



**BetterWork**  
Vietnam

# Annual Report



International  
Labour  
Organization



**IFC**

International  
Finance Corporation  
WORLD BANK GROUP

2020 DATA

# FOREWORD



## Vietnam

Unlike many other countries in the region, Vietnam has had less production interruption in the garment sector and is well on its way to economic recovery from the COVID-19 pandemic. Yet, the virus has had a massive impact on the economy and society in Vietnam. It is estimated that about half the labour force was affected somehow by the pandemic during the first lockdown in April 2020. The average income per worker was reduced by five per cent, some faced job losses and working time reductions. According to the World Bank, Vietnam's economy has shown resilience and is expected to rebound from the pandemic. Because the factories experienced limited interruptions of their business operations due to COVID-19 restrictions, the team could carry on assessments and provide a similar level of support to its factories as in pre-pandemic times. Innovations and fast-tracked responses to the virus enabled Better Work to efficiently adapt services to industry-specific needs.



Australian Government  
Department of Foreign Affairs and Trade



Co-funded by  
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The digital version of the Annual Report can be found on our website: <https://annual-report.betterwork.org/2020>



# COUNTRY CONTEXT



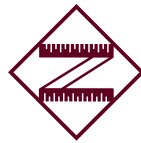
**371**  
factories  
enrolled with  
the programme



**640,356**  
workers in  
registered  
factories



**78%**  
of the  
workers  
are women



**334**  
on site  
assessments  
completed



**2,085**  
factory visits  
and virtual  
advisory sessions



**151**  
training courses  
and industry  
seminars

## Impact of COVID-19 on the sector

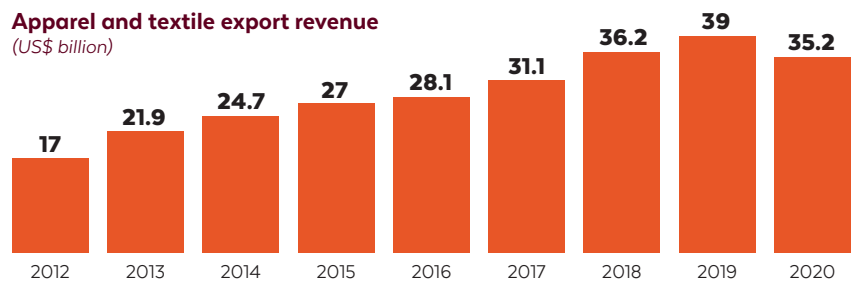
Although the number of COVID-19 cases in Vietnam was much lower than in most countries worldwide, thanks to the government's early anti-pandemic response, the impact on the Vietnamese economy has been severe. Vietnam's garment industry has been profoundly affected by the cancellation of orders and disruptions in the supply chain. Many factories have responded by reducing their working hours, temporarily closing, or shifting production from conventional clothing to face masks and protective suits. These measures have gone towards maintaining businesses in operation and protecting workers' jobs throughout the worst periods. Although exports in the textile and apparel sector suffered an 11 per cent decline in 2020 compared to the previous year (see graph on this page), this decrease is not as high as many other countries, particularly in light of the 25 per cent global decrease in demand across the sector due to the pandemic.



## GARMENT SECTOR STATISTICS

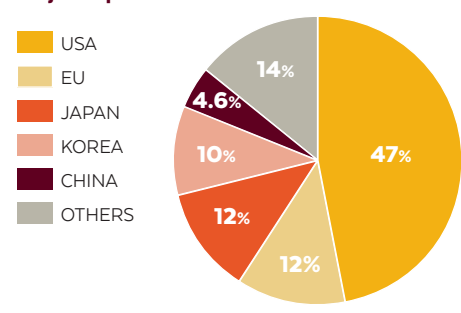
The textile and apparel sector is the second largest exporter in Vietnam, with a total export revenue of US\$ 35.2 billion in 2020, a decline of 11 per cent compared to 2019.

Apparel and textile export revenue  
(US\$ billion)



The USA remains the biggest export market, accounting for 47 per cent, followed by the EU, Japan, Korea and China. RMG is also the biggest employer in the manufacturing sector in Vietnam, providing jobs for around 2.8 million workers, 80 per cent of whom are women.

Major export market in 2020



# COUNTRY CONTEXT

## Partnerships

Better Work Vietnam has leveraged its partnerships with brands, factories, workers, and the Ministry of Labour, Invalids and Social Affairs (MOLISA) to support the industry in dealing with COVID-19 and its effects on working conditions in factories. This support includes prevention and mitigation measures and negotiating labour plans in the context of shrinking demand across the sector. Labour plans are the terms negotiated between workers and employers on paid and annual leave arrangements, work stoppage due to force majeure, termination of employment contracts, unpaid leave and temporary suspension, following the Vietnamese Labour Law.

Together with the ILO Country Office, Better Work Vietnam has also established a relationship with the Vietnam Health Environment Agency (VIHEMA) to provide technical inputs to the Ministry of Health (MOH) guidelines on COVID-19 prevention in the workplace. The team also convened key stakeholders and the Ministry of Industry and Trade (MOIT) around the discussion of Vietnam's Garment and Textile 10-year Development Strategy, which establishes goals for the sector to be more sustainable up to 2030. After a couple of consultation rounds with all the partners, the programme and ILO provided technical inputs on the strategy. Better Work also organized virtual workshops with international brands and the government to collect their comments. The result was a more robust strategy that encompasses environmental requirements and compliance with international labour standards to ensure improved working conditions. This work highlights labour compliance and social dialogue as a basis for sustainable development of the industry in the long term, especially in the context of international trade and labour clauses in the concluded free trade agreements.



## Trade agreements

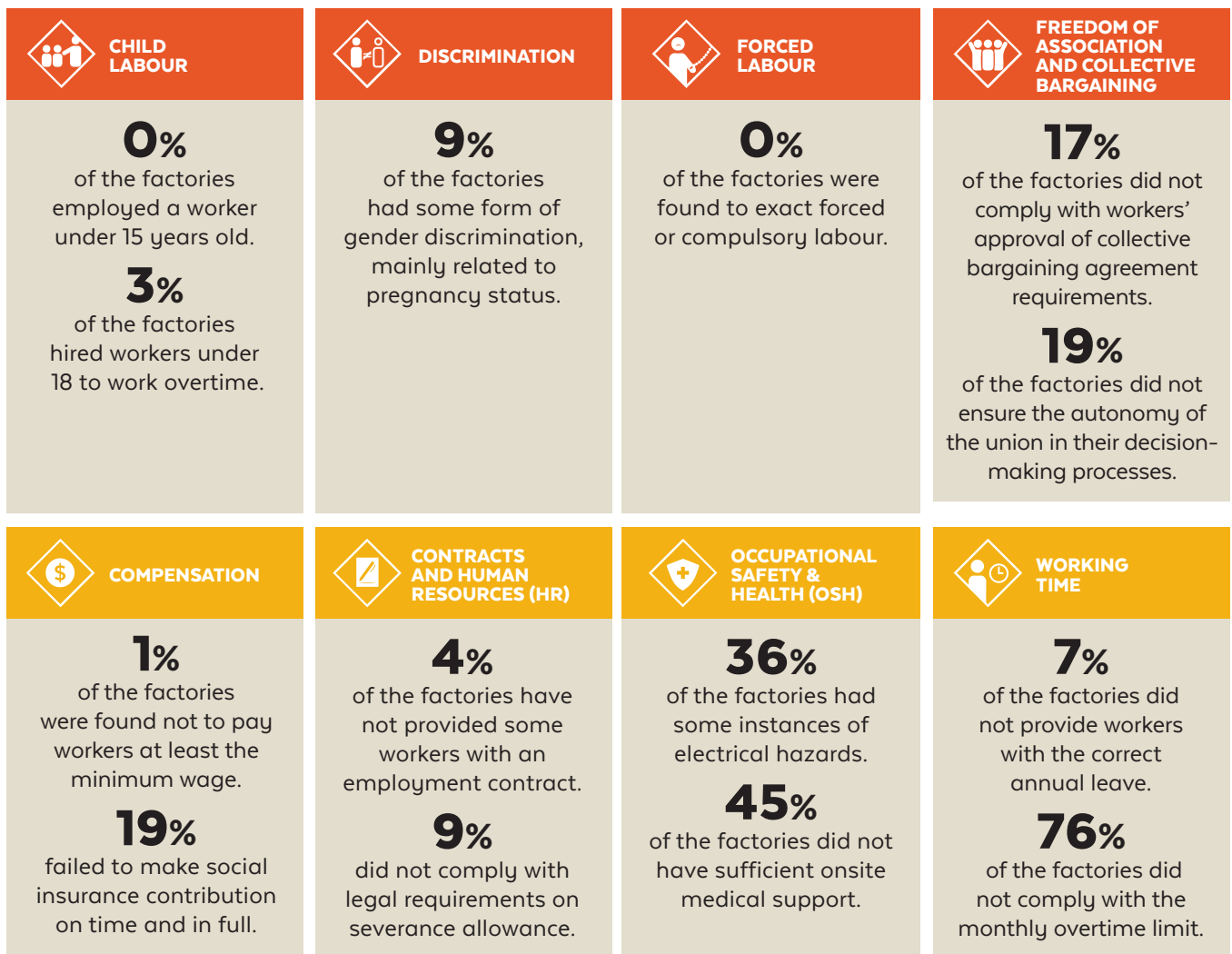
Despite plummeting global aggregate demand, there are optimistic expectations for the industry's strong recovery and growth, in part due to free trade agreements (FTA) that Vietnam recently ratified. The EU-Vietnam FTA (EVFTA) took effect in August 2020, eliminating tariffs for 77 per cent of apparel exports to the EU in five years. The country also ratified The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in 2019. The Regional Comprehensive Economic Partnership (RCEP) – an FTA between 15 Asia-Pacific nations – is expected to come into effect in 2021. It is essential to highlight that these “new generation” FTAs require the country to comply with the ILO's core labour standards to receive tax benefits. The agreements can bring investments and diversify export opportunities for factories, though it will be challenging for Vietnamese products to meet their strict rules of origin.

# NON-COMPLIANCE FINDINGS

## Main results from our assessments

Despite the negative impacts of the pandemic in 2020, Better Work Vietnam conducted 334 assessments. This was possible because the country had few episodes of lockdown and factories had to interrupt their operations only three times during the year. In this context, the programme developed its risk management plan to respond to the pandemic according to different scenarios. This was useful for decision-making before going for assessments. Factories in the programme demonstrated a strong commitment to compliance, and non-compliance rates have reduced across almost all compliance points compared to previous years. This is partly due to the programme's efforts to strengthen factories' compliance management systems.

Another contributing factor to increased compliance is greater competition among suppliers to attend to the brand's requirements regarding compliance. Better Work observed high compliance rates among core labour standards, except for some freedom of association issues, such as union autonomy and collective bargaining procedures. A positive indicator of the health of the working culture is that none of the assessed factories employed child labour or forced labour. Most violations were in the areas of national law, namely overtime limits and occupational safety and health. Very few factories had non-compliance issues on work stoppage payments or termination of employment contract due to COVID 19, thanks to the early intervention from the programme enterprise advisors.





# ACHIEVEMENTS

## Paving the way for the new labour code implementation

Besides supporting the factories and workers with COVID-19 response and a quick recovery from the crisis, Better Work Vietnam concentrated efforts in 2020 to prepare stakeholders for implementing the new labour code. The new regulation was approved in 2019 but came into effect on 1 January 2021, introducing changes that have huge implications for a labour-intensive industry like garment and footwear (see the box on page 9 for more details).

The programme also focused its 2020 initiatives on gender. The Gender Equality And Returns (GEAR) project, which supports women leadership by training female supervisors with productivity and soft skills, was conducted in ten new factories. The team also hired an external consultant to review best practices on gender to establish a new Human Resource policy aimed at introducing gender-sensitive policies.



## Adapting factory services to address the crisis

Due to the pandemic, Better Work Vietnam adapted its factory service delivery significantly through virtual training and advisory visits on COVID-19 response and prevention. The programme developed a range of products on the pandemic, such as COVID-19 guidance to participating factories, following World Health Organization and Ministry of Health advice in consultation with the Labour Inspectorate. The team also created three additional factory documents: An Emergency Response Plan

to COVID-19, a Business Continuity Plan, and a Labour Management Response Plan. Better Work Vietnam has participated in an ILO/UN Technical Committee on COVID-19 response, and also forged a partnership with the Vietnam Health Environment Management Agency (VIHEMA). Together with them, ILO and WHO, Better Work Vietnam provided inputs for VIHEMA to finalize the decision of the National Steering Committee on COVID risk assessment guidelines at the workplace.

***We learned a lot from the joint advisory sessions, as we had the opportunity to talk with other factories and seek solutions, especially during the first and second waves of COVID-19 in Vietnam. Through these sessions, we were able to identify the risks and consider the labour plan options for each scenario. We were encouraged to share the best practices to fight against COVID-19 at the factory level as well.”***

*Ms. Ha Pham, compliance manager at Maxport 9 HR*

# ACHIEVEMENTS



## WORKING WITH GOVERNMENT

### Working with MOLISA on the implementation of the labour code

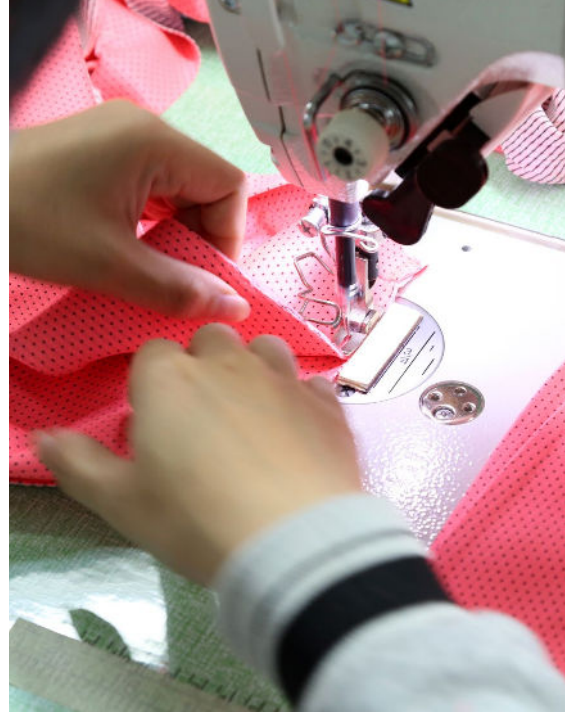
Better Work Vietnam worked closely with the ILO Country Office to provide inputs for the guiding documents of the new labour code. The team also coordinated with MOLISA to organize two legal forums in November 2020 to help brands understand the new legal framework and support their suppliers to adapt their workplace policies, including factories who are not members of the programme. The staff worked with the Labour Inspectorate to revise the Compliance Assessment Tool (CAT) to be aligned with the new labour code and international labour standards. This is especially crucial in the context of Vietnam recognizing the freedom of association in acknowledging the formulation of Worker Representative Organizations, following ILO Conventions 87 and 98.



## WORKING WITH TRADE UNION

### A new application to foster dialogue among workers and management

In 2020, the programme collaborated with the Vietnam General Confederation of Labour (VGCL) to conduct training of trainer classes for over 40 VGCL representatives and provincial Federation of Labour (FOL) trainers across the country. The ToT aims to improve the capacity of workers in factory-level bipartite Performance Improvement Consultative Committees. The team also has piloted the “Gopy” application, which functions like a social media platform in which workers, factory representatives, and Better Work Enterprise Advisors can share and update information to strengthen dialogue and foster conversation. The app was successfully rolled out in 51 factories in Vietnam in mid-2020 and is available in Vietnamese and English. The union can upload its content to raise COVID-19 awareness for workers. Gopy can be used as a grassroots tool for the trade union to monitor factories’ compliance with support from upper-level union leadership.



## WORKING WITH EMPLOYERS

### Engaging with factories on the new labour code

In 2020, Better Work Vietnam collaborated with the Vietnam Chamber of Commerce and Industry (VCCI) to organize workshops on the new labour code for the programme’s partner factories in Hanoi and Ho Chi Minh City. The workshops were complementary to Better Work’s regular activities that help employers understand the new legal requirements, and the workshops were in line with the programme’s long-term plan to collaborate with VCCI to deliver labour law training courses for Better Work factories. It was a unique opportunity for the factories to clarify questions on the new regulation with policymakers. Based on Better Work experience, VCCI organized similar training to non-better factories on the same topic. Better Work Vietnam issued two sets of guidelines for factories to address labour compliance scenarios resulting from the pandemic conditions and to promote social dialogue when implementing policies that affect workers’ income and security. These guides have been scaled by international brands, other agencies and organizations, which expanded the programme’s impacts beyond participating factories in the garment industry.

# ACHIEVEMENTS



## WORKING WITH BRANDS

### Guiding brands through the new labour code

Better Work Vietnam played a vital role in 2020 in supporting brands and their suppliers to ensure they are operating correctly within the legal framework in Vietnam, and that they fully understand how the new labour code relates to compliance in the workplace. Better Work team members attended a number of seminars organized by brands' suppliers to advise them on the new labour law. The team also continued to deepen brands' understanding of gender discrimination and lack of transparency through legal forums and quarterly meetings with more than 60 brands.



## PROMOTING GENDER EQUALITY

### A new Human Resource policy based on best practices on gender

The Gender Equality and Returns (GEAR) project trains female operators with productivity knowledge and supervisory skills to perform their role once promoted as a line supervisor. This helped enhance female leadership and career prospects. By the end of phase 1, despite the negative impact of the COVID-19 pandemic, the average efficiency of five factories that joined the first phase of GEAR has been improved from 77 per cent (baseline) to 86 per cent (post-training in October 2020). Besides this, 76 per cent of the trainees have been promoted from operators to line supervisor shortly after the training. Building upon the success of the first phase the project, Better Work Vietnam continued with phase two in 2020, expanding it to ten new

factories. Also, the programme launched a Human Resource review project on gender policies. The team put together the best practices on gender equality implemented by the six leading factories to serve as an example to motivate other employers to adopt the same. The staff will share it with other Better Work factories in a series of industry seminars in 2021. The programme continues to organize a Training of Trainers course on preventing sexual harassment in the workplace – a requirement of the new Labour Code – thereby helping factories' training capabilities to tackle this issue. The new regulation requires that employers define sexual harassment and develop specific implementation policies.

***The GEAR project gave us fantastic experience. The best thing is that it brought our workers the chance to experience and to practice. After that, they were able to engage their knowledge and apply it in the factory. Besides, they had the chance to improve their soft skills and get promoted in the future."***

*Ms. Ha Vu, production manager at Ha Phong factory, Bac Giang province)*



# ACHIEVEMENTS

## ON THE GROUND BENEFITS

### Adapting to the new legal framework for sustainable growth

The new labour code in Vietnam (see box) has huge implications for factories in the garment sector. Making adjustments to comply with this new legal framework has been a challenge. To support factories through this transition, Better Work Vietnam coordinated a series of industry seminars with local government partners to help factories understand the changes and discuss scenarios for implementation.

Maxport Limited Vietnam (“Maxport 9”), in Thai Binh province, was one of the factories that took part in these trainings and a series of advisory sessions, in which management representatives were able to identify the risks and consider the best policies to comply with the new labour code. “We learned a lot from these sessions, as we had the opportunity to discuss solutions with other factories,” says Ms. Ha Pham, Maxport 9 HR/Compliance Manager.

With the support of Better Work Vietnam, Maxport developed and gradually implemented new HR policies and internal regulations aligned with the new labour code, especially on labour contracts, protection from discrimination and harassment, and labour relations. One of the policies reduces working hours for pregnant women who perform hazardous work and encourages them to learn about their maternity rights and benefits through discussion with HR personnel.

The company focused on communicating newly implemented rules to its workers through radio, bulletin boards, training courses, and regular social dialogues sessions, ensuring message clarity and consistency. “Finding ways to improve working conditions is the first priority for Maxport,” says Mr. Tien Pham, Maxport 9 Branch Director. “We always comply with health and safety legislation, but we want to fully grasp the benefits of the extra mile — going above and beyond compliance.”



### FUNDAMENTAL CHANGES ESTABLISHED BY THE NEW LABOUR CODE

- ◆ **MORE AUTONOMY** Less government involvement, greater autonomy for employers and workers to negotiate and decide on conditions, including wages, safety and health.
- ◆ **REPRESENTATION** Workers have the right to form or join an organization of their choice. Employers cannot obstruct or interfere with unions or punish unionized workers.
- ◆ **GENDER POLICIES** More aligned with core labour standards, the code protects female workers, prevents sexual harassment, forced labour, discrimination, and the employment of minors. It also ensures equal pay for all genders.
- ◆ **WORKING HOURS** The code allows for an overtime agreement that does not exceed four hours a day, 40 hours a month, or 300 hours a year for the garment industry.
- ◆ **DISPUTE RESOLUTION** Fewer steps are now required before workers can lawfully strike, more aligned with ILO Convention 98 on the Right to Organize and Collective Bargaining
- ◆ **END OF WORK** A labour contract can be terminated by the worker immediately in cases of mistreatment, pregnancy or late payment of wages. The retirement age increased from 60 to 62 for men and from 55 to 60 for women.

# TACKLING CHALLENGES

## Addressing on-going non-compliance

COVID-19 has exacerbated problems in some areas, including occupational safety and health, a lack of qualified medical staff in factories, failure to follow collective bargaining procedures, and excessive overtime. Tackling these challenges requires the commitment of top factory management and effective collaboration among supply chain stakeholders.



### OVERTIME

## Excessive working hours remains the norm despite new labour code rules

Overtime has been the major and persistent challenge for the garment sector in Vietnam (see below). In 2020, 76 per cent of assessed factories did not comply with the monthly statutory overtime limit of 30 hours. Since the new Labour Code came into effect on 1 January 2021, this limit has increased from 30 to 40 hours. Data from assessments in 2020 shows that roughly 68.5 per cent of factories exceed 40 hours per month due to overtime and might not be able to comply with the new rule. Over the years, Better Work advisors have worked with non-compliant employers to strengthen their overtime management systems. Non-compliance rates have decreased from 92 per cent to 67 per cent for factories that have been participating in Better Work for eight years. Still, this issue remains the norm rather than an exception in the industry.

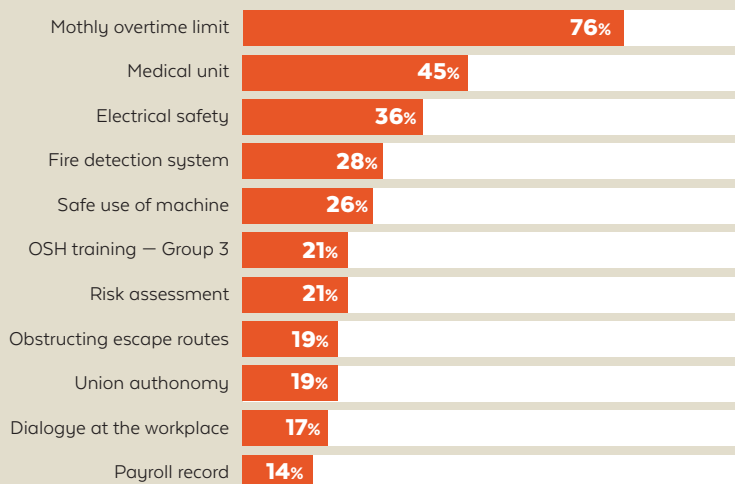


### COLLECTIVE BARGAINING AGREEMENTS (CBA)

## Financial pressures have raised non-compliance in CBA procedures

Collective bargaining agreement procedures are an area of growing concern. In 2020, faced with mounting financial difficulties due to COVID-19, many factories renegotiated terms with workers. Several of them ended allowances and bonuses without going through a formal procedure or negotiating an agreement with workers. Thus, non-compliance increased in the majority of CBA issues, such as workers' approval of draft CBA (17 per cent), CBA publication (8 per cent) and implementation (7 per cent) in 2020. In some cases, this has led to strikes, especially when production has returned to normal, but employers have not reinstated these benefits.

### MAJOR NON-COMPLIANCE CHALLENGES AMONG PARTICIPATING FACTORIES IN 2020



# ISSUES AND ACTIONS

## ISSUES

**During COVID-19 outbreaks, factories had to develop and implement HR policies very quickly to provide mitigation and social distancing measures, comply with labour law on work stoppage payment, and manage the workforce in the context of shrinking business operations.**

## CORRECTIVE ACTIONS TAKEN

Better Work Vietnam was efficient in developing two guides in collaboration with the Labour Inspectorate of MOLISA on responding to COVID-19. These helped factory management and workers discuss and implement prevention policies, address labour compliance scenarios and negotiate labour management options in line with the national law, when factory production was reduced. Thanks to this early intervention, the non-compliance rates, including in areas such as work-stoppage and worker termination, did not increase, and few factories had to resort to mass termination of employment – to avoid this, many of them reduced the working hours instead.



**Due to cash flow difficulties, garment factories found it hard to make social, health, and unemployment insurance contributions on time. Non-compliance in this area increased from 14 per cent to 19 per cent in 2020. This issue is expected to continue.**

Addressing this problem requires commitment from top factory management as well as support from supply chain partners. Better Work Vietnam collaborated with the Labour Inspectorate of MOLISA to conduct a series of industry seminars on social insurance to clarify factories' legal requirements in this area.



**In 2020, 45 per cent of the assessed factories did not meet the legal requirement on the medical unit. One of the main compliance challenges is that the factories with more than 300 workers are unable to recruit doctors, while those with 1000 or more workers find it difficult to establish a licensed medical facility.**

The presence of qualified medical staff is crucial for factories to develop and implement health policies. This was especially critical during COVID-19, with the need to have contact tracing, social distancing, and emergency preparedness. The high non-compliance on this issue is due to the lack of medical professionals in regions where garment factories are located. The team advised those factories to contract a nearby health facility to provide qualified staff and medical support in emergency cases, but finding them is still a challenge, and matchmaking is above the scope of the programme's work.





# OPPORTUNITIES AND LESSONS LEARNED



## Innovation and digitalization of the programme's services

Integrating new information technology into the programme's factory service delivery has helped Better Work Vietnam respond quickly to the challenges encountered by factories during the pandemic. It has also helped bring industry stakeholders together to resolve these difficulties, most notably through a new mobile application called Gopy (see page 7). This and other technological innovations, such as e-learning courses on OSH and virtual training on the new labour code, were accelerated by COVID-19 and have opened new opportunities for improving social dialogue and the program's efficiency. The pandemic also accelerated the development and implementation of other digital materials and online training courses, such as a new e-learning module on OSH still to be rolled out and sessions on the new labour law approved in 2019. The virtual delivery was an efficient way of conducting training courses that enabled greater factory participation. Because it was online, more members of the factories could attend labour law virtual training and organize Zoom group discussions to clarify questions.

## Bringing together public and private stakeholders

Many of Better Work Vietnam's achievements in 2020 would not have been possible without the strong partnerships the programme has with the government, social partners, and industry stakeholders. Labour compliance, job retention during COVID-19, robust health policies in the workplace, and implementing the new legal framework have required mutual understanding and collaboration. The programme has been a successful platform to convene public and private stakeholders to resolve industry issues. Looking forward, the partners can play a much greater role in guiding essential decisions of the programme – such as expansion to new geographic areas – and to ensure that impacts of the programme can spread wider to the industry and beyond.



# OUTLOOK FOR COOPERATION IN 2021



## A roadmap for sustainability

For 2021, the programme's focus will be to develop a roadmap with strategic partners to ensure the sustainability of impacts. Better Work Vietnam will adjust its services to ensure the programme's results last. To achieve this goal, the team will adopt innovations, such as apps and technological tools, to expand the delivery of services. Besides this, the team will continue discussions with the government, trade union, and employer to hand over more ownership to the partners. In the second half of 2020, the team organized an evaluation exercise to define a strategy for 2022 to ensure the sustainability of Better Work initiatives for the next phase.



### GOVERNMENT

One key goal of 2021 is to help employers and workers understand the new labour code and its implementing decrees to support better compliance. The new regulation acknowledges workers representative organizations and may, therefore, profoundly change industrial relations in Vietnam. In addition, it also has a stronger focus on gender equality and non-discrimination in the workplace. Together with ILO Country Office and tripartite partners in Vietnam, the Better Work team will support implementing the labour code through social dialogue and gender equality promotion in the factories



### EMPLOYERS

In collaboration with VCCI, Better Work Vietnam will continue to organize multi-stakeholder forums to promote policy dialogue around macroeconomic issues and get feedback on implementing the new labour code and how the factories implemented it. The programme will also explore possibilities to expand its impacts to other industries and business sectors and coordinate with business associations such as Vietnam's Textile and Apparel Association (VITAS). The goal is to support the industry to take full advantage of the new-generation free trade agreements. The focus is on large garment manufacturing groups to create momentum for Vietnamese businesses to connect to the global supply chain.



### TRADE UNIONS

In 2021, the programme will continue its strategic partnership with VGCL to scale up Better Work's impact and sustainability. The specific activity will focus on using the VGCL trainer network to develop the PICC members' training skills and replicating this knowledge for the whole trade union network. Another priority is to deploy Gopy to reach out to more workers in awareness-raising in OSH and behavioral change communications during COVID-19 period .



### BRANDS

The programme works with 62 international brands in major markets such as the US, Europe, Japan and other Asian countries. The COVID-19 crisis showed that brands' practices can affect suppliers' compliance. In the face of disruptions caused by the pandemic, the competition for more orders motivated the factories to comply with practices that respect labour regulations to meet the brands' requirements. Thus, the team aims to engage these brands on other strategic issues, such as conversations on the sector strategy and promotion of accountability and transparency. The programme will also work with influential intermediaries – vendors and licensees of brands – to provide training, advisory and other services.



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