

Report on Study Tour to Study Vietnam Apparel Industry During 26-31, December, 2017



Prepared by:

Chandrima Chatterjee
Advisor, AEPC

Waqas Ekramullah,
Asst. Manager, Research & Policy
Advocacy, AEPC

Apparel Export Promotion Council

Index

S. No.	Content	Page No.
1	Background of the Study	2
2	Key Objectives of the Study Tour	3
3	Vietnam Apparel Industry	3-5
4	Meetings During the Study Tour	5-13
5	Factory visits	13-16
6	Labor Situation in Vietnam	16-27
7	Role of Technology in garment industry of Vietnam	27-29
8	Conclusion	30-32
	Annexure	33

Background of the Study

The apparel industry in India is an important contributor to the economy with regard to export earnings and employment generation. Although India is among the top exporters to the world, there is growing realization that the full potential of the industry in India is not being realized. Also, the apparel industry is facing stiff competition from countries like Cambodia, Bangladesh, Sri Lanka, Turkey, Indonesia, Vietnam & China. In addition to quality which is a critical importance in the apparel sector, it is also necessary to address problems faced by the industry to increase the productivity and improving quality in order to secure adequate growth. Therefore, it is primarily very necessary to identify good management practices, reasons for challenges in spreading or non-adoption of better management practices and work out ways to promote adoption of better management and labor practices.

To make the Indian apparel industry competitive, ILO in partnership with AEPC is developing a manual of innovative practices for the Indian apparel industry chain to contribute towards improved quality, efficiency and sustainability. The manual is being developed to facilitate better understanding of good practices/innovation among Indian apparel manufacturing units drawing experiences from ILO programs, Better Work, and SCORE in countries like Vietnam, Sri Lanka, Turkey, and Bangladesh aims to contribute towards better integration of units in the global supply chain. The manual will capture more than 50 good practices broadly, categorized under following areas:

- Workplace Cooperation
- Quality
- Productivity
- Cleaner Production
- Workforce management
- Occupational safety and Health

In this connection the 13 member delegate visited Vietnam during 26-31, December, 2017. List of Delegates is placed at Annexure 1

Key Objectives of the Study Tour

- Experience sharing and mutual learning among policy makers and industry partners between India and Vietnam
- To understand the key practices adopted by Vietnamese apparel industry so that the Indian apparel industry can adopt the best practices to improve productivity, competitiveness and working conditions in SMEs

Vietnam Apparel Industry

Vietnam a country with a population of 92 million people of which 52 million people are working. Almost 20 years back Vietnam had started its apparel production however they weren't a significant contributor to the world supply until 2005. They are presently catering to 5.7% of the world requirement. Total Export of Textile and Apparel amounts to USD 31 billion of which apparel exports contributes to a tune of 80% which is US 25 bn.

Vietnam is exporting majorly to USA (45%), EU (17%), Japan (12%), South Korea (10%), China (3%), Hong Kong (1%), Mexico(1%) etc.

There are about 5000 apparel manufacturing factories comprising in Vietnam which consist of MSME, corporates, units with 100% FDI (20% of total units), state owned enterprise which are turned into private owned factories but still a significant stake is with the Government and about 12% of the countries apparel turnover is contributed by these enterprise which operates under the name VINATEX. Most of the FDI's are from China, South Korea, India, Japan, Turkey and Taiwan.

FDI has been received on account expectations on TPP and FTA with EU which seems a disappointment at this point of time as US refrained from negotiations and still negotiations are on with EU. They are also in the process of initiating talks with countries like Australia, New Zealand, and Canada on CEPA.

90% of the factories works on CMT (Cut, Make & Trim) base productions, the sourcing company's source fabrics from China, Korea, India, Pakistan, Italy and Turkey.

The country is divided into 4 zones based on the living cost and economic conditions. Labors are provided with facilities like fair minimum wages, Insurance benefits such as Social security, health and unemployment. Minimum wages starts from USD 110 to USD 170 per month and on an average workers take home a sum of USD 240 to USD 330 per month depending on the zones and policy of the individual units.

They have their own spinning mills but they don't produce a good quality yarn due to obsolete machinery. And they have limited processing house to process the fabrics hence they bank on ready to cut fabric imports.

2.5 million workers are engaged in this sector, Government is assisting the factories in providing skill training, attrition level is about an average of 10%, The skills of workers are outstanding as far as analytical skills, work discipline, attitude and commitment to the job they do .There is only one Trade union operating across the country named as Vietnam General Confederation of Labour (VGCL), minimum wage is decided by national wage council (members are from government, labor union, industry), they start several rounds of talks from July and submit the report to the Government by September and the new minimum wage is announced in the month of January, this year an increase of 6% has been fixed. The National Wage Council fix the minimum wages on the basis of minimum living standard, GDP, consumer price index, productivity index, labor price in market.

Challenges faced on the labour resources are the increasing number of FDI in other sectors particularly Electronics which provides a much better working condition and less tedious job.

Almost all the factories employs 70% women workers, expats are allowed to work only on managerial category. Indians, Sri Lankan's, Turkish nationals are mostly employed in the managerial positions.

Vietnam factories follow line systems, lean manufacturing, 5S, Visual Control systems , Data Monitoring, Rejection analysis , their production efficiency is 95% which is remarkable. The factories are very clean and well maintained, management provides free meal to the workers, no transport or accommodation is provided even the Government doesn't provide hostel facilities for migrated workers. They are staying on their own in the nearest towns and commute by their own vehicle or by public transport.

Vietnam factories seeks a lead time of 90 days from the date of order to delivery and they do work on 45 days lead time in cases of Never out of Stock orders. The factories claimed that they are booked with orders for 6 to 8 months. There are small medium and bigger factories, they classify a factory with 300 workers as MSME and the capital investment also has been taken into account for this classification.

Every Factory has trade union representatives who bridge the workers and factory management, they accompany themselves during the factory audits by the Government authorities as well as the International buyer's complaint audit. These union representatives takes care of the smooth running of the factory by addressing the worker issues as and when a need arise.

To put in a nut shell Vietnam is an emerging apparel supplier and has the best demand for "MADE IN VIETNAM" in the International markets, this respect has been earned only because of their efficiency and quality despite they depend upon the raw material from the countries mentioned above.

Meetings during the Study Tour

1. Meeting with Officer-in-charge, ILO

- Vietnam Garment industry

- ✓ 700 export factories
- ✓ 2.5 million workers
- ✓ 80% of female workers
- ✓ Workers are engaged through contracts. Contracts usually are of three types, differing in their tenures.

Usually contracts can be renewed for two terms, after which the industry has to take them on long term contracts/ permanent roles. It was reported that in the case of women (and sometimes men workers), if the age of the worker is around 35 years, during the renewal of contracts, there have been instances of termination of contract or offering them permanent position, in case they are not very skilled and the productivity is not up to the mark.

This has led to a lot of terminations reported for workforce beyond 35 years of age. On the other hand it has ensured a young and very productive workforce.

- ILO official has given the presentation about their program “Better Work Vietnam”
- ILO has partnered with International Finance Corporation (World Bank group). The objective of the program is to condition the garment industry of Vietnam to improve compliance with labour standard and promote enterprise competitiveness by assessing workplace conditions and offering customized advisory and training services for factories
- ILO is directly engaged with the factories to implement this program
- Under the better work program, they have trained 502 factories and working with 57 brands like H&M, GAP, Inditex, Nike, Target etc
- The program has been implemented under 3 core activities
 - ✓ Assessment
 - ✓ Advisory
 - ✓ Training
- The key courses of the of the program are
 - ✓ Labour law
 - ✓ Supervisory training to workers
 - ✓ Occupational health & safety
 - ✓ Workplace cooperation
- The impact of the program are:
 - ✓ 62% of factories have increased production
 - ✓ 65% have increased sales
 - ✓ 75% have received increased orders
 - ✓ 67% report longer relationship with key buyers



Meeting with Mr. TA THI BICH LIEN, National Programme Coordinator on Industrial Relations New Industrial Relations Framework Programme and joined by others members of ILO Vietnam at ILO office, Hanoi, Vietnam. ILO. They gave the presentation on Better Work Vietnam which aims to improve the working conditions and promote competitiveness in the country's garment industry by assessing and training services for factories.

2. Meeting with Vietnam General Confederation of Labour (VGCL)

- VGCL is the only representative of labors in Vietnam representing key issues of labor to Govt. of Vietnam and implementing and monitoring labor laws
- The goal of VGCL is to improve the efficiency & productivity of garment industry in Vietnam
- VGCL also works to strengthen the automation to improve productivity and quality of products. This indirectly benefits the workers, through better workplace conditions and higher wages
- VGCL is helping the industry to expand in rural areas and helping the farmers to become productive workers.

- They are doing training programs for workers in rural areas to acclimatize them to the requirements of an industrial workplace, the work culture and regulations of the enterprise. This brings them a step closer to gainful employment in the industry
- They have short long-term training programs which include basic to advance training depends on the time period
- VGCL organizes skill contest to increase the productivity and the winner is rewarded. This contest gives them the motivation to work efficiently and increase productivity



Meeting with Mr. MAI DUC CHINH, Vice President of Vietnam General Confederation of Labour (VGCL). VGCL is the sole national trade union center in Vietnam which aim at improving workers productivity and efficiency and represent the issues of labor

3. Meeting with Ministry of Trade & Industry

- In the garment enterprises, 40% investment has been made through FDI
- The major FDI partners are Taiwan & South Korea
- The FDI has increased in the past years due to expectation of TPP and FTA with Vietnam
- There are 940 enterprises in textile parks
- They give preferential benefits to the industry and investors
- They give corporate tax exemption to the investors for 5 years

- They have invited different countries to upgrade the technology in garment industry at par with global standards



Meeting with Ms. Truong Thi Thu Ha, Deputy Director General, Vietnam Industry Agency, Ministry of Industry and Trade. The Ministry of Industry and Trade is an agency of the Government, which performs the function of State management of industry and trade

4. Meeting with Labor Inspectorate, MOLISA

- Minimum wage is different for the four different provincial zones identified for wage fixation. The zones have been categorized based on their level of infrastructure, cost of living and proximity to metros.
- Awareness campaign has been done to workers, enterprises, labor union to make them aware of the benefits of the social security provisions, to ensure better utilization of the health and unemployment benefits, under social security benefits



Meeting with Mr Le Huu Phong, Vice Chief Inspectorate, Labour Inspectorate, Ministry of Labour - Invalids and Social Affairs (MOLISA) is a Government Ministry, performs state management function on labour, wage and salary, employment, vocational education, social insurances, occupational safety and hygiene, people with special contribution to the country, social protection, children related issues, gender equality, social vices control and prevention

5. Meeting with Vietnam Chamber of Commerce and Industry (VCCI)

- VCCI is founded in 1963 to protect the interest of Business community, Employers and Business Association
- It has 12,000 members in which 6,000 are small manufacturers
- They are promoting the industry through trade & business delegations
- VCCI facilitate the SME's through:
 - ✓ Training
 - ✓ Market Information
- Apparel industry is facing the increase of Minimum wages every year
- Overtime issues



Meeting with Mr. Tran Chi Dzung, Deputy General Director, Bureau for Employer's Activities, Vietnam Chamber of Commerce and Industry (VCCI). VCCI is facilitating its 12,000 members of Business Community, Employers and Business Associations

6. Meeting with International Cooperation Department, MOLISA

- There are very less incentive in support to the apparel industry Vietnam
- The incentive is in form of Social security benefits of 30% provided to the employee's.
- Contractual employee's or Job workers are also eligible for social security benefits
- Minimum wages of workers are not discriminated on basis of skilled, semi-skilled, unskilled
- The minimum wage council submits the report on Minimum wage in every year of August. The average minimum wage increase is about 5-6% every year
- The minimum age for Child labor is 16 years
- NGO's does not interfere in factories or business transactions
- The Overtime in Vietnam is 200 hr/year and the industry is demanding 600 hr/year of overtime in the apparel industry



Meeting with Mr Nguyen Manh Cuong, Director General, International Cooperation Department, Ministry of Labour - Invalids and Social Affairs (MOLISA)

7. Meeting with VINATEX (Vietnam National Textile and Garment Group)

- VINATEX is the state owned enterprise and 50-60 garment units are operating under VINATEX
- The revenue of VINATEX is USD 3.6 bn.
- VINATEX is making an effort to increase the investment in fabric manufacturing
- VINATEX as parent company does not involve in day to day operations of its subsidiaries
- VINATEX informed that in Vietnam – EU FTA there would be Fabric Forward Rule, so Vietnam would not be able take much benefit in FTA
- There big enterprise are catering to US market and lower enterprises are catering to Japanese and Korean market
- They explained that the reason for growth of Vietnamese apparel industry is due to skilled and efficient workers, quality products and timely delivery
- In terms of incentives they explained that some funding is being provided to small manufacturers to participate in international exhibitions

- The average lead time is 90 Days



Meeting with Ms. Pham Minh Huong, Managing Director, Supply Chain Development Center, Vietnam National Textile & Garment Group (VINATEX). VINATEX is the state owned enterprise under which 50-60 companies are working.

8. Factory visits

Factories we have visited are under ILO's Better work program and they are well compliant to the International Buyer requirements, one of the factory which is an FDI from India generates power for Lights and Fans through solar and wind energy and they adopt Zero Liquid Discharge (ZLD) system to treat laundry water and reuse the same, the sludge has been converted into bricks and goes for construction purpose. This factory also planted 750 trees and maintains the same to reduce the carbon foot print.

i. Dap Cau Garment Corporation JSC

- The holding of government is 24.6% in this factory and have 4 affiliated enterprises
- This is the unit supported by Better Work Vietnam, enterprise have to comply with 110 compliance under Better Work like Fire protection, electricity, policy for workers etc

- They are procuring fabrics from China, Korea etc
- They are focusing better life of workers, good policies to attract workers etc



A glimpse of garment unit of Dap Cau Garment Corporation JSC. Dap Cau Garment Company is an enterprise directly under VINATEX. The manufactures high quality garments, the productuin capacity is 90,00,000 units

ii. SAITEX

- SAITEX is the premium denim manufacturing enterprise with 100% foreign investment
- They have adopted ozone technology with Green manufacturing
- All the waste water are recycled and utilized
- They are catering to US (35%), EU(60%), 5% (Others)
- The manufacturing 90% denim garments and intending to diversify in shoe business
- Government has strict policy towards protection of environment
- Government only allows clean water to discharge
- Investment in ETP is must in factories in Vietnam – however it is done at individual level, with no Govt. support, even in the SEZs.
- The environmental policy is also used to endorse the enterprise



SAITEX is a privately owned manufacturing operation specialized in premium denim and over-dyed products, with a capacity of over 6 million garments per year. The group is a leader in sustainable manufacturing practices and shipping 60% to EU, 35% to US & 5% to Others.

iii. EPIC Group

- EPIC Group is manufacturing 10% Ladies wear and 90% men bottom with 100% foreign investment
- Headquartered in Hong Kong, they have manufacturing units in Vietnam, Bangladesh, Jordan, Ethiopia
- Manufacturing 50,000/day
- They measure productivity and efficiency in graphs, on the basis of reports they take corrective actions
- The availability of skilled workers is very huge and IQ level of workers in Vietnam is good, so they can be easily trained



A group photograph at the Epic Designers unit in Vietnam

Labor Situation in Vietnam

Labour Code 2012.

Labour Code was adopted by the National Assembly of the Socialist Republic of Vietnam, on 18.06.2012 and given effect on 01.05.2013. It covers issues relating to employment, contract of employment, apprenticeship, training, skill development, dialogues at workplace, collective bargaining, collective bargaining Agreement, working hours, rest periods, wages , public holidays, leave, disciplinary regulations, responsibilities regarding equipment's, occupational safety and health, separate provisions concerning female employees and minor employees and certain type of employees (minor/elderly/domestic), social insurance, Trade Unions, resolution of labour disputes, state management of labour, labour inspections and dealing with violations of labour law.

Labour Inspectorate.

The Ministry of Labour, Invalids and Social Affairs (MOLISA) is in charge of regulating and enforcing labour standards, Labour inspections, labour market policies, labour migration policies, vocational training, and social security policies.

The MOLISA Inspectorate is the Central Authority of the labour Inspection System in Vietnam. It has six functional divisions—

- i) Labour policy Inspectorate.
- ii) Occupation, Safety and Health Inspectorate.
- iii) Child and Social Affairs Policy Inspectorate.
- iv) Inspectorate of Policy for meritorious people.
- v) General Services and Administrative Inspectorate.
- vi) Citizen Reception and Complaint and Denunciation Handling Inspectorate.

There are 63 Department of Labour, Invalids and Social Affairs (DOLISA) at the provincial level. These DOLISA Offices further support and monitor 697 district divisions.

Employers Organizations.

- a) Vietnam Chamber of Commerce and Industry (VCCI).
Has around 2000 enterprise members and 7 branches in the most industrialized provinces and cities.
- b) Bureau of Employer's Affairs (BEA).
It represents the VCCI in the advisory board of Better Work Vietnam and other ILO projects in Vietnam.
- c) The Vietnam Textile and Apparel Association (VITAS).
A non-governmental Umbrella Association working in the field of textile and garment industry in Vietnam with 15 branches. A total of 635 member companies account for 70% of the total capacity of the industry. VITAS promotes business and investment cooperation as well as exchanges information among members, between members and the outside. It

represents its members and consults relevant state and government bodies in policy campaign and mechanisms relating to the development of the textile and garment industry in Vietnam. It also supports foreign companies in looking for Vietnamese textile and garment producers.

d) The Vietnam Textile and Garment Group (VINATEX).

Is the biggest state owned group of companies in the field of textile and garment in Vietnam. VINATEX is also a member of VITAS. It has over 90 member companies in Vietnam which together cover activities from spinning, knitting, weaving and dyeing to finishing. The total labour force of the VINATEX is nearly 100,000 employees and another 35,000 employees working in joint ventures with foreign and local partners.

Union.

- i) The Vietnam General Confederation of Labour (VGCL) is the only Union Organization legally recognized in Vietnam. All enterprise Unions must be established by and affiliated to the VGCL. The VGCL has regional and sectoral branches all over the country.

VGCL total membership increased from 7.3 million to 7.9 million and member of enterprise Union rose from 108.302 to 113.000.

- ii) Vietnam National Union of Textile and Garment Workers (VNUTG) with branches in all 63 provinces and sectorial trade unions in 22 sectors. Established in 2007 and membership is around 1,36,000. About 80% of its membership comes from the state owned VINATEX Conglomerate and only remaining 20% are in private Vietnamese Companies and none in FDI'S.

Inspection Scheme.

The Inspectorate of Ministry of Labour, Invalids and Social Affairs (MOLISA) and Departments of Labour, Invalids and Social Affairs (DOLISA) have been charged with the following key responsibilities.

- Inspect Compliance with the Labour Law.
- Investigate occupational accidents and other violations related to occupational Safety and Health.
- Give guidance on the implementation of technical standards and norms of working conditions, occupational Safety and Health.
- Handle Complaints and Denunciation in respect of labour issues as prescribed by law.
- Deal with violations of labour law.
- Shall execute the specialized inspection function in respect of labour issues.
- Violation of any provisions of Labour Code to be dealt with by disciplinary measures, administrative sanction or prosecution for criminal liability and compensation for the damages.

Labour Inspection Consists of –

I. Ministerial

It includes regional, safety and hygiene, labour policy, overseas labour, occupational disease, meritorious service to the country determination, children and society, social insurance policies and administration and anti-corruption inspections.

II. Specialized Inspections.

To be conducted by specialized authorities under the MOLISA including the Directorate of Vocational Education, the Department of Occupational Safety and hygiene or the department of overseas labour management. Focus will be on the compliance of regulations under the management scope of each respective specialized authority.

Inspection schedules are also provided in advance to the industries and the inspections conducted in the presence of the management and the union members.

Areas of Labour outsourcing :

The workers are hired on contract in the following areas –

- * Security
- * Cleaning
- * Transport

The contract shall be for a period of 12 months. There are three types of labour contracts.

- I. Indefinite term contract with no limits on the term.
- II. Definite term contracts for a duration of 12-36 months.
- III. A contract for seasonal work or a specific task which has a term of less than 12 months.

If an employee continues to work after the expiry of his contracts, the parties must sign a new labour contract within 30 days. If the new labour contract is not signed then it will be treated as indefinite term contract and a temporary contract with duration of less than 12 months will become a 24 month definite term contract.

Temporary Labour.

Temporary Workers have the same rights as regular workers. A person who perform a job lasting less than 3 months will not contribute to mandatory insurance schemes and therefore shall be paid directly by the employer for the following pay.

- Social Insurance – 18%
- Health Insurance – 3%
- Unemployment Insurance – 1%
- Annual leave allowance – 4.5%

Minimum Wages.

The minimum wage is the lowest legal payment for an employee who performs the simplest work under normal working conditions during normal hours of work i.e. 8 hours. The minimum wages shall be determined on monthly, daily and hourly basis and by regions and sectors. The minimum wage paid to an employee must not be lower than the regional minimum wage.

Region	Regional Minimum Wages VND/Month.
I	3750,000
II	3320,000
III	2900,000
IV	2580,000

General Minimum Wage – 1.3 million wages mentioned in the labour contracts including wage level, wage based allowances and other extra payments. Average wage of a worker/employee is between 200-250 US \$ per month.

Piece-rate wages is based on the volume of and quality of products produced against the assigned norms.

Time based wages (monthly, weekly, daily and hourly wages) based on actual working time during a month, week, day or hour.

Overtime Payment

Overtime wages paid as under ----

Type of OT	Overtime Payment
OT on regular days	150% (1.5 times)
OT on rest days	200% (2 times)
OT on public holidays or paid leave	300% (3 times)

The current limit of OT is 200 hours per year and there is a proposal to increase it to the extent of 400 hours per year. Maximum OT hours per day is 4 hours per day and 30 hours in a month, 12 hours on weekly off/holidays.

Social, Health and Unemployment Insurance.

Employees who have signed a labour contract for 3 months or more are required to contribute to mandatory social insurance and health insurance respectively.

Minimum Working Age

The child labour is prohibited. All employees must be at least 15 years old. Workers under 18 years of age are prohibited from carrying and lifting objects which are beyond a young worker's physical strength including hazardous substances like screen printing, operating fabric and yarn-starching machines, dyeing and dry-cleaning fabric and yarn.

Collective Bargaining Agreements (CBA).

A collective bargaining agreement is a written agreement between the worker's collective and the employer concerning working and employment conditions which have been agreed upon by each party through collective bargaining such as wages, bonuses, allowances and pay raises, work and rest hours, overtime, breaks between shifts, employment security for workers, occupational health and safety and the implementation of the internal working regulations. CBA is valid for 1-3 years. The 1st CBA signed by an enterprise is valid for a duration of less than one year. It includes enterprise level collective bargaining agreements and sectorial level collective bargaining agreements.

Gender discrimination

The labour code prohibits discrimination based on gender or marital status. Employees who have signed a labour contract for 12 months or more are required to contribute to additional unemployment insurance. The insurance contributions are calculated against the wages in their contracts as under---

TYPE	TOTAL	EMPLOYER CONTRIBUTION	EMPLOYEES CONTRIBUTION	NOTES
Social Insurance	26%	18%	8%	Maximum declared Wage is 20 months wage at the general minimum wage. Applies only to Vietnamese employees.
Health Insurance	4.5%	3%	1.5%	Maximum declared wage is 20 months wage at the general minimum wages. Applies for Vietnamese and foreign employees
Unemployment Insurance	2%	1%	1%	Unemployment Insurance applies to contracts of 1 year

				<p>or more and applies to enterprises with 10 or more and applies to enterprises with 10 or more employees. Applies only to Vietnamese employees. Maximum declared wage is 20 months wage at the regional minimum wage.</p>
--	--	--	--	---

Forced Labour.

The labour code strictly forbids any form of forced labour. Overtime work is voluntary with agreement from both parties

Public Holidays/Leave.

Employees are entitled for 10 public holidays in a year. Foreign employees shall get additional two holidays, one day for traditional new year and one day for the National day of their country. Employees who works for 12 months will be eligible for 12 days annual leave. The employees works for less than a year are entitled for annual leave on pro-rata basis. Besides employees entitled for 3 days with pay for marriage, one day for children’s marriage, 3 days in the event of a death within their immediate family, Sick leave is taken care by the Social Insurance Agency. The maximum Compensation is 75% of the employee’s wage. Minimum 30 days and maximum 180 days. If disease continues the employee shall be compensated at a lower rate.

Inter-active Platforms/Social dialogues.

The labour conference is held once a year with participation from the employer, trade union executive members and a pro-defined number of elected employee members. It discusses issues that require the engagement of employees and votes for which employee members will participate in the social dialogue meeting in the following year.

The Social dialogue is a meeting that is conducted once on every 3 months or sooner upon the request of either the employer or the workers collective. It requires 3 members from each party. Issues relating to production situation, implementation of labour contracts, CBA'S, internal rules and policies, working conditions etc shall be discussed.

Occupational Safety and Health (OSH)

Employers shall have responsibilities to ensure the rights of employees to have safe and hygienic working conditions, implementation of all measures for occupational safety and hygiene during the course of work, give priority for prevention, elimination and control of dangerous or harmful factors during the performance of work. Employers shall consult with trade unions, employers representatives, councils of occupational safety and hygiene about development and implementation of policies, law, programs and plans for OSH. In-house training given periodically in the areas of OSH. Personal Protective Equipment devices/clothing given to the employees engaged in potentially dangerous or harmful work like uniform, fabric cap, rubber gloves, dust-mask or carbon masks, soap, rubber boots, goggles etc. Health camps conducted annually at least a year for employees. Health check-ups at least every 6 months for employees doing heavy and harmful jobs including disabled and elderly workers. OSH Plan is prepared every year. Emergency rescue plan prepared at the workplace for evacuation of employees from the dangerous area.

Working hours.

Regular employees work for 10 hours per day and 48 hours per week. Young employees work for 8 hours per day and 40 hours per week including overtime.

Canteen facilities/Transport.

Food samples kept for 24 hours and working lunch is provided free of cost. Tea/Coffee is not supplied at workshop. Employees are required to make their own arrangement for transport.

Retirement.

The male employees retire at the age of 60 and women employee shall retire at the age of 55.

Resolution of industrial disputes.

The Labour Mediators to resolve individual disputes within 06 months to one year. The collective disputes are also handled by labour Mediators, Labour Arbitration council and chairpersons of the People's Committee at District, Town and Provincial city levels and finally by the People's Court. Penalties imposed in case of non-compliances/ violation of rules.

Role of NGO'S

All non-governmental organizations in Vietnam must affiliate with a governmental agency. Interims of Labour, the government strictly scrutinizes the NGO'S engagement in labour issues.

Labour Turnover

The attrition rate among workers is very low at 10% in Vietnam as against 20-25% in India. Absenteeism rate is also stood at 5-10% as against 15-20% in India. Punctuality and better discipline is the hallmark of higher labour productivity in Vietnam. Workers are committed and quality of skilled manpower is comparatively better.

Emulation of Good practices/Favorable conditions in Vietnam.

- a) An enabling environment, therefore spurring private sector growth after 2000.
- b) The policy prioritizing the development of sound industrial relations by not only the government but also by social partners.
- c) Tripartite discussion on labour legislation and active cooperation of the trade union (VGCL). Positive Single trade union and no incidence of industrial unrest.
- d) The Labour Code created a legal frame work of industrial relations and employment relations in line with a newly emerging reality of socialist market economy.
- e) The expansion of the foreign invested sector has mopped up all of the available local workers in the cities around which the industrial zones and export processing zones are located, so they are having to rely increasingly on migrant workers from more distant rural

areas. The rural population are thus employed in good number. Workers have familiarized themselves with their new factory lives.

- f) Employers' associations play key roles in promoting sound industrial relations in a market economy.
- g) The decent minimum wage and favorable working conditions.
- h) A Strike would be deemed lawful only when it is organized by the unions. Enterprise trade unions play the role of human resource managers.
- i) The Foreign enterprises are required to pay at least 7% higher wages to trained workers than the minimum wages. A separate pattern of minimum wages exist for other local enterprises.
- j) The productivity of labour is high and eye-Q level of the workers are also very high and they adapt to the conditions quickly. The employees are not paid for the hours they have not worked.
- k) The apparel units normally works in one shift from 8 AM to 5 PM and hence over head cost is very less.
- l) There exist good channel of communication between workers and the management. Production Plan, CBA'S, training policy, social, health and unemployment insurance schemes etc are very well known to all. Besides there exist consultation process between workers and management on cost efficiency, productivity, safety, discipline, labour contracts etc. All these measures have worked magic in the field of production and productivity.
- m) There also exist interactive platforms including social dialogues on matters of interest which eases the work pressure, tension & friction at workplace.

- n) No outside interference, including political bodies and NGO'S in the internal working of the organization/industry.

Role of Technology in garment industry of Vietnam

Investing in new technology is helping Vietnam apparel industry to reduce the cost and increases the production capacity. Vietnam in collaboration with China, Taiwan, Japan, and South Korea has invested a lot in upgrading the technology in Vietnam apparel industry

Ozone Technology

Vietnam denim industry is using Ozone technology in garment processing. Ozone is used as a bleaching agent within the denim industries to give denim garments an unique and distinctive look and feel from other traditional processing. Benefits of using Ozone technology:

-Lower costs and higher profitability while safely meeting all of the strictest production standards in the world today	-Bleach Without Bleach
- Uses up to 60% less & up to NO Water in Ozone Denim Processing	-Bleach Without Hot Water
- Cut utility costs by up to 50%	-Sustainable & Profitable
- Back stain bleaching simplicity	-Waterless & Green
- Maximum full bleach down capability	- Earth Friendly
	- Reduce Processing Time

Green Manufacturing

Government of Vietnam's stiff environmental policy has led the Vietnamese garment industry to swiftly move towards Green manufacturing. Green manufacturing involves transformation of

operations in using Green energy and employing Green processes in manufacturing operations. Apparel manufacturing companies in Vietnam adopted green manufacturing. Green practices benefit not only through long-term cost savings, but equally importantly, from brand enhancement with customers, better regulatory traction. The aim of Green manufacturing is to ensure that the clothing production saves energy, reduces emission and consumption to achieve efficient usage of resources. Green manufacturing looks into use of water and energy, followed by how the waste water, gas and materials are treated, then comes controlling the unsafe or harmful materials to human health, the type of technology being used i.e. how advanced it is, product and design idea, package consumption and working environment of workshops.

Laser Technology

Laser wash is an exceptional method which can create extraordinary jeans and reduce the environmental impact of this industry. In laser wash, there is no use of water, stones or sand to wash the jeans.

The wash is done using laser which goes across the jeans and burns the wash into them. The process is very quick and the washes look amazing. This water-free technology can give much wanted 'distressed' or 'vintage' look to the denim.



Automation and adopting new technologies is an integral part of the Vietnamese garment industry. Laser technology is being used for giving effects in jeans, this reduces the environmental impact of the industry and increases the productivity

Hanger System

Technologies like Hanger system are being used to dry the garment to reduce the energy conservation



Technologies like Hanger system are being used to dry the garment to reduce the energy conservation

Robots in Garment Industry

Vietnamese garment industry has adopted a high level of technology and strive to achieve more to increase the production, cost and zero defect product. Factories are using robots to finish the garments.



A robot is being used to give finishing touch to the garment

Conclusion

- The industry, govt and trade unions work harmoniously, towards the common goal of the industrial growth
- There is only one representative of Labors in Vietnam i.e. Vietnam General Confederation of Labour (VGCL)
- There is high level of transparency in inspection and policy formulation to ensure minimal conflict of interest
- Availability of Fabric is good due to duty free import from China
- Large manpower is young and skilled, therefore higher productivity and efficiency
- Multi skilled work force, stable economy, minimal regulations and norms, have seen good FDI investment in this sector. Investors shared their preference for Vietnam as a manufacturing destination ,over some of the Asian neighbors, also due to good quality of life, which attracts expats too.
- There are 3 types of workers contract in Vietnam.
 - ✓ 0-12 months (For seasonal work)
 - ✓ 12-36 months
 - ✓ Permanent
- Vietnam has Farmer to Worker skilling programme under which they are promoting to move the industry to rural areas of the country.
- The economy is stable, though it is heating up – leading to higher rentals and wages over the years
- Stiff environmental policy like only clean water can be discharged, this is leading to good impression of Vietnam in global apparel market
- Better Work Vietnam has undertaken 500 units in Vietnam, this is creating a global linkage of Vietnamese manufacturers and major brands who are part of Better Work
- The brands have accepted and encouraged the Better Work Programme at the units. The audits at the units have reduced after the BWP, as all the stakeholders have seen value in the programme.
- The positive approach of publicizing good suppliers through public reporting (the BW website), has also been a positive impact

- At present the bargaining powers of the workers are limited because of the contracts. Under the new industrial relation programme ILO is working with MOLISA and VCCI to promote collective bargaining, besides other social issues.
- Automation as a tool for productivity enhancement and indirectly benefitting the worker, through better wages, has helped both the industry and workers. Although automation has reduced the need for low skilled workers (as automation is largely targeted at reducing production time, replace repetitive work and reduce energy uses), it is being promoted by govt.
- The flexibility in engagement terms and policy of automation, among other measures have helped Vietnam record USD 30 mn exports through workforce of 2 mn workers!
- Higher rentals are pushing industry to rural and remote areas. Rural skilling programmes for communes through Govt. training programmes are being done
- The industry was earlier largely Govt. owned. In the last five years progressive equitation for reducing equity of Govt. holding has been underway
- The issues of poor fabric base and need for better processing to reduce dependency on imports is being addressed by the Govt.
- TPP had significantly increased the FDI investment into the country. But since the stalling of TPP talks, the investment has slowed down
- Textile parks are in industrial zones with policies facilitating technology from other countries like China, Taiwan and Korea
- Labors are provided with facilities like fair minimum wages, Social security benefits.
- Minimum wages starts from USD 110 to USD 170 per month and on an average workers take home a sum of USD 240 to USD 330 per month depending on the zones and policy of the individual units.
- The National Wage Council fix the minimum wages on the basis of minimum living standard, GDP, consumer price index, productivity index, labor price in market.
- Vietnam factories seeks a lead time of 90 days from the date of order to delivery and they do work on 45 days lead time in cases of Never out of Stock orders.
- Vietnam factories follow line systems, lean manufacturing, 5S, Visual Control systems , Data Monitoring, Rejection analysis, their production efficiency is 95% which is outstanding. The factories are very clean and well maintained, management provides free meal to the workers though no transport or accommodation is provided.

- Every Factory has trade union representatives who bridge the workers and factory management, they accompany themselves during the factory audits by the Government authorities as well as the International buyer's complaint audit. These union representatives takes care of the smooth running of the factory by addressing the worker issues as and when a need arise.

1. Mrs. Aditi Das Rout, Joint Secretary and Trade Advisor, MoT- **Leader**
2. Mrs. Chandrima Chatterjee, Advisor, AEPC
3. Mr. WaqasEkramullah, Asstt Manager, AEPC
4. Mr. BhaskarKalra, US-MSME
5. Mr. Shirish Asthana, Director-MSME
6. Mr. Kalyan C. Mohanty, GM, (IPICOL), Govt of Odisha
7. Mr. Debasish Panda, Director (Operations), Gram Tarang
8. Mr. N.M. Shetty, Regional Labour Commissioner (Central), Goa
9. Mr. D M Kumar, CEO, M/s. Eastern Global Clothing
10. Mr. S Sakthivel, Executive Secretary, TEA, Tirupur
11. Mr. Subramanian Srinivasan, Chennai
12. Mr. N. Sivadas, Chennai
13. Ms. SudiptaBhadra, Prog. Manager, ILO, New Delhi