: a business making jackets has 4 production lines of 50 machines each. Its workforce includes 500 laborers. The business produces 3-layer jackets and receives US\$2.7 for a jacket. A laborer can make 2.4 jackets per shift and the business operates 26 days a month.

Thus, the business produces 12,480 jackets a month ($2.4 \times 26 \text{ days} \times 200 \text{ machines}$) and receives US\$33,696 (US\$2.7 \times 12,480) or VND371,666,880. The business must spend VND223,000,128 on wages and salaries (around 60% of its sales for an average monthly wage of VND446,000); VND18,584,000 on export commission agent's service (5%); VND78,050,000 (21%) on capital expenditure; VND11,150,000 (3%) on overhead expenses; VND22,300,000 (6%) on variable expenses;

and employers must make the Labor Law known to the employees in order to encourage them to pay contributions and work harder (In the social insurance scheme, every employee pays 5% of his/ her wage; employer 15% of expenses on wages. As for contract worker of under 3 months, the employer must pay at least 17% of net wage to the worker, so the worker can pay social insurance contributions).

Expenses of a garment business in HCMC are on the increase now: rent for building increased from VND5,000 per square meter to VND 21,000. Freightage increased from VND800,000 to 1,400,000 for a container.

In short, the private garment businesses in HCMC are facing many difficulties and need help from the Government.