

# МАИТЕМ НО УМСТВ ЯЩИИ ABOUT LABOR EMPLOYMENT IN FOREIGN- INVESTED ENTERPRISES IN HCMC

by Dr. ĐOÀN THỊ HỒNG VÂN

**F**or the past years, foreign investment has benefited Vietnam in general and HCMC in particular: investment capital has increasingly flowed in the city, raised GDP, had contribution to improving material base in the direction of industrialization and modernization, created jobs for laborers, the authorities have learned the way of advanced management.

This article will focus on studying labor employment in foreign-invested enterprises in HCMC with the aim to find good points and deficiencies and produce solutions.

## FOREIGN INVESTMENT IN HCMC

From 1988 to November 1995, the city had 546 licensed investment projects with total registered capital of US\$6,595,718,597, of which US\$825,379,280 is additional capital in the operational process; otherwise 98 projects had licences withdrawn with total capital of US\$436,974,094.

As a result, there are currently 448 effective licences with total capital of US\$6,158,744,503, legal capital of US\$3,077,640,083, in which Vietnam pooled US\$840,004,790, representing 30.80%, the foreign partner US\$2,237,635,293 and 69.14%.

Form of investment:	Number of projects	Investment capital (US\$)	Ratio (%)
Jointventure	308	5,019,988,012	81.51
100% foreign-owned enterprise	107	575,638,566	9.35
Business cooperation contract	32	533,117,925	8.66
BOT	1	30,000,000	0.48
<b>Total</b>	<b>448</b>	<b>6,158,744,503</b>	<b>100</b>

Of 448 licensed projects, 149 are under central authorities and 299 local ones.

Investment sector:	Number of projects	Investment capital (US\$)	Ratio (%)
Sector Mechanical industry-energy	46	553,931,662	9.00
Electricity-electronics	18	72,746,403	1.18
Chemicals-rubber	27	84,087,968	1.37
Building materials	16	272,955,010	4.43
Food and foodstuff	35	329,915,521	5.37
Textile and garment	52	136,666,249	2.22
Other industries	65	187,607,713	3.05
Construction	15	374,940,404	6.09
Agriculture	8	81,413,500	1.33
Transport	22	124,765,956	2.03
Office-housing	53	1,441,938,047	23.42
Hotel-restaurant	50	1,847,460,656	30.00
Culture-education-sport-health	20	172,222,185	2.80
Credit-bank	12	165,000,000	2.68
Other sectors	9	309,485,669	5.03
<b>Total</b>	<b>448</b>	<b>6,158,744,503</b>	<b>100</b>

In the above table, the projects for building hotel, restaurant, office and housing account for 53.42% of total investment capital, whereas the industrial sectors represents only 30%. So this is unreasonable ratio.

## Topten foreign investors in HCMC

Investor	Number of projects	Investment capital (US\$)	Ratio (%)
Taiwan	70	1,696,881,332	27.55
Hong Kong	70	1,309,999,237	21.27
Singapore	60	676,680,392	10.99
Switzerland	8	459,522,618	7.40
Australia	18	356,320,390	5.79
South Korea	59	292,552,318	4.75
Japan	25	277,724,531	4.51
France	30	194,988,054	3.17
Malaysia	11	131,880,339	2.14
Russia	20	117,771,752	1.91

By the end of August 1995 the realized capital of investment projects in HCMC amounted to US\$2,162 million, accounting for 41.43% of total registered capital, of which US\$1,820 million was pooled by foreign partner (74%), US\$562 million from Vietnamese party (26%). 68% are operational enterprises producing turnover.

## II. SITUATION OF LABOR EMPLOYMENT IN FOREIGN-INVESTED ENTERPRISES

The figure of labor employment can be uneasily found since enterprises regularly recruit additional laborers and do not inform it timelily to Vietnamese authorities. The following are some gained results:

By the end of August 1995, of 430 licensed projects in HCMC, 354 concerns had registered at the Department of Labor, War invalids and Social Affairs in order to fulfil procedures of labor employment for 29,000 workers (not mentioning 6,000 workers of export processing zones), of which 245 are jointventures (24,000 laborers), 87 100% foreign-invested enterprises (4,000 laborers), 22 business cooperation contracts (1,000 laborers).

76 remainders haven't registered yet procedures of labor employment at the Department of Labor, War Invalids and Social Affairs. Most of them are newly-licensed enterprises in 1995 beginning to develop projects or under construction.

On the aspect of implementing Labor Code in establishments having registered at the Department of Labor, the following can be seen:

#### 1. Implementing labor contract

Of 354 concerns having registered, 339 implemented the signing of labor contracts and registered the formation of labor book (representing 95.76%) with 25,340 laborers having signed their contracts. Besides these firms, there are employers which have a large amount of workers but have not signed contracts yet such as: Hung Chang Company (1,610 laborers), Reeyoung Co., Ltd. (676 laborers), Vietnamese-Australian Building Technique Service Company (204 laborers), Sunbird OA Supplies Company (103 laborers)...or had only small ratio of signing such as Hiệp Phước Electricity Company (60/171), ASC Charwie Company (175/724).

When the contract have not been signed yet, the laborer's benefit was not secured.

The laborers have not signed contracts just because they do not have the city civil status or work under seasonal employment or as apprentices in enterprises.

#### 2. Signing labor agreement

To date there are only 60 establishments having signed labor agreement (of which 5 are 100% foreign-invested ones) and being granted recognition decisions by the Department of Labor, and 32 continue to negotiate and perfect their dossiers.

The signing of labor agreement went slowly because:

- The establishment of labor union faced with many difficulties, therefore there were not the workers' representative negotiating and signing labor agreement with the employer.

- Some firms have labor unions which had signed agreements or made drafts but these agreements contained many articles inappropriate to the Labor Code, so they have to keep on negotiating and perfecting.

#### 3. Salary

Following the guidelines of Circular No 11/TT-LĐTBXH dated May 3, 1995 by the Ministry of Labor, War Invalids and Social Affairs, foreign-invested establishments have to make salary scale and apply the minimum salary of US\$35 per month to unskilled work in the common condition.

So far, there are only 30 concerns having formed salary scales and registered them at the Department of Labor following regulations. These firms apply the minimum salary level from US\$35 up. There are concerns of trade and service sector such as: restaurant, hotel, office, credit organization, bank applying the minimum level of over US\$40.

The average salary level of workers in some sectors is as follows:

- Service (hotel, restaurant, bank...): VND1-1.5 million  
- Manufacturing-processing: VND800,000-1,000,000  
- Garment-shoes making: VND450,000-500,000

Most of concerns offer free meals between shifts worth VND3,000-5,000 per person.

But in comparison with labor energy and living costs in HCMC nowadays, the above-mentioned salary level is not high. Especially for workers in the garment, footwear producing sectors, this salary is not enough to recreate their labor energy.

#### 4. Working hours, holidays

Most of enterprises apply working 8 hours a day and 48 hours a week as stipulated. The manufacturing workers are assigned in accordance with shifts. However, some concerns (commonly firms of processing, garment and shoes making sectors) apply overtime working, some exceed permitted overtime (200 hours a year). The application of overtime working beyond regulations and no overtime payment led to strikes in 1993-1994.

Enterprises secure holidays following regulations of the Labor Code. In particular, employees of banks, representative offices also enjoy a half day off on Saturday afternoon.

#### 5. Working safety and sanitation

On the whole enterprises with large investment capital, modern equipment have good condition of working safety and sanitation. The firms with small investment did not secure working safety and sanitation yet.

#### 6. Labor disputes

Labor disputes were widespread in 1995 due to following reasons:

- Dismissing was not in conformity with regulations without proper reasons (Nhà Bè-Sapa JV, Ansin Shoes JV, Lạc Tỷ JV, Mercure Hotel, Food Center Restaurant, BAT Company, Fuquyco Company, Louitech JV).

- Foreign experts (South Korean, Taiwanese) behaved brutally towards and made assaults on Vietnamese workers (Dong Ah Traco, Saigon Food Center).

There were serious cases resulting in strikes, according to *Business Forum* magazine, only in the four first months of 1994, 18 strikes had arisen across the country, of which 9 happened in HCMC.

### III. SOME OPINIONS

Through the above analysis, we see that thanks to foreign investment flowing in HCMC for the past eight years, 35,000 jobs were created for laborers. But thinking profoundly, the laborer's benefit has not been secured yet.

The problem is what to do so as to protect the laborer's benefit in foreign-invested enterprises.

In my opinion, firstly, legal ground for employee and employer must be firmly formed.

Following is to guide laborers to make labor agreement in detail, adequately with the employer. The labor agreement will be firm basis to protect laborers before the employer's blocking and exploiting.

In order to do that, laborers should organize their trade union and their union has to function actively and properly in foreign-invested enterprises.

And in order to solve the problem completely, laborers' intellectual level have to be raised, law should be popularized in the community and schools, Training quality in universities, colleges, vocational schools, should be intensified. Once we have an army of skilled workers who are knowledgeable about law, foreign languages, the minimum salary of US\$50 or more will not lose attraction of the city for foreign investors.

