

## **Vietnam's factories lurch into crisis from worker exodus with holiday shopping on the line**

- This is the latest disruption to global supply chains already roiled by labour shortages and high shipping costs due to the pandemic
- Factories had moved to Vietnam amid the US-China trade dispute, but there are fears the mass departure of workers could drag down economic growth

### **Sen Nguyen and Giang Pham**

For four months this year, as Vietnam battled the Delta variant, manufacturing worker Le Van Teo stayed in his shared room in the southern industrial hub of Binh Duong, where he survived on donated food supplies.

Lockdowns and temporary closures of factories as the country tried to quell a surge of Covid-19 cases meant workers' earnings were irregular at best. They saw their savings evaporate and relied on neighbours or the local government for meals, a situation many found traumatic.

So when movement restrictions were eased on October 1, 36-year-old Teo, who operated cutting machines at a plastic manufacturing company, decided he had reached breaking point. He joined the thousands of workers – originally from the poorer parts of the country – who are leaving for their hometowns, an exodus that has left business owners in a state of panic over labour losses.

Of the 3.5 million migrant workers employed in Ho Chi Minh City and its neighbouring provinces, 2.1 million want to return home, according to state media reports. Images of those making the journey, many with children on motorcycles piled with personal belongings, have been shared widely on Facebook and TikTok.

Vietnam plays an outsized role in the global consumer economy, supplying clothes, shoes, and household electrical appliances to the world. With the global supply chain already disrupted by labour shortages and high shipping costs due to the pandemic, lagging production in Vietnam is expected to hit retailers and consumers from around Christmas.

For the government, which in recent years managed to attract global manufacturers seeking to diversify production away from China due to the tariff war between Washington and Beijing, the worker shortage could drag down economic growth.

Nguyen, a supplier quality engineer who works for global brands such as Decathlon and Adidas, said labour and material shortages had prevented suppliers from returning to their pre-lockdown levels of productivity.

The 30-year-old, who asked to be addressed by his last name because he was not authorised to talk to the media, works with five suppliers in southern Vietnam to ensure they comply with buyers' quality standards. The labour shortage means it is challenging for these suppliers to accept new orders, while workers are asked to multitask in more than one manufacturing line.

“Workers can find an employer who offers better welfare now that they know [factories] face employee shortages,” Nguyen said.

Vietnam recorded shoe exports worth US\$700 million in September, a 44 per cent drop from the same month last year, according to a Friday report published by the World Trade Organization’s Hanoi office. About 80 per cent of factories in the southern region were closed due to pandemic curbs, with these businesses accounting for 70 per cent of the shoe-manufacturing sector’s turnover from exports, the report said.

### **‘The government failed to forecast this situation’**

Teo, who moved to Binh Duong from his hometown in An Giang Province in the Mekong Delta earlier this year, used to earn up to 10 million dong a month (US\$440) if he worked 12-hour shifts seven days a week at the plastic manufacturing company.

The 270km journey on his motorcycle last week was “crowded like Tet”, he said, referencing the trip migrant workers such as him made to celebrate Vietnamese Lunar New Year with their families.

He added that he had run out of money to stay in Binh Duong, Vietnam’s most popular destination for such workers, followed by the northern province of Bac Ninh, and Ho Chi Minh City.

Teo did not have much by way of savings, as he usually sent some of his monthly wages to his mother and used the rest to cover rent and food. During the lockdown, his landlord allowed him to defer his rent, and he relied on occasional donations of meat and vegetables from his neighbours. He also got a small cash payment and rice donations from the local authorities and his employer, but was still barely able to scrape by.

His experience mirrors that of other migrant workers in Vietnam who, having lost their livelihoods, found that the struggle to sustain themselves in lockdown had an adverse impact on their mental health.

“My mother was the one who told me to go home and that we will deal with [things] later. After I finish home quarantine, I will look for a job. But whether it’s here or back in Binh Duong, I have not decided yet,” Teo said.

The poor morale among workers – and questions over when, if ever, they will return – has sparked concerns that Vietnam, an economic success story even amid the pandemic, could take a hit to gross domestic product growth. The government recently forecast a GDP increase of 2.5 per cent, well below the 6-7 per cent growth registered in recent years.

Le Dang Doanh, a retired senior economic adviser to five Vietnamese prime ministers, called on local authorities to do their part to encourage migrants to return to work in the manufacturing hubs.

He said the authorities should meet returning migrants, persuade them, and promise to help them with accommodation and transport.

“The government had [dispatched] three relief packages, but the implementation was slow and the amount was not enough, so the workers still left because they lost their livelihoods,” he said, adding that informal workers such as lottery ticket sellers and restaurant workers were particularly affected.

“The pandemic is a serious test for the effectiveness of the system. The government failed to forecast the situation, it was too slow in preparing the vaccines, the lockdown and social distancing implementation was too broad and too long, causing unnecessary socioeconomic damage.”

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### **Already precarious**

But Nguyen Phuong Tu, a research fellow at the University of Adelaide, said the pandemic was not the sole cause of the exodus, as most migrants’ working and living conditions were already precarious before Covid-19.

She said they had struggled to meet their living needs on low wages from work that required no or limited skills and qualifications, while accessing public health care and education for their children in the provinces and cities they moved to was also difficult because of the country’s household registration system.

Tu, who has researched migrant workers in Vietnam since 2014, said those who had labour contracts and social insurance through work certainly fared better than informal workers – but even they faced the spectres of job losses, full-time jobs being turned into casual ones, and businesses not complying with labour law.

“[But regardless of their precarious situation], the prolonged pandemic and so much uncertainty and risk related to their employment, health, and livelihoods have exhausted what they have to continue living in the destination provinces and cities,” she said, adding that the uncertain outlook for labour supply might make investors think twice about investing in and moving their production to Vietnam.

The Vietnam Textile and Apparel Association (VITAS), in an article on the government’s news portal last week, said the last three months of this year would be an “extremely difficult time” for the apparel sector, with the risk being that buyers would relocate to other countries.

However, Bloomberg reported signs that the situation might be improving, with industrial estates and export processing zones in Ho Chi Minh City reporting that about 57 per cent of workers had returned as of October 6, up from 24 per cent before the relaxing of restrictions.

Vietnam’s daily cases have also fallen to about 5,000 from more than 10,000 last month, and while only 14 per cent of its 98 million people are fully vaccinated, the country plans to hit 70 per cent by March next year.

VITAS president Vu Duc Giang, in the article last week, referred to the labour shortage as “a huge challenge for the business community, when there is no optimal plan to recruit workers in the ‘new normal’”. The association urged businesses to show genuine care for workers and to help those eligible for government welfare support programmes to claim their benefits.

Additional reporting by DPA and Bloomberg