

## USING RURAL LABOR IN INDUSTRIAL ZONE IN THE NORTH VIETNAM CURRENTLY

(The case of Lễ Môn Industrial zone – Thanh Hóa province)

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In recent years, follow the polity to improve industrialization, modernization of agriculture and rural toward the goals of the 10<sup>th</sup> National Congress Documents determined “Changing structure of labor in rural areas toward the farming, increase ratio of labor work in service and industry fields. Create condition for labor in rural area has job within and out side rural area...” (1, pg.90), many areas in the North of Vietnam has been granting the construction and investment of many industrial zone (IZ) within the provinces. This right policy makes positive results. A large amount of labor in rural areas found jobs with stable income, living standard of part of labor in rural area has been improved. However, the use of rural labor in IZ in many areas in the north is facing many difficulties not only for the labor but the tendency of socio-economic changing in rural areas, required that each area must have effective solutions. Solutions and proposals in this article are results of studying the use of rural labor in some IZ in north Vietnam nowadays (the case

of Lễ Môn IZ - Thanh Hóa) and they could be considered as initial suggestion.

Lễ Môn IZ located in the East of Thanh Hóa city; about 160 km from Hanoi city; about 5km from North-South railway, 1A highway and central of Thanh Hóa city, distance to Lễ Môn port is 1 km, distance from Nghi Sơn part is 60 km. the size of this IZ is about 100ha. Up to May of year 2010, this IZ attracted nearly 40 companies in domestic and international to register for investment with the capital is about 800 billion VND (as: 2), among those, there are about 30 companies which are doing business very well: Yotsuba company from Japan, Đông Lượng Vietnam company from Taiwan etc...

### **I. Referring data**

Considering the use of rural labor in Lễ Môn IZ, we can see that:

- *Referring to volume, structure, gender and age:* Up to 12/31/2010 total labor

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workings at IZ is 3,612 labor, among these are 2,617 rural labors (count for about 72%) from nearby area, including communes from suburb of Thanh Hóa city such as Quảng Phú, Quảng Đông, Quảng Định, Quảng Cát, Quảng Tâm, Quảng Thành, Quảng Hưng... The remains (995 counts for 18%) are labors from other areas, most of them come from rural areas. For gender: female is more than male (among 3,612 labors, about 66%) and the remains are male. For structure of age, the labors are quite young, especially large amount of labors just graduated from high school or secondary school (among 3,612 labors, labors from 15-24 are 2,467 (68%), labors from 25-34 are 1,014 (28%), labors who are older than 35 are 131 (4%).

- *Quality of labor force:* due to the actual situation that, most of companies in IZ are small or medium companies whether are foreign investment or domestic companies, investment capital is not large<sup>(\*)</sup>, career registered tin IZ mostly is manufacturing consumer goods, textile, shoes for export, seafood processing, mechanical, electric, telecommunication manufacturing or fitting, software producing, traditional fine arts... so requirements of recruitment of companies in this IZ is not high. As statistic, among 3,612 labors working for companies in Lễ

Môn IZ there are only 313 labors (about 11%, lower than average 14,3% in the whole country) graduated from university, 678 labors (19%, lower than national average rate 21,2%) trained vocationally, and 1,121 labors (about 31%, lower than average 34% in the whole country) graduated from high school, count for nearly 70% (higher than ratio of 66% nationally) the remains only graduated form secondary school (3).

- *Income of labor:* income of labor of companies in Lễ Môn IZ in 2009 showed that, average salary for labor is 1,5 - 2 million VND per month. Remarkably, salary paid to employer by each company is different. Salary of labor in company with foreign investment is usually 30%-50% higher than those of labor working for domestic company. The gap between income of skilled labor and unskilled labor is 1.2 - 2 time. Separately it is 3-4 time in some companies. However, as practical income of labor in other IZ within Thanh Hóa province in specific and nationwide in general, this income is not stable due to many reasons: for company, mostly due to benefit from choosing unstable product of manufacturing and trading, for labor sides, mostly because they do not follow working day or quit the company...

- *Awareness about society of labor:* because most of labor working in Lễ Môn IZ come from rural area, poor communes, socio-economic conditions is difficult like Quảng Xương district and a part of suburb of Thanh Hóa city,

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(\*) Statistics collected by Lễ Môn IZ Management board show that most of companies register investment in IZ has quite humble capital, the company with highest registration capital is Sakurai Vietnam company (100% foreign investment company doing business in Thanh Hoá province) total investment capital is 14 million USD.

so even when they became employers in IZ awareness about right, obligation of employment toward company and themselves is limited. Sociological survey data of some employer in this IZ shows that, 70% labors just care about their rights but not rights of the employee; 65% labors think that they will not work long term for the company; especially about 50% labors consider their jobs are temporary, and they will come back to work with jobs related to agriculture etc...

## II. Posing problems

Actually, the use of rural labor in IZ in Thanh Hóa province, including Lễ Môn IZ, is an indispensable tendency of the industrialization, modernization progress in rural area, therefore, it has positive sides:

*Firstly*, take advantage to use local labor when companies go to operation. This is a popular way to seek for employer of domestic and foreign companies when decided to invest in Vietnam. Labor sources in rural areas of Vietnam is plentiful but finding a job in agriculture is becoming difficult due to reduction of land for agriculture for many reasons including the reason of industrialization, modernization and urbanization.

*Secondly*, contribute to seeking job and bringing more income to rural labor as the rule "leave agriculture but not leave native land", then improve socio-economic development and living standard of rural people. This is one of the popular structure changing tendency of many nations in the world with the similar starting points with Vietnam.

*Thirdly*, contribute to labor restructuring in rural areas towards industrialization, modernization, etc... Restructure Vietnam's rural labors towards industrialization and modernization is one of the major policy of the Vietnamese Communist Party and State. In order to make it, one of the appropriate solutions is to form several industrial zones, export processing zones in rural areas to attract and convert labor from agricultural production to industrial production gradually.

*Next*, contribute to promote agriculture at the local toward modernization. Because the trend of natural labor division in rural areas in the process of industrialization and modernization will inevitably lead to the formation of a "specialized" labor force rural areas.

*Finally*, part of changing socio-economic life in rural area towards civilized and modern. IZ built in rural areas can change labor from rural production to industrial production, bring about it are important changes of working skills, income from new job, especially big changes of habit and thinking of life, then contribute to the improvement of socio-economic life in rural areas...

However, the actual survey shows that the use of rural labor of companies in IZ within Thanh Hóa province has been posing many shortcomings, including hot issues in IZ Lễ Môn:

*First*, the settlement and implementation of working rules for labor during their jobs in IZ is facing many difficulties. As statistic in 2009, nearly 200 workers

were given discipline (pecuniary penalty or dismiss...) due to violation of working discipline; within 3 first months of 2010 there were 600 workers gave up their jobs or moved to work for other companies without clear reason cause difficulties in managing labors...

*Then*, relationship between labor owners and labors and the complex trend of strike of labors. Look at the list of investors in Lẽ Môn IZ: besides large amount of investors are domestic investors, about more than 30% of companies have 100% foreign investment capital, and that create diversified behavior between labors and their owners. In general, domestic owners often more understand and compassionate towards situation of workers; however, due to management experience and limited financial capability, some time their relationship is not smooth. For foreign companies, although they have advantage of business administration management and financial capital, but their disadvantage is language barrier, psychological difference so the relationship between labor owners and Vietnamese labors is always in strained situation. It leads to protest psychology and trend of going on strike in companies managed by foreigner.

Some reasons for the strike of workers in Lẽ Môn IZ reflected that. For example, from 3 - 5/1/2010, over 2,000 workers of Sakurai Vietnam company limited stop working. The reason is that on Wednesday April 6<sup>th</sup> 2010 Sakurai Company Ltd had power cut so the

company required workers to work compensate that day. Initially the company said on working on Sunday to compensate for Wednesday so it should not be paid, leading to the urgency for all workers because they believe that if because of electrical, water problems not error of the employer or due to force majeure, the wage would be negotiated by the two parties but not less than minimum wage. Or another example: Since early 2010 so far, Sun Jade Vietnam Shoes have had two strike (1<sup>st</sup> time on January, 4<sup>th</sup> 2010, 2<sup>nd</sup> time from October, 15<sup>th</sup> – 18<sup>th</sup> 2010). The main reason is because companies do not fully implement the policy under commitment with the employee, the diet did not pass hygiene quality, salary was too low, etc. (5).

*Thirdly*, enterprise. Due to the nature of the structure of production and business lines of some companies may actually be the rate of female workers employed in companies Lẽ Môn IZ is quite high (about 66%). Most of them are relatively young, many of have never stayed away from family before and must live independently. High number of female workers causes many disadvantages besides advantages in using and managing. According to statistics, the proportion of female workers apply for annual leave in the enterprise is generally higher than the male labor from 1.5 to 2 times. The reasons are numerous, but mostly because of health characteristics, characteristics of gender. This is not only difficult for only the employers but the workers themselves.

*Then*, social evils happening inside and outside industrial zones. This phenomenon arises quite common around industrial zones in Vietnam today. However, at the Lễ Môn IZ this phenomenon becomes more twinge because the statistics show that only the problems related to drugs, stealing, gambling ... is around the IZ and it is growing year by year and the trend of evolution is becoming increasingly complex. This not only affects the public order, social security of the IZ, but also impact directly on the surrounding residential areas.

*Lastly*, State management and policy for labors in rural areas. Observe the actual work and activities for the rural workers in enterprises of Lễ Môn IZ shows, the management and implementation of state policies for workers in industrial zones is inadequate. As IZ is increasingly being extended so number of business licensed in industrial zone increased fast, the size of each enterprise is increasingly being expanded and attract a lot of rural workers in the local neighboring and other locals. The fact that the number of employees increased rapidly in industrial zones each year. Meanwhile, labor statistic in IZ for state management is not updated regularly. Accommodation, safety for labor are also lack of proper attention. Besides, the implementation and protection of legitimate rights such as annual leave with proper reason, health insurance, social insurance for labors in IZ within the city is inadequate. Statistics from Lễ Môn industrial zone indicates up to the

end of 2009, only 55% of workers have health insurance and nearly 40% of workers have social insurance. These figures are very significant for our consideration

### **III. Conclusion and some proposals**

Status rural labor use in IZ in Thanh Hóa province (through Lễ Môn industrial zone case studies) shows that tend to use the rural labor force in the industrial zones in many places nationwide is far as it can meet the requirement that self-employment of workers according to traditional methods of business in the past can not be obtained, however, through specific case studies of Lễ Môn IZ also proclaim the appearance of shortcomings when using this labor force. From these findings, we propose some recommendations:

*First*, the local (government and companies themselves) need to actively improve the quality of the labor force in rural areas before or after hiring to work in the companies accordingly with specific conditions or local businesses.

*Second*, resolve the relationship between employers with employees, companies themselves must build up appropriate solution, in our point, one of the best solutions is to build and implement "business culture."

*Thirdly*, in long-term, each local should have detailed plans for construction and management of industrial zones, which need to pay attention to social issues surrounding the use of local labor force in industrial zones within the area.

*Fourth*, the State should coordinate with the local government and companies to develop and implement policies to protect the interests of workers, especially female labor in rural area when they work for companies located in the area in accordance with the law of Vietnam.

*Fifth*, worker himself should have awareness to develop his skills and professionalism when he wants to work in companies located in the province. In particular, the arbitrary personal habits should be given up to follow and practice strictly labor discipline. This is probably the most pressing requirements for each of the rural labor to work at the companies located in the area. This requirement is not only posed with the laborers themselves, but also set out the management responsibilities for

grassroots authorities where employee live before they come to work for such companies.

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