

LABOR UTILIZATION IN LA PHU HANDICRAFT VILLAGE IN THE OPENING-UP PERIOD*

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La Phu is a commune located in the southern part of Hoai Duc district, Ha Tay province, about 13 km from Hanoi. This commune is well-known for its many handicrafts such as: silk and wool weaving, knit weaving and agri-food processing, etc. This article aims to examine labor utilization in La Phu handicraft village from 1986 to present.

1. Labor Utilization in Agriculture

Since 1993, La Phu’s local handicraft industry has been thriving with weaving, and since then, the number of households who have shifted to handicraft has increased significantly. But in the meantime, there has been a decrease in the

number of households who still specialize in farming. The prosperity of handicraft production has provided an escape from agriculture. The profit gained from handicraft production is generally 5 to 10 times, and in some cases 20 times higher than that gained from agriculture. In 2005, for example, income per capita in La Phu was 8.6 million dong per year. Consequently, there was a strong shift in labor utilization toward handicraft, while hired labor is used in agriculture. According to local statistics, in 2005 there were no households in La Phu involved in farming activities, though many still own cultivatable land (See Table 1).

Table 1: The shift in household production

Year	1993		1998		2000		2005	
	Quantity	%	Quantity	%	Quantity	%	Quantity	%
Total	1,566	100	1,740	100	1,800	100	2,026	100
Handicraft	600	38.3	1392	80	1,440	80	1,702	84
Service	50	3.2	215	12.4	260	14.4	324	16
Agriculture	916	58.5	133	7.6	100	5.6	0	0

Source: Hoai Duc District’s Unit of Industry and La Phu Communal People’s Committee

These statistics reveal that, after a period of ten years, the number of households involved with handicraft has accounted for 84%. Only 16% is accounted for by service and 0% percent by agriculture. All of the

households have shifted to handicrafts and the service industry, and are only indirectly involved with agricultural production. On paper, they still own land that belongs to agricultural cooperatives, but hired laborers

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perform those jobs. It is estimated that there are around 12,000 farming laborers hired to work in La Phu every year.

The hired labor often comes from neighboring communes including Quoc Oai, An Khanh and Minh Khai, or from other districts within Ha Tay province such as My Duc, Quoc Oai, or even from other provinces such as Phu Tho, Bac Giang, and Thanh Hoa. Typically, hundreds of people form queues or groups at the village gate, as early as 5 a.m every day waiting for jobs. There are two forms of hired labor for agricultural production in La Phu:

+ On a daily basis: rate is paid according to type of work; for example, VND 50,000/day for seedling/cutting; VND 40,000/day for ploughing/land clearing.

+ On a seasonal/crop basis: the land owner pays a flat rate of VND 200,000/*sao*¹/crop. The hired workers are responsible for all of the work, from land preparation to harvesting. The landowner will take the yield at the end of the harvest.

Hired labor for agricultural work has long been common in many rural areas, especially in handicraft villages like La Phu. It is, however, only on a small scale, and affordable for a few households. Today, however, the phenomenon has become popular in the entire commune area and exists all year long in the above-mentioned forms. This is also a means to maintaining possession of land that is used for agriculture. By using hired labor, households in La Phu can maintain possession of allocated land areas, in

addition to concentrating their efforts on non-farm business.

2. Labor Utilization in the Handicraft Industry

Annually, there are 15,000 to 16,000 hired laborers who come to work in La Phu in handicraft production. The utilization of labor in this business depends on the production scale of each household.

2.1. Labor Utilization of Small-scale Household Enterprises

In the period before 1990, the labor associated with the handicraft sector in La Phu was in the form of trade cooperative, without hired labor from outside areas. After 1990, the knit weaving cooperatives were dissolved, and cooperative members shifted their activities to other areas, including noodle-making, candy production, etc. Some households still continued to produce woven products, using obsolete machines from the French colonial period, bought as a liquidated asset from the cooperatives. These people worked as outsource services for traders from Co Nhue commune, which is famous for garment production. By 1993, wool weaving was gradually being restored in many households in La Phu.

The scale of household production in the “opening-up period” can be divided in two sub-periods, one from 1993 to 1995 and the other from 1995 to present:

+ *From 1993-1995*: The employers hired laborers for weaving jobs, and those laborers stayed with the families that employed them.

¹ One “*sao*” is equivalent to 360 square meters.

Hired labor became popular in La Phu from 1993 when wool weaving products began to be exported. There was a rise in demand for products and the employers had to resort to hired labor. In this case, the employers remained the main laborers, as well as the managers of production processes in their households. All of the workers would work under the employer's supervision. Each household had about 5 to 7 workers.

The recruitment of laborers for weaving jobs is very selective compared with recruitment for agricultural work. The hired persons need to be young, active, and clever, and more importantly, since they work and stay in the employer's home, they must be reliable and trustworthy. In the beginning of this period, factors like previous acquaintance and trust were the priority criteria for selection. As a result, many of the previous customers living in Tan Hoa and Cong Hoa village (Quoc Oai), who used to sell casava and arrow-root flour for candy and noodle production in La Phu, were among the first to be recruited.

Those persons who reside within traveling distance from the employer come and leave daily, but those who live further away have to stay with the employers for about 2 months during the apprentice period in order to receive payment of 200,000 VND/month. After those two months, those who prove themselves to be good workers will be recruited, and paid thereafter on output quantity basis. Those who are not qualified will be fired and not considered skillful. The number of product units made per day by each person depends on the type of product, and payment will be based on the

output quantity. For example, a skilled laborer may produce about 40 woollen shirts per day, and their payment for a working day would be from 30,000 to 40,000 VND. The average income of a skilled laborer per month may be from one million to 1.2 million VND; an average skilled laborer may earn 700,000 to 800,000 VND per month.

Hired laborers in this period were often loyal to their jobs, and less likely to change jobs. They did not compare payment rates with neighboring households. In this period, there was little competition between households in the labor market.

+ After 1995

Starting in 1995, the number of hired laborers has increased rapidly, along with the increase in weaving production scale. Job seekers are not only from old-partner communes, but also from many other districts within the province such as Ung Hoa, My Duc, Chuong My, etc., or from other provinces such as Thai Binh, Thanh Hoa, Vinh Phuc, Bac Giang and Bac Ninh, etc. Each household will now hire a dozen to several dozens workers. Accordingly, there is need for a new way of organizing the production process. *In this case, machines and materials will be transferred to those hired laborers who reside close to their employers, and these people will work from their own homes.* This way of organizing has solved the problem of space shortage and saves time for the workers. However, it also has a disadvantage since the production is no longer under the supervision of the employers. They therefore have to spend more time collecting the products.

This form of organization, in which workers may bring machines and materials to their homes, has become increasingly popular. About 70% of all households in Cong Hoa and Tan Hoa (Quoc Oai) are working for La Phu, and the number of weaving machines in these two villages that belong to La Phu is about 3,000 out of the total 8,000 weaving machines (the rest are owned outsiders who do not live in either of these two villages). Those workers who involved in this form of production are called “satellite workers” and the machines invested by the owners from La Phu are called “satellite machines.”

Once in a few days or a week, the satellite workers will come to the employers to deliver their products and pick up materials for the next round. Based on this model, one household in La Phu can have hundreds of satellite workers and machines.

Using this satellite production model brings both advantages and disadvantages for the workers. The advantages are: first, they can take materials home without having to pay collateral for them; second, they can make full use of all “idle labor” and free time in their families, and use it to generate income; third, there are no restrictions in terms of working time. Once in every few days or once a week, they visit their employers in order to deliver their output and start another round of production and delivery. They may deliver at any time and thus have complete control over their time. The disadvantage of this model, on the other hand, has to do with payment for their labor. The employers in La Phu only pay their workers at the end of the year. Every month, they receive only a small fraction of

their payment of a few hundred thousand dong. This payment method exists partly because most of the products are for export. It takes several months from the beginning of the export contract until the end. Moreover, the foreign customers only pay when they receive the delivery. This limits the availability of capital to La Phu producers, as their priority is purchasing materials, rather than paying employees. On the other hand, by using this payment method, La Phu employers may always hold the “handle of the knife.” If the products are not high quality, they can easily deduct the money from the workers, and have them stick with the contract for a longer time. As a result of this policy, those workers who have contracts with La Phu employers often reside in neighboring villages, keeping rice production as their main job so that they maintain a stable income. The income these people earn from weaving is often used for savings, or for “large” expenditure like building houses, buying motorbikes, or supporting children in attending university, etc.

From the La Phu employers side, to maintain trust from their employees, they must pay their employees in full despite the fact that they may either profit or suffer from loss. There are some satellite employees who receive a large sum of about 40 to 50 million dong at the end of the year. La Phu producers (including parents and their children), who used to be directly involved in weaving jobs, are now only in charge of management, quality control, and marketing. In this new role, they are more like contractors and buyers. They gradually separate themselves from direct production with support from satellite labor. They

become the middlemen between export companies and the satellite producers.

These households in La Phu often receive material and contracts from export companies and then subcontract to the satellite producers. At present, about 90% of all households in La Phu have contract deals with export companies limited.

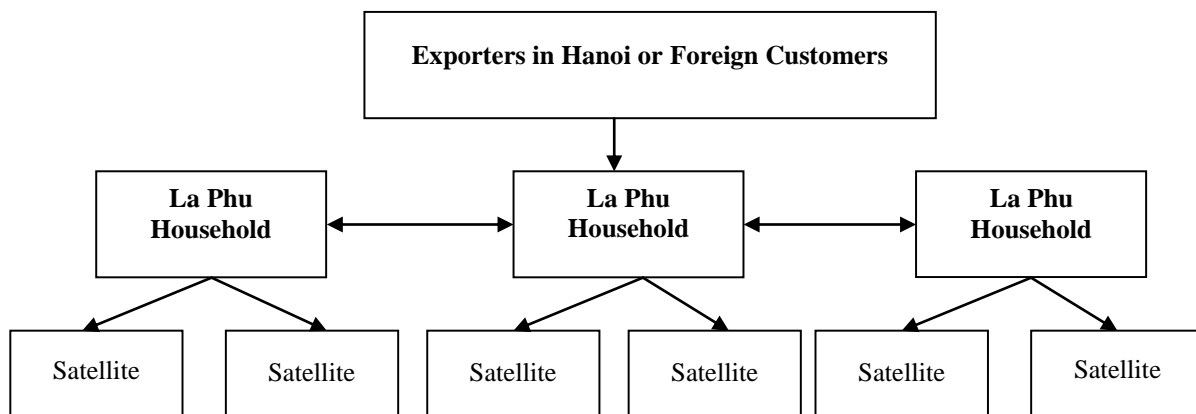
2.2. Labor Utilization in Production Cooperatives/Groups

This is a higher level form of organizing production, as compared with household-scale production. In the past, to prepare for an order from the export companies, the producers would have to arrange a collection from a number of households. This made it sometimes impossible for them to control the situation, if the number and quality of the products was not satisfied and delivery time was not met. Since 1993 the production industry in La Phu has developed at a fast pace, mainly for the purpose of export. To overcome that difficulty, many owners in La Phu have come together and created a new form of production, which is a production group (which is often comprised of closely related families or relatives).

The emergence of these production groups has met the needs of capital concentration, expanding scales and investment in new technology in order to meet deadlines and satisfy quality control requirements.

At the moment, there are dozens of these family production groups in La Phu. The organization of production processes in these groups looks basically the same as the old form of household production, by which families and their satellites worked together, but with larger scales of both investment and production (from one to several billion dong). For example, Sinh’s group, who is also the Chairman of La Phu People’s Committee, has about 250 wool weaving machines, 42 stock weaving machines and dozens of sewing machines with dozens of tons of material.

Differing from household production, these groups often receive direct contracts from exporters in Hanoi, or even from foreign customers, without going through the export companies as before. Their annual profit varies from dozens to hundreds of million VND. The organization of these groups can be seen in the diagram below:



2.3. Labor Utilization in Ltd²- Companies

The emergence of Ltd-Companies has run from 1997-1998 to present. In 2006, there were about 26 Ltd-companies in La Phu. Those companies were brought into existence owing to the cooperation of several households or groups. This increases their legal status in contracting, as well as their competitiveness, and they can make good use of support from the government, especially loans for investment. Some typical examples are Minh Phuong, Duc Cuong, and Vinh Think companies. These are companies with capital investments ranging from several billion dong to tens of billions of dong. They directly export their products without going through any middlemen.

These companies have large production scales (factories of several hundred to several thousands square meters; up-to-date technology, and a large numbers of employees: from 300 to 500, and thousands of satellite workers), and coordinated management (with different management functioning units).

These companies used labors in two forms:

- *Organize a weaving workshop/factory*: there are around 300 to 500 workers in each workshop. These are places where new products and designs are made, to be launched either independently or under the order of customers. Workers qualified for these workshops are young, skilled, and work from 8 to 10 hours per day. They are paid monthly on an output quantity basis. Average income is from one to 1.5 million dong per month.

Workers in weaving workshop often come from faraway provinces. They live in rented homes near production sites and therefore need regular payment in order to cover their rent and support their families back home.

Cooperative/joint ventures with other households in La Phu

Those households who receive orders from the Ltd-companies are called the heads of joint venture. These are often stand-alone households, who have not yet participated in production groups, with invested capital on the order of several hundred million dong. Owing to limited capacity, these households cannot compete for a big contract or directly export their products. As a result, they often seek to cooperate with Ltd-companies in the village, in expectation of a win-win situation. Owing to such win-win situations, this form of cooperation has become very popular in La Phu. The companies require a high liability from households for their satellites' products. Any unsatisfactory products will result in deduction of money paid to the households. In exchange, households who participate in the joint venture do not have to pay collateral for materials they take from companies. They also enjoy other benefits, such as: having exclusive privileges in granting contracts, they may pay either at the end of the year or at the end of the contract period. Minh Phuong company Ltd. (in Chua Tong village), is a typical example of this form of cooperation:

Minh Phuong company Ltd., has a spacious workshop area of about 2,000 square meters, and 300 up-to-date weaving and sewing machines made in Hong Kong, Taiwan and Korea. About 450 workers work directly in the workshop. Additionally, they have about 150 households in La Phu who have joint

² Ltd. Company is referred to limited liability company (translator).

ventured with them. These households have about 1,000 satellites. The households often take “raw” parts of the products (like back part, sleeves, or woollen fringe). The front parts are made in the workshops by skilled workers, and with sophisticated machinery. This is one of the “business tactics” of the company owners. They do not invest massively, but instead concentrate on some high-tech parts in order to reduce the cost. These companies often have design units, quality and technical control units (OTK), cover and packaging units, and other components like flies and tie production, etc.

For those smaller households who do not have large capital, they still can joint venture with the Ltd-companies, but have to pay collateral for materials (e.g. a million dong collateral for 24kg of wool). Normally, though, the companies prefer large joint-ventured households, owing to their larger scales, and in order to minimize costs. Consequently, small households often cooperate with larger ones, or “production groups.” This way, small households will be exempt from collateral for material, often based on trust relations, and in consideration of the fact that the amount of material they take is often insignificant. One cycle of taking orders and delivery is usually 2 to 3 days. Although they are small-scale operations, they also have their own satellites. The number of satellites varies from a few to a few dozen, depending on the season.

Looking at the form of production organization in La Phu, we see that:

- Production relations (role in production organization and relations between owners, employers and workers, and between La Phu residents and hired

laborers) depends on investment capacity, market share and the scale of production.

- Relations between La Phu residents are the relations between owners, small and large (from small households to large scale Ltd-companies), in the forms of independent producers, joint ventures, or subcontractors.

- Relation between La Phu residents and outsiders are employer-employee relations, which may involve either direct or satellite workers.

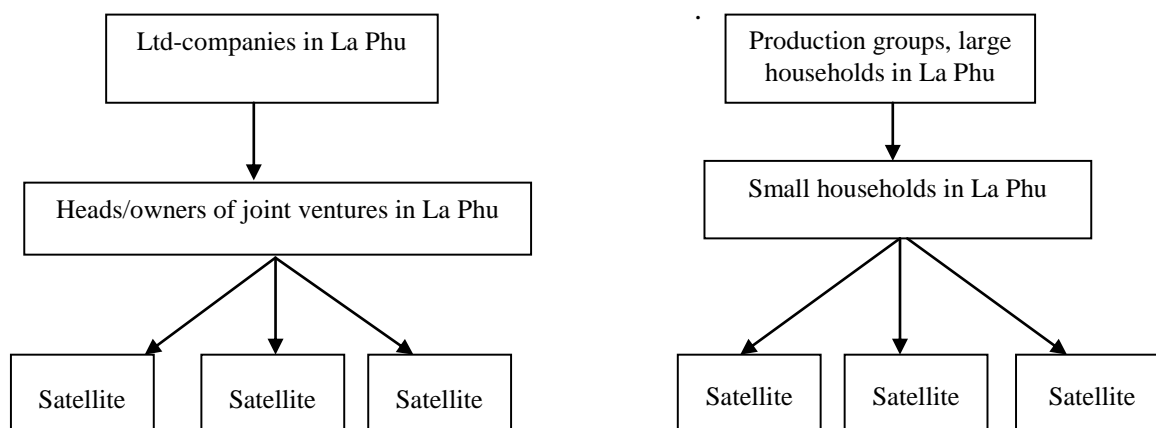
This way of organizing production relations facilitates and gives advantages to La Phu residents to hold and maintain contract resources, but does not give the same advantages to outsiders. There are three factors that shape the above-mentioned relations between La Phu residents and hired laborers:

- + The Ltd-companies, the production groups or large households are contract resource and market controller, they just want to award contract to La Phu residents as they know better about economic situation and capacity of each subcontractor.

- + For La Phu residents, wool weaving is a traditional handicraft. Thus, they are highly skilled workers, and should take the roles of quality controllers and supervisors.

- + It is safer to subcontract to neighbor, since they will not have to worry about cheating.

These are the factors that shape the organization of Ltd-companies as well as their role in production, production groups, or the relations between large households in La Phu and smaller households or satellites. These factors also result in Ltd-companies' being an economic center in relation to surrounding areas. These relations are described in the following diagram:



2.4. The Effectiveness of Production and Utilization of Labor in La Phu

Among the three above mentioned forms of production, small household production comprises the major part. Second would be the production group and Ltd-companies. These forms of production are different in terms of scale, investment and labor consumption, but all are familiar with using satellite labor, and about 90% of their outputs are for export to the U.S. and European countries. In the production groups, Ltd-companies play the key role in importing new technology and advanced techniques. They “win” the contracts for entire villages, while small households act as a bridge connecting the large producers with satellites, and therefore play an important role in delivering orders in a timely and effective manner.

With the utilization of satellite labor in all three forms of production mentioned above, it is appropriate to say that La Phu has effectively used labor resources and the capital investment for production, given that there are limited available resources.

Each household in La Phu has on average dozens to hundreds of satellite workers. Each Ltd-company has more than one thousand satellite workers. This enables La Phu producers to deliver large orders in the shortest time possible.

Regarding Ltd-companies, their overall annual export turnover can be from 10 to 20 billion dong. Minh Phuong, for example, exports about 2 million product units per year (mainly woollen clothes) with a total turnover of 20 billion dong.

An Dung’s household (49 years old, Hoa Tham village) is another example. He specialises in making products for the US market. He has a network of about 100 satellite households (about 300 to 400 employees), who reside in surrounding villages. During the high season, his output can reach 3 containers (about 40 thousand product units). This network of satellites may work day and night, and communicate with An Dung by telephone. Thus, he is able to deliver large, high-quality orders in a timely manner.

In the same manner, Sinh's family production group (who is also the Chairman of the People's Committee) can mobilize up to 80 households for an order from a U.S. customer. They can produce 220 thousand hats in just one month.

The utilization of labor in a "satellite network" can also reduce the owner's investment per capita. The owner simply provides material (wool) and invests in the weaving machines (in some cases, the satellites buy these themselves). The owners do not have to pay any living or travel costs for workers, or rent for workshop space and storage, etc. Collecting products for delivery can be done easily at the village gate, and then the products may be transported directly to Hai Phong port.

By another calculation, if they invest in building a weaving factory/workshop for several hundreds to thousands of workers, the cost is much higher regarding investment for workshop space, storage, transport vehicles, and other subsidies for workers costs, management costs, etc. To create job for around 15 to 17 thousand workers like it does in La Phu, it is estimated that there need be about 50 workshops/factories (each accomodating 300 to 400 workers).

Another advantage of using satellite workers as in La Phu is to make full use of the workers' capacities. Each house can act as a workshop/storage unit. The home owner can also be the "boss," so that they

can invest as much as possible in their labor and time for the job. On the other hand, as they may actively control their own time, they can utilize the family's labor appropriately, and can work day and night if necessary in order to meet a shipment schedule.

In short, we can say that in comparison to industrial development in urban areas, industrial development in rural areas may be more beneficial and utilize labor more efficiently. As a result, we may be better able to solve the problem of "surplus labor." At present, there are about 26 Ltd-companies in La Phu. The number of workers that each can accomodate ranges from hundreds to over a thousand. In addition, dozens of production groups and smaller households can each mobilize hundreds of satellite workers. La Phu, therefore, not only solves the problem of surplus labor within their own residential area but also for neighboring areas.

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A team of the bridesmaids in the Lo Lo's wedding in Ha Giang province, Vietnam.

Photo: Nguyen Thang