

Ho Chi Minh City's labor woes threaten global supply chains

Vietnam's industrial south seen short 100,000 workers due to COVID

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HANOI -- Ho Chi Minh City and the rest of Vietnam's industrial south are grappling with a labor shortage as the coronavirus pandemic and related restrictions drive migrant workers away.

From Intel to Samsung Electronics, southern Vietnam is home to production hubs for many global corporations. As the region attracts more manufacturers seeking respite from the U.S.-China trade war, protracted staffing setbacks could send ripples throughout global supply chains.

Vang A. Su used to work at a factory near Ho Chi Minh City in Binh Duong Province. The 30-year-old spent three days on a motorcycle in October traveling back to his home province of Son La up north after coronavirus travel curbs ended, and he now works as a farmer.

"I'm happy with my life now," Su told Nikkei in mid-January. "I see absolutely no reason to return to my old employer."

Su is part of an exodus of migrant workers from the south. A recent survey shows that even if the spread of COVID-19 were contained, Ho Chi Minh City alone could face a shortage of 87,000 workers in the January-March quarter. Southern Vietnam as a whole could face a shortage of over 100,000.

Vietnam imposed strict lockdowns on Ho Chi Minh City and other parts of the south last summer amid a wave of infections caused by the delta variant. Many companies had workers live and sleep at their factories until around early October to avoid shutting down.

But this meant fewer people could actually work inside the factories, resulting in large numbers of jobs lost. Migrants unable to return home due to COVID curbs were stuck in limbo for months without income.

Travel curbs were lifted in October, allowing migrants to go home. But many workers are now reluctant to move back to the cities, worried their lives could be derailed again by new waves of the coronavirus and resulting restrictions.

Vietnam is logging about 15,000 new daily cases in a population of nearly 100 million. Community spread of the omicron variant is accelerating, and the pandemic shows no sign of slowing in the country.

Labor disputes also are rising amid COVID-19. Over 10,000 workers went on strike earlier this month at a factory for key Taiwanese contract shoemaker Pou Chen in Dong Nai Province.

The clash stemmed from slowing increases in the minimum wage and a lower proposed bonus for Lunar New Year -- the most important holiday in Vietnam -- than the year before. The company stuck to its original proposal after negotiations with union representatives.

The Pou Chen factory suspended production for three months last summer and has operated around 60% capacity since reopening, local media report. The shoemaker is wooing workers in

order to put production back on track, but the incident highlights challenges companies face in securing workers.

Foreign investment in Southeast Asia has accelerated in recent years as global companies shift production out of China over its trade war with the U.S.

Still, "we just can't keep operating at the same level" from last summer, said one Japanese parts maker in southern Vietnam. Should the labor shortage become chronic, many companies in the region may consider moving production elsewhere.