

SOLUTIONS TO LABOR PROBLEMS IN EQUITIZED COMPANIES

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In equitized companies, there are two labor problems:
(1) Some laborers aren't given preferential treatment according to Decree 44/1998/ NĐ-CP.

The said Decree isn't carried out consistently with the result that laborers in this company have been allowed to buy, for each year they have worked in the company, 10 shares at preferential prices as required while their counterparts in other companies haven't. The cause of this inequity is the fact that the shares held by the State differ over companies and laborers haven't got the same seniority. In well-established companies employing a large labor force, laborers – most of them are senior ones – couldn't fully receive preferential treatment offered by this Decree.

To solve this problem, the Government ordered the Ministry of Finance to establish the Fund for Equitization and the PM issued Decision 177/ QĐ-TTg on Aug.30, 1999 on organization of the Fund for Rearrangement and Equitization of State Companies. However, this fund hasn't come into operation yet and laborers in equitized companies are still kept waiting for support from this fund.

Another question is how to identify a poor laborer who can be given preferential treatment. According to the Ministry of Labor, War Invalids and Social Affairs, a poor laborer is a worker whose family has a per capita income of under VND144,000 a month. But this definition has been objected to by many experts at some conferences on the equitization of state companies. The Ministry of Labor, War Invalids and Social Affairs then suggested an income level of VND300,000 a month but there were many difficulties in applying this regulation. Firstly, it's hard to define the per capita income in a family, especially when another member of the family working in the private sector

and having no fixed income. Secondly, the VND300,000 level is reasonable in certain provinces and unacceptable in others. There has been no answer to these questions so far.

(2) Redundancy rose during and after the equitization.

In the first phase, after hundreds of state companies were equitized, the redundancy didn't take place and the labor force in certain equitized companies even became bigger. In the past few years, however, the redundancy has risen during and after the equitization.

According to a report by the Vietnam Coal Corporation, 76 out of 650 laborers (or 12%) working in its five service companies became redundant after the equitization. In Hải Phòng, four equitized companies have ensured jobs for their laborers but at least 20% of their labor force will face technological unemployment when these companies change methods of production. The situation is even worse in companies under the Ministry of Transport and Communication. According to this Ministry, some 9,000 laborers in this industry will be jobless after the equitization (44% in construction, 25% in engineering and 31% in transport service). When one-third of state companies (around 2,000 ones) is equitized, from 500,000 to 600,000 laborers will become redundant. Most of them are manual laborers and 40% are under forty. This is a problem arising from the equitization and it must be solved.

Decree 44/1998/ NĐ-CP and Instruction 11/1998/ TT- LB-TB-XH have given guidelines on this problem but there have been many unanswered questions so far, such as:

+ Regulations allow the laborer to receive an allowance equaling to a month's wages for each year he has worked, but in fact, many companies have no fund for this kind of allowance. In companies where this fund is available, they only want to pay for the years the laborers work for them. Where and how will the laborer get their allowance for the years they have worked for other state companies? In addition, each redundant payment is estimated at VND10-15 million then the total will amount to VND6,000 - 9,000 billion. Can the Government cover this amount when the budget deficit seems permanent?

+ The government wants to use the Fund for Rearrangement and Equitization of State Companies to help

equitized companies provide laborers with retraining courses, but there is no answer to such questions as how much financial support the company will receive from the Fund and how long these training courses are. Moreover, many other questions will arise after laborers take the training courses, such as what relations between the State, equitized companies, laborers and training centers are; in the training courses, who will possess products made by laborers if any; and who will bear responsibility if the laborers give up attending courses, etc.

These questions have become obstacles to the equitization and made both the management and laborers feel unsure of this program. That is why they are reluctant to take part in it.

To solve these problems, in my opinion, the following measures should be taken:

(1) Necessary conditions should be created to help laborers receive preferential treatment allowed by Decree 44-1998/ NĐ-CP.

If laborers in equitized companies haven't bought enough shares allocated to them, the Fund should make up for the difference (face value of a preference share is VND30,000) so they can buy shares from other companies to be equitized. In companies under equitization, if calculations show that there aren't enough preference shares for all laborers, the Fund will pay them on time to help them buy shares from other equitized companies.

If laborers haven't got enough money to buy their portions of preference shares, the Government can allow them to buy shares by installment instead of selling them on one time.

(2) A definition of poor laborer is necessary but there couldn't be a definition for all provinces because of difference in the living standard between zones and provinces. So the Government can define different poverty lines for different zones. In state companies to be equitized, the trade union and laborers could be allowed to present their views on the definition of this poverty line so the work could be done objectively and democratically.

(3) Solutions for redundancy should be worked out by both companies and the Government.

Company management should work out their own solutions based

on their development plan. Laborers could be classified in different groups to which appropriate solutions will be applied (retirement, retraining, or training in new skills, etc.) and fund for these solutions should be available.

In addition, the company should promote R&D activities with a view to diversifying its product lines and improving their quality. Development of new products will create more jobs, thereby reducing redundancy.

The Government could help equitized companies by supplying soft loans to R&D activities and providing redundancies with employment services and loans need for their own businesses.

As for laborers who agree to early retirement and have paid contribution to social insurance for 30 years, the Government had better refrain from cutting their wages as stipulated by current regulations (wage is reduced by 1% for each year of early retirement) with a view to helping companies deal with redundancy problem.

As for laborers who are entitled to national insurance allowances, the Government should form a fund for them from various sources because many companies haven't got such fund. If the source of finance is short, the Government could form an intermediary fund acting as a debtor to laborers and make payment in installments or turn these payments into stocks of equitized companies if the laborers agree.

(4) As for the work of training and retraining redundancies, the Government should fix levels of financial support to the training programs. Besides the financial support from the Fund for Rearrangement and Equitization of State Companies, the Government can require contribution from equitized companies in order to help laborers attend the training courses. Relation between laborers, training centers, equitized companies and the Government should be established clearly with a view to ensuring certain allowances for laborers, and at the same time, obligations and rights of laborers in training courses should be made clear so they can feel sure of their future and try their best to finish the course.