

RIM REPORT 2013

Assessment on the impact of economic downturn on employment and the role of the social protection system



This report from ILSSA discusses important findings on vulnerable households' reactions and coping strategies to the economic downturn and the adequacy of social protection responses. It uses evidence from the fourth round of the Rapid Impact Monitoring (RIM) Survey conducted in autumn 2013. The analysis explores where and why policies to deal with impacts are weak and the important gaps in service delivery. It identifies policy implications and recommendations for Government for both short run (operational and administrative) actions and longer term (policy and systemic) reforms in six areas:

1. Strengthen policies and mechanisms to support workers in maintaining employment and support workers who lose their jobs to find new ones.
 - Short run: support small and medium size enterprises to overcome difficult times by responding flexibly to state/ business dealings, and by promoting access to near term credit; and by supporting counseling and job guidance for all workers at risk.
 - Longer run: continue to improve the system of labour market information and development of job service centres; promote research, development and implementation of public works programmes for the unemployed.
2. Better secure base levels of income during periods of unemployment and cushion the impacts of severe losses of livelihood.
 - Short run: deliver immediate relief to those who have fallen into poverty; identify near poor households and exercise discretion in offering some support (based on current policies for prescribed poor households).
 - Longer run: improve poverty targeting and increase the frequency of the poverty list review; strengthen the discretion exercised by localities.
3. Guarantee the rights of all workers
 - Short run: Strengthen State monitoring and regulation of enterprises' compliance with labour regulations.
 - Long run: encourage and incentivize enterprises to adhere to policies on labour and social insurance.
4. Provide incentives and promote communication about labour, regulations and social protection policies, especially in remote areas.
 - Short run: Through through local dissemination and ad hoc media campaigns.
 - Long run: Develop develop a client orientated communications strategy.
5. Improve contributory social insurance (including unemployment, basic health) to attract farmers and informal sector/ seasonal workers.
 - Long run: Ensure ensure all workers in eligible enterprises join social insurance and health insurance schemes; diversify the models of voluntary social insurance to offer wider benefits.
6. Deal with pressures faced by migrants and rationalize residence criteria
 - Short run: Mandate mandate access to schooling and healthcare for all migrant children; examine use of local discretion to offer other services.
 - Long run: Research research adoption of fully portable benefits.
7. Regularize and institutionalize the RIM survey as a core function of ILSSA.



Foreword

During the period 2010-2013, Vietnam's economy experienced turbulence and crisis. Economic growth has been in decline since 2009 and many enterprises faced difficulties, adversely affecting working standards and workers and households' lives.

The rapid impact monitoring report RIM 2013 with the topic "Assessment on the impact of the economic downturn on employment and role of the social protection system" analyses the impact of the prolonged decline in Viet Nam's economic growth on employment and labour incomes in the three most affected fields - including construction, retail and agriculture. It examines the coping strategies and evaluates the role of social security system in assisting the vulnerable groups, especially the recently impoverished.

The report was conducted by Institute of Labour Science and Social Affairs, Ministry of Labour-Invalids and Social Affairs under the instruction of Dr. Nguyen Thi Lan Huong along with other members: Luu Quang Tuan, Le Ngu Binh, Pham Thi Bao Ha, Chu Thi Lan, Vu Thi Hai Ha and Ha Thi Thu Huong.

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The report reflects the research team's perspectives based on evidence gathered from the field surveys. We hope that the results from this research will be a helpful source of references for policy makers in government management and will further help in refining and to implementing the social security system strategies protection policies in Vietnam.

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List of Acronyms

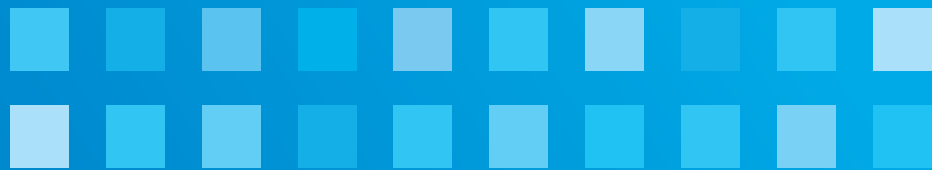


CAF	Centre for Analysis and Forecasting
CAF – VASS	Centre for Analysis and Forecasting - Vietnamese Academy of Social Sciences
CPI	Consumer Price Index
GDP	Gross Domestic Product
GSO	General Statistics Office
ILSSA	Institute of Labour Science and Social Affairs
MOLISA	Ministry of Labour - Invalids and Social Affairs
RIM	Rapid Impact Monitoring
UNDP	United Nations Development Program
UNICEF	United Nations Children’s Fund
VHLSS	Vietnam Household Living Standards Survey
VND	Viet Nam Dong (Vietnamese currency)
WDI	World Development Indicators



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I.BACKGROUND



1. Introduction

The Rapid Impact Monitoring (RIM) mechanism offers an innovative, qualitative research approach, which investigates household and individual responses to economic changes. The aim is to supplement quantitative studies by triangulating findings and answering causal (why and for whom-type) questions.

It has been carried out in Vietnam since 2009 and this is the fourth round. The study and analysis relies on focus group discussions carried out at locations throughout Viet Nam to reflect national vulnerability dynamics. The focus is on three key sectors (agriculture, retail and construction) judged to be the areas in which the vulnerable work, and to which they turn to as a means of coping with income shocks. The RIM offers a valuable resource for policymakers setting the medium direction and operational managers providing key public services. Its findings and recommendations aim to ensure policy and delivery responses are better designed, aligned and implemented.

Section One of the report gives a brief background on the economy and recent evidence on the performance of the labour market. Section Two presents the research design. Section Three discusses the detailed research findings and section four presents the conclusions and recommendations. Annexes 1 and 2 give, respectively more tabular data on GDP and employment, and a summary table on the impact of shocks on different economic groups in different areas.

2. General overview of the economy on macro level

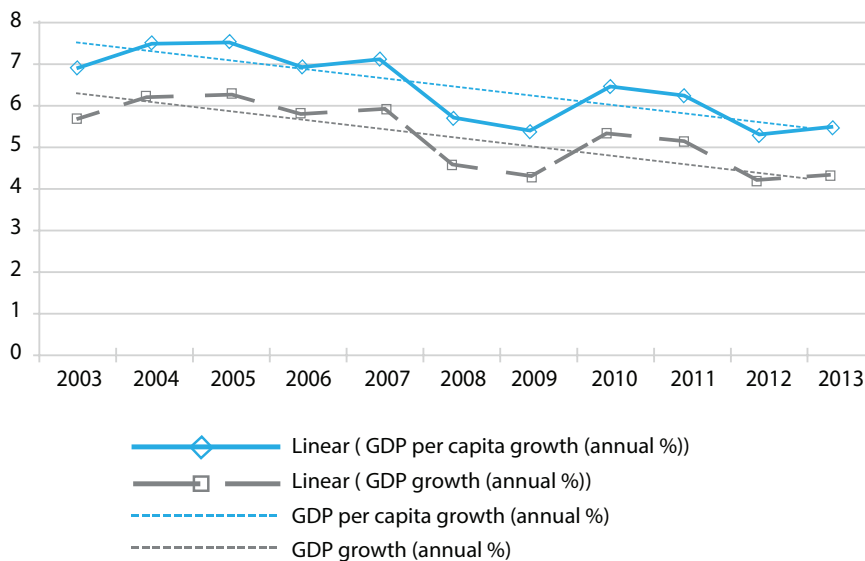
During the last two decades, Vietnam has achieved exceptional economic performance and strong levels of poverty reduction. However, following the global financial crisis, there has been a considerable and prolonged slowdown (refer to Chart 1 below). The average GDP growth for the period of 2009-2013 was a little over 5% per year, in comparison to an annual growth rate of 7% before 2009. In 2013, the economy grew at 5.42%, which is an increase in the growth rate of 5.03% in 2012 and indicated a recovery. However, this level is still much lower than the previous growth rates. The growth rate of the agriculture sector, an important supporter of livelihoods during economic slowdown, grew by only 2.67% (equivalent to the growth level in 2012). In the industry and construction sectors growth rates were also low, reaching 5.43% (lower than 5.75% in 2012), whereas the growth rate of service sector was 6.56% (higher than the 5.9% in 2012).

The global financial crisis and unstable domestic economy was reflected in increases the Consumer Price Index (CPI)¹ from 6.9% in 2009 to 9.2% in 2010 which peaked at 18.1% in 2011. After applying macroeconomic inflation control policies, the CPI decreased to 6.8% in 2012 and 6.04% in 2013. However, weak aggregate demand and the slow recovery from the economic recession were also factors contributing to the slight decrease of the CPI in 2013.

¹ December of the reporting year in comparison to December of the previous years



Chart 1: Economic Performance in Recent Years



Source: World Bank WDI Series and author's estimates for 2013

During the last 3 years, the number of new businesses registered every year has declined while the number of dissolved or ceased businesses has increased. In 2011, there were 77,548 new businesses registered (as defined by the basis of the Enterprise Law), 13% less than in 2010². In 2012, there were 69,874 new businesses, a decrease of 9.9% in comparison to 2011. Some sectors with significant reductions in new registrations were real estate, mining, agriculture, forestry, aquatic products and construction³. In 2013, there were 76,955 newly established enterprises, 10.1% more than in 2012, but still much lower than previous years. Equally, the number of enterprises which ceased, went bankrupt or dissolved has rapidly increased during recent years. In 2011, there were 7,611 bankrupt enterprises, whereas there were 60,737 bankrupt enterprises in 2013, an increase of 11.9% since 2012⁴. As a result, this has increased the unemployment rate [temporarily] and the flows of migrants looking for jobs.

A significant fact is that import and export turnover has maintained a high growth rate during the last three years. According to data from GSO, export turnover reached 132.2 billion USD in 2013, an increase of 15.5% compared to 2012 (34.2% increase in 2011 and 18.2% in 2012). Import turnover reached 131.3 billion USD in 2013, an increase of 15.4% compared the previous year (a 25% increase on 2011 and 6.6% in 2012). In 2012, Vietnam achieved a trade surplus of 780 million USD and in 2013 the surplus reached 863 million USD. The export turnover of commodities has increased while the export turnover of forestry and agricultural goods decreased from 16.8 billion USD in 2012 to 16.5 billion USD in 2013.

² VCCI (2012), Annual report of Vietnamese enterprises 2011

³ VCCI (2013) "Annual report of Vietnamese enterprises 2012 with the topic "The voice of enterprises' voice in the context of innovation".

⁴ Hoai Ngan. (2013, December 24). Gần 61 nghìn doanh nghiệp 61 nghìn doanh nghiệp 2013 [Almost 61,000 Business Closed Down in 2013]. Retrieved August 14, 2014, from Bao Lao Dong website: <http://laodong.com.vn/doanh-nghiep/gan-61-nghin-doanh-nghiep-phai-chet-trong-nam-2013-169351.bld>



To sum up, despite the improvement of some economic indicators (CPI, trade surplus, etc.) in 2013, and signs of an economic recovery, Vietnam's economy still faces many challenges. A slightly increasing CPI seemed to be a result of the declining aggregate demand rather than the more efficient operation of the economy. The number of newly established businesses in 2013 was lower than in 2009, while the number of businesses struggling with bankruptcy, dissolution or ceasing has continued to increase. The growth rate of the construction sector was low; the agriculture sector faced export difficulties, low efficiency and a weak ability to prevent and mitigate the adverse effects of natural disasters on production and livelihoods⁵.

3. Labour Market

3.1. *Employment, transition of employment and wage*

Despite the economic downturn, the number of the employed people slightly increased year-on-year. In the second quarter in 2013, the labour market witnessed signs of recovery, reflected in an increase of employed workers of 2%. In comparison there was an increase of nearly 1.4% from the end of 2011 to the second quarter of 2012.

The employment structure has continued to change, with a decreasing ratio of workers in agriculture and an increasing the ratio of workers in industry and services. The percentage of workers in agriculture decreased from 51.5% in 2009 down to 46.9% in 2013; in the industry-construction sector grew from 20.0% up to 21.1%, while in service sector increased from 28.4% to 32%. However, the ratio of workers in the informal sector tended to grow. In 2013 (2012), 34.2% (33.7%) of all workers aged 15 and older worked in the informal sector. The ratio of informal workers in urban areas was 47.4% (46.8%) but only 28.6% (28%) in rural areas.

The mobility of workers between sectors has tended to increase. According to data from the labour force survey covering 6 months of 2012 and 6 months of 2013 (panel data), the agriculture, construction and retail sectors have seen the greatest labour movements. Movements in the agriculture accounted for 25.8% of the fluctuation, and agriculture received the largest number (182,000) workers from other sectors, which exceeds the number of workers leaving this sector. On the contrary, in the construction sector, 68,400 more workers left, which was higher than the workers the sector could absorb. The retail sector, selling products such as food, foodstuff, beverage or cigarettes by street vendors, in markets or in specialized shops, also faced a high rate of labour fluctuation.

In 2013, the average wage per hour of employees changing their jobs, increased by over 10% compared to their wage in 2012. In some sectors wages decreased dramatically, whereas in some other sectors wages slightly or significantly increased. Especially, the average hourly wages of workers planting rice, vegetables, flowers and bonsais as well as of workers in the construction sector [all kinds of buildings] decreased dramatically. In contrast, the wages of workers raising buffalos, cows and retailing foodstuff in specialized shops increased slightly.

⁵ According to a Government report on the economic and social situation in 2013, Result of 3 years implementation of the 5 year-plan (2011-2015) and missions for 2014-2015.



Table 2. Average hourly wages of workers having changed their jobs

Trades (4th level)	Left sector in 2012 (1000 VND)	Move to sector in 2013 (1000 VND)	Disparity (%)
Planting rice	12.54	11.49	- 8.37
Planting root crops	9.48	11.10	17.09
Planting maize and other food crops for seeds	10.61	12.07	13.76
Planting vegetables, all kinds of beans, flowers and bonsai	12.26	9.78	- 20.23
Raising pigs	12.72	16.29	28.06
Raising buffalos and cows	8.57	9.08	5.95
Building all types of houses	18.79	17.51	- 6.81
Retail of food, foodstuffs, beverages, cigarettes on streets or in markets	14.34	18.24	27.20
Retail of foodstuffs in specialized shops	15.05	16.10	6.98
General	14.87	16.36	10.02

Source: Data from Labour Force Survey for 6 months in 2012 and 6 months in 2013.

3.2. Unemployment and unemployment insurance

In spite of the economic downturn, the number of bankrupt enterprises, and the unemployment and underemployment rates remained at a lower level than that in the previous year of 2009. In 2013, the unemployment rate of labour force in working age was 2.2%. In urban areas it was 3.58%, while 1.58% were unemployed in rural areas. The unemployment rates are lower than in 2009 but higher than in 2012. Unemployment levels are higher for the youth; the unemployment rate for the labour force aged 15-24 was 6.36%, which is higher than in 2012. In urban areas the rate was 11.11%, whereas it was 4.87% in rural areas. Even though the unemployment rate in Vietnam is rather low, increasing pressures in the labour market are indicated.

Of all unemployed workers in June 2013, 45% were also unemployed in June of 2012. The remaining 55% used to work in agriculture and agricultural services, retail and house construction. Thus, the three named sectors account for the largest numbers of unemployed workers in 2013 (see Table 3 below).



Table 3. Employment status in 2012 of unemployed workers in 2013

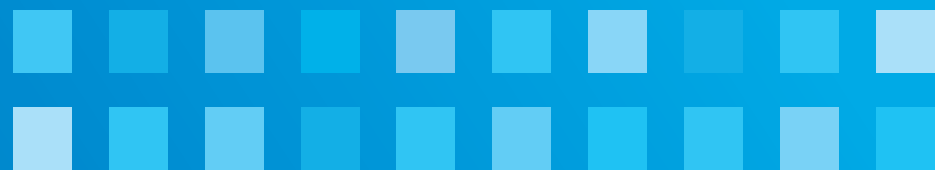
	Employment status in 2012	Rate (%)
I	Employed in 2012	54.90
	<i>Unemployed in 2012 by sector</i>	
1	Agriculture and other related services	11.76
2	Retail sale (except for car, motor –bike and other motor vehicles)	5.88
3	Residential construction	3.92
4	Whole sale (except for car, motor –bike and other motor vehicles)	3.43
5	Transportation (rail, road and aviation transport)	2.94
II	Unemployed from 2012	45.10

Source: Data from Labour Force Survey last 6 months 2012 and first 6 months 2013

Unemployment insurance provides support for unemployed workers, especially in the context of the economic crisis. As the current unemployment insurance scheme just allows for workers who had a labour contract for over 12 months and worked in enterprises with at least 10 employees, the number of potential participants is limited. Until 2013, over 8.5 million workers participated in unemployment insurance, accounting for 18% of the workforce. According to figures from MOLISA, in 2012, 421,000 unemployed workers benefited from the unemployment insurance scheme, accounting for 5% of the total number of participants during the year. This remains a very low level of coverage for a country like Vietnam.

4. Poverty

Poverty statistics support some key aspects of findings from labour market data. The main source of evidence on poverty is the Vietnam Household Living Standards Survey (VHLSS) and the 2010 World Bank report using this survey estimated national poverty at 20.7%. Moreover, it found 91% of all poor people live in rural areas where the poverty rate was 27% compared to 6% in urban areas. Despite the low urban rate, the report notes the increase of workers in the informal sector where they work without social insurance or employment benefits and face rising costs for basic utilities and fuel. The report underlines the need for more research because of the changing patterns of poverty and vulnerability. It draws attention to differentiation by geography and to the absolute rise in inequality. The report calls specifically for more research that will provide information about the effectiveness of existing poverty policies and programmes as new patterns of poverty and new vulnerabilities emerge. Social protection policies are an important part of the risk prevention and poverty reduction agenda and this serves to underline the importance of the type of research reported here that tries to provide some direct evidence on the efficacy of these policies.



II. RESEARCH DESIGN



1. The reason for choosing rapid impact monitoring (RIM)

It is well-accepted that statistical indicators alone cannot thoroughly reflect the real picture of the labour market, or the impacts of macroeconomic instability and the economic downturn on household livelihoods. Distributional differences and time lags ensure that there is a gap between aggregate trends and the real life expenses of ordinary people, especially the poor. The RIM allows us to review the experience of employees in agriculture, construction and retail, track how they have responded to the downturn, and if and how official responses have helped ameliorate the pressures faced. Therefore, the RIM is able to offer a barometer of the labour market and allow an examination of the causal processes at work. Thus, in addition, the assessment assists policymakers in framing longer term solutions and operational managers in delivering support (notably via social protection).

Through successive rounds⁶, the RIM assessment seeks to offer a nationally representative snapshot of working conditions and the quality of livelihood opportunities. The respondents reflect the key vulnerable groups working within the three sectors, and a similar set of participants is returned to in on-going rounds to gain some understanding of the dynamics at work.

2. Design of RIM 2013

2.1. Objectives

The general objectives are collecting qualitative information rapidly complementing quantitative information and then provide them to the stakeholders for policymaking to mitigate the negative impacts of the economic downturn and macro-economic instability on vulnerable groups. The RIM 2013 focuses on finding answers for three questions, which are not well-supported by quantitative statistical data:

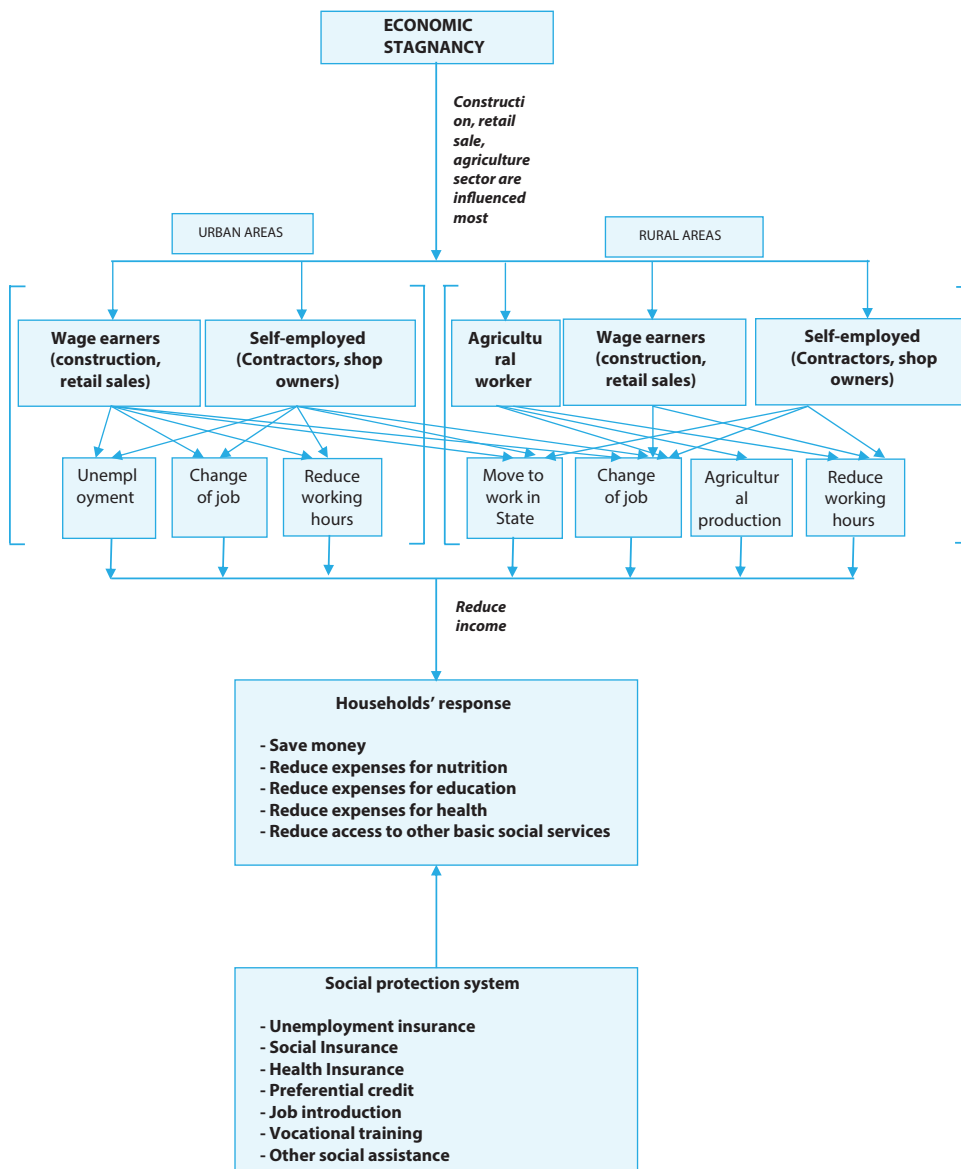
- i. How are poor people and low-income employees are impacted and in what way?
- ii. How do these households cope with the impacts? And are they forced to cut back on essential spending on key goods and basic services, including education and healthcare for family members?
- iii. How does the existing social protection system support to these groups? How do low-income households perceive access to the existing social protection system? And what is the system's capacity (usefulness and effectiveness)?

The approach adopts a standard analytical framework, to examine and conceptualize the various impacts. This is depicted in the diagram below, which traces the impacts of the downturn through various channels to the response of individual households, their coping strategies and the role played by official responses. The rural and urban impacts are examined separately.

⁶ CAF – VASS has used RIM to conduct rapid surveys on impact of economic downturn (enterprises, handicraft villages, worker groups and population groups) in 7 provinces from February to May in 2009; develop the programme on Crisis Impact Monitoring in 12 provinces from August to September in 2009; Assessing the impacts of the post-economic crisis in 8 provinces in 2012 and Implementing Resolution No.11 on assistance for enterprises and employees in 2011.



2.2. Analytical framework



2.3. Approach and result of local review

The RIM approach is based on the three following steps:

a. Identify the most affected sectors: The quantitative analysis shows that the three most affected sectors are agriculture, construction and retail sales. The data utilized for the analysis were mostly from the Labour Force Survey in 2012, 2013; it also references data from the Vietnam Households Living Standards Survey 2012.

b. Identify the most affected community

Even though the affected population groups are spread extensively across many areas of the nation, for the survey's effectiveness and efficiency with regard to expenditures and the progress, locations for survey are purposively selected.



The locations – see Table 4 – were selected through reviews at provincial, district and commune levels. The review identifies the poor and low-income workers in some communes/wards suffering from extensive shocks, but receiving decreased social welfare in some fields (education, health, health care services etc.).

Table 4: RIM locations in 2013

Selected location	Province (District)
I. Rural areas:	
1. Rural areas with many migrant workers; land fragmentation, high rates of farmers leaving the sector :	Nam Dinh (Xuan Truong, Y Yen) Thanh Hoa (Quang Xuong, Thieu Hoa)
2. Rural areas producing agricultural products for domestic consumption and export	Nam Dinh (Xuan Truong, Y Yen) Long An (Vinh Hung)
3. Semi-urban areas	Former Ha Tay (Thanh Oai) Long An (Ben Luc, Duc Hoa)
II. Urban areas:	
Areas with many industrial zones, under construction and high densities of immigrant workers	Ha Noi (Hoang Mai) Ho Chi Minh City (Thu Duc, Binh Tan, District 70)

c. Identify and interview households or individuals extremely affected by the shock

On the basis of commune / wards characteristics, the review aims to find-out the major problems faced and the sectors affected by the economic slowdown in order to select the target group. This is an important activity while reviewing the location.

Group discussions and/ or in-depth interviews were conducted with workers in the agriculture and construction sectors, retail sales and households with migrant workers as well as poor and near poor households. These households were mostly in rural areas. In addition, , the research also carried out in-depth interviews with enterprises, leaders of construction groups, forestry extension staff and sellers of agricultural inputs and construction material, to figure the relation and the social support among labour groups in the society.

The total number of interviewees participating in-depth interviews and group discussions was 1698 people, of which 1356 had group discussions and 342 people were interviewed individually. The target groups are as described below in Table 5.



Table 5: Targeted groups within the survey

Target group	Interviewees	Approach
I. Rural area		
Local leaders	(1) Communes, hamlets, organization leaders	Group discussions / In-depth interviews
Households with migrant workers (construction, retail sector...)	(2) Households with migrant workers in construction and retail in other provinces	Group discussion
	(3) Households with returned migrant workers in construction/ retail in other provinces: under/unemployed	Group discussions
	(4) Households with members working in industrial zones, craft villages	Group discussions /In-depth interviews
Owners/Self-employed	(5) Foodstuff retailers (meat, fish), daily consumer products, agricultural inputs	In-depth interviews
	(6) Local contractors	In-depth interviews
Farm household/ famers leaving the fields	(7) Agricultural jobs (small land size)	Group discussions
	(8) Agricultural jobs (large land size)	Group discussions
	(9) Farm households leave fields/ breeding barns from 2012 up to now	Group discussions /In-depth interviews
	(10) Farm households which have done well agricultural jobs/ farming	In-depth interviews
Targeted groups who benefit from social protection	(11) Poor households (have just certified as the poor households)/ Near-poor households	In-depth interviews
Specific groups in each location	(12) Labour export/returned migrant workers; business households in border areas, households collect agricultural products for export, enterprises/ small sized business, etc.	In-depth interviews
II. Urban areas		
Wage earners (Construction, retail sales)	(1) Workers in enterprises of construction/ building workers from locality	Group discussions
	(2) Workers in retail sale business/ supermarket are local people	Group discussions
	(3) Workers in enterprises of construction/building workers from other provinces	Group discussions
	(4) Workers in retail business/ supermarket are migrant workers from other provinces	



Target group	Interviewees	Approach
Owners/Self-employed	(5) Retail sellers (foodstuffs, construction inputs) who are local people	In-depth interviews
	(6) Retail sellers (foodstuffs, daily consumer products) who are migrant workers from other provinces	In-depth interviews
	(7) Contractors who are local people	In-depth interviews
	(8) Contractors who are migrant workers	In-depth interviews
The poor households/ social protection beneficiaries	(9) The poor households/Near – poor households (certified as the poor households from 2012)	In-depth interviews
Specific groups in each localities	(10) Enterprises/rented houses, etc.	In-depth interviews

2.4. Reflections on the research approach

Although RIM is a new research tool which was applied for the first time in Vietnam in 2009, it has shown certain advantages, especially when combined with quantitative analysis to defining the impact mechanisms and identification of emerging vulnerabilities. RIM helps to quickly find out the nature of the issues, which lie behind the statistics. It is an inexpensive instrument which helps the government monitor, evaluate and improve economic and social policies rapidly. The current RIM 2013 was developed and led for the first time by ILSSA, and was implemented quickly from October 2013 to January 2014. Despite its relevance for clarifying key vulnerabilities, some limitations still remain: the development of the analytical framework for the study was mainly focused on the informal sector (assumed to be more affected by the economic shocks). In addition, the key target groups of the survey are informal workers, migrant workers and the unemployed. The following groups have remained outside the scope of the current study:

- Retail enterprises and their employees;
- Construction materials enterprises (production of cements, steels or other relevant materials) and their employees;
- Enterprises involved in producing and purchasing agricultural products and their employees.

During this first year of implementation of the RIM by the ILSSA, the team still encountered some unpredictable difficulties and limitations during implementation of the study, from preparation, selection of survey sites and development of survey tools for fieldwork and supervision. Each of these will be addressed during the following rounds of the RIM.



III. RESEARCH FINDINGS



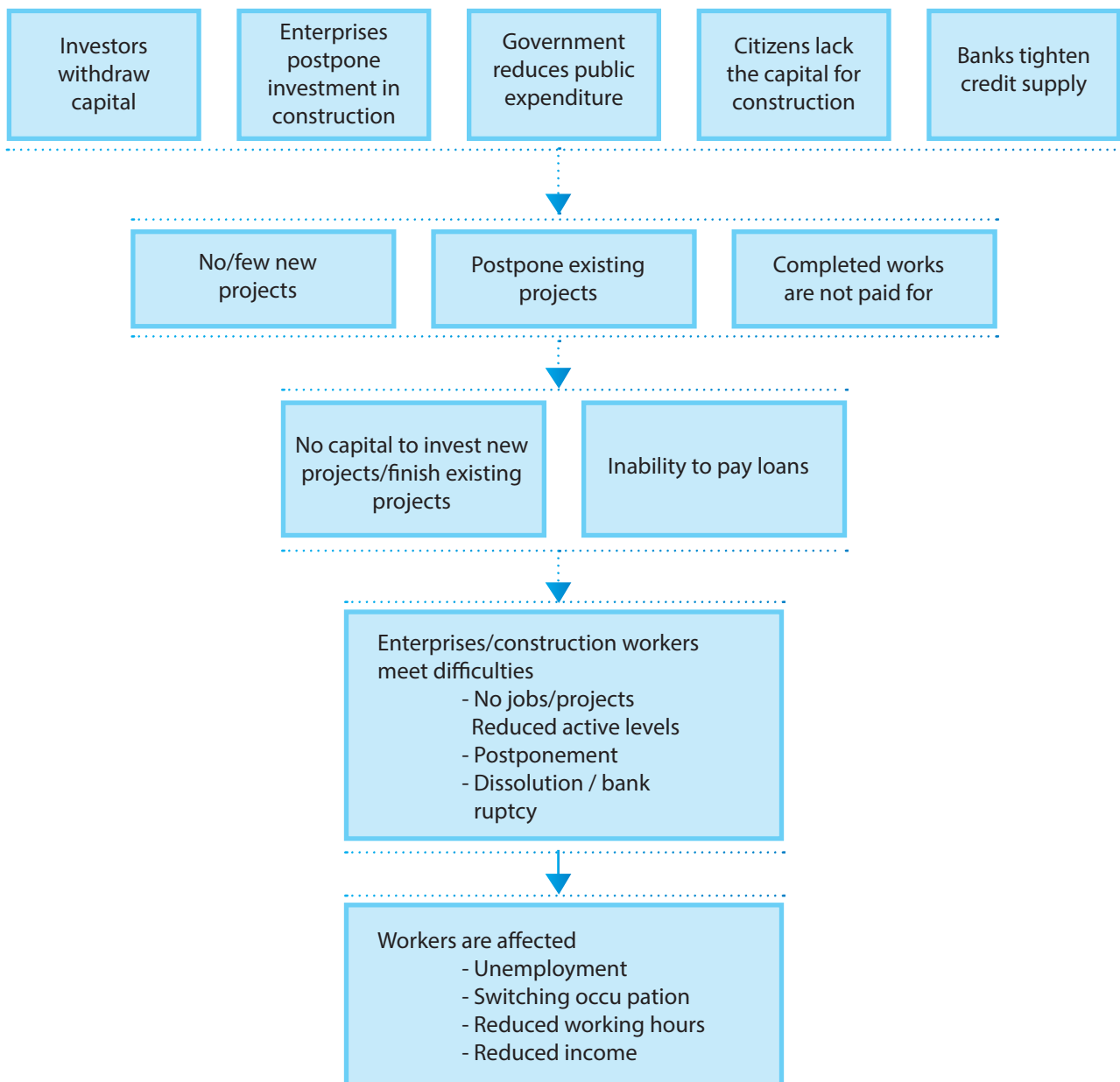
1. Affected sectors

This section of the report lays out the key findings for the three sectors identified during the initial selection phase as being most affected by the slowdown in economic growth. As discussed in Section II, these are the construction, agriculture and retail sectors. In each sector we lay out the causal mechanisms underlying the extent of exposure to shocks to impacts on households. Tables and diagrams summarizing evidence and causal links are provided and accompanied by boxes with accounts of specific examples of the impacts. These detailed descriptions of the causes and the nature of the impacts provide us with a more detailed and contextualized understanding of economic outcomes at the household-level than aggregate statistics alone can provide.

1.1. Construction and other related sectors

a. Key trends and developments

Chart 2: Impacts on construction





Construction has been the worst affected sector and has suffered a double impact from the onset of the crisis recession in 2009. Specifically: the direct impacts of the economic downturn itself; and the indirect secondary consequences of other sectors providing lower capital and inputs. The various causal connections and implications are depicted in the chart above.

Similar to other sectors, the economic downturn crisis made accessing the capital market very difficult. Interest rates increased because of credit tightening, real estate prices decreased considerably, foreign direct investment declined and investors withdraw capital and sold assets. Equally, due to the economic downturn crisis the government, enterprises and households cut down expenditure, especially in construction, causing a decrease in the number of projects in construction. The government cut down public investment, and reducing construction activity. Enterprises halted investments (not launching or continuing investment projects) or ceased expanding their businesses (not starting new construction or restoring the old ones). Individuals and households lacked capital to build houses or a predicted further declines in real estate prices, all in spite of the declining prices of construction materials⁷.

In the construction sector, contractors are paid only part of the value of construction works - disbursement is made in accordance with construction progress and only fully paid after completion. Therefore, contractors often have to access various sources of capital, including borrowing to complete the project. In the context of prolonged economic stagnancy, and as a result of older projects being delayed or unpaid, banks tightened credit supply, foreclosed on the loans or ceased lending money. Therefore, new projects rarely exist due to lack of the necessary capital. Most of the contractors' working capital is exhausted and they are unable to make the payments. The effect of stagnation on the main contractors trickles down to various subcontractors as well. As a consequence, construction enterprises are overburdened with debts due to late payment, while at the same time facing ongoing obligations to cover salaries and other fees.

⁷ The price of building materials have been falling step by step, such as price of building steel falling from 7,000 to 8,000 VND per 10 kgs, price of bricks falling 20%; and bid prices falling 40.000 VND/m².



Box 1.1: Construction sector faces difficulties

In 2012, Nam Dinh provincial People's Council decided to stop investment spending and to cut down unnecessary [construction] projects, causing about 30% of the local construction enterprises to not have enough jobs for workers. Another challenge is that the banks decided to withdraw their capital. Before 2009, a total assessed assets enterprise value of 5 billion VND were needed to borrow 3 billion VND. As of now, enterprises have stopped borrowing. Even though the Hong Viet Construction Joint Stock Company did not hold any bad debt, it borrowed in the wrong areas. In 2013, the enterprise won 2 bids for major provincial projects; however the bidding price of these contracts was low. Since it is a small and medium sized enterprise with little capital, we had to take a loan. The investor still remains unpaid; the debts are 2 billion VND in total.

In-depth interview with Hong Viet Construction Joint Stock Company, Nam Dinh

"In the difficult economic conditions, we could not get money from construction works to pay for workers, thus we had to terminate our job. I had to borrow from my friends and relatives to pay for the workers' salaries, I am still waiting to get back payments from construction work to repay the debts. But we have not received anything up to now; the total amount owing is 100 million VND."

Builder in Cao Vien commune, Thanh Oai district, Ha Noi city

In the formal sector, enterprises specializing in the construction sector have been seriously affected by the impact of the economic downturn. Some have been bankrupted or been dissolved. The situation has worsened since 2010 and has become more serious in the following years. Overall, 2012 is considered to have been the most challenging year for the construction sector, there were 17,000 loss-making enterprises (of a total 56,000), an increase of 2000 enterprises compared to the situation in 2011. In 2013, construction enterprises still faced difficulties. The Ministry of Construction estimated that revenues of enterprises were 94,800 billion VND for the first 8 months; only 59% of the initial plan and about 7% less than in the same period of 2012⁸.

Given this situation, enterprises had to dismiss employees as well as reduce wages and other benefits. Generally, those dismissed first are seasonal, unskilled and indirect workers; other groups experienced decreases in wages and working hours. For some enterprises the workers had to meet the full contribution to the social insurance scheme. The group of highly skilled or professional workers received incentive policies or other welfare policies of enterprises such as assistance of for residential costs, foodstuffs and other essential needs.

⁸ Data from Ministry of Construction



Box 1.2: Workers in construction were affected

"...2011 and 2012 are years when the company coped with many challenges: job cuts, falls in income, and workers' wages of only 1-2 million VND/month, and they could pay contribution for social insurance. In this period, about 1/3 of workers were dismissed, some others who left the company and others were encouraged to leave their jobs to find other suitable ones ... The workers who still stay in work, receive living assistance such as rice and other foodstuffs subsidies."

Thu Duc Concrete Joint Stock Company - An Thanh, Ben Luc, Long An

In this situation, many coping strategies were utilized including occupational diversification, entering other fields of construction, contracting for small sized projects or implementing projects in remote areas. Cases of big enterprises accepting small construction projects were widespread. Remote and difficult places such as border areas, and particularly the most difficult economic areas, received investments in infrastructure by the government, which became the ultimate saviour for many enterprises.

Box 1.3: Coping strategies of construction enterprises

The company has to implement small and medium sized projects funded from the state budget to create jobs for workers

Tu Liem Residential Construction Joint Stock Company, Ha Noi

The Company's construction activity has been improved due to new orientation in carrying out projects in other provinces, and 135 programmes⁹ in Lao Cai and Son La.

Hong Viet Construction Joint Stock Company, Nam Dinh

The company carries out smaller projects to turnover capital faster. Before we just received large sized building and now we carry out much smaller projects.

Thu Duc Concrete Joint Stock Company, Long An

Similarly, *the informal sector* has faced the same situation. Most of the construction groups faced a decrease in building contracts. As a result, it caused more competition, not only among building workers, but also among construction companies which are willing to carry-out small sized projects to maintain their operations. The unit price of construction (by m²) stagnated or even decreased.

⁹ Economic and Social Development Programme for the particularly disadvantaged mountainous boroughs of the ethnic minorities



Box 1.4: Construction workers in informal sector face difficulties

"...for one year I have had only two contracts, the price of building houses has been also decreased, from 4.5 million/m², to 3.5-3.7 million/m² now ..."

Contractor in Binh Minh, Thanh Oai, Ha Noi

"...Our three brothers work in the construction sector. In the past, we worked independently, now we have to work together to overcome this difficult period. I am both a contractor and a building worker. Before I implemented construction projects in this area and the city, but now I have to work with projects in Binh Duong province. Many other contractors left their jobs or became building workers."

Contractors in Long Hiep, Ben Luc, Long An

Due to the difficulties, some workers had to move to find other jobs while others had to merge into other work gangs to find jobs. Some of contractors had to find constructions in remote areas; others had to change their jobs or become construction workers. Less employment also made seasonality a clear feature of construction work. In previous years building workers were employed during the whole year, but now they do not work in the first months of the year and during the rainy months.

The construction-materials sector also suffered heavy impacts. While the construction sector was developing, a series of related sectors emerged. But now the construction sector faces many difficulties leading to others, e.g. steel, bricks, building materials, construction materials retail, carpentry furniture and scrap metal, also being affected, following a domino-style effect.

Demand for building materials improved in 2013 compared to the previous year, but the difficulties faced by the building materials sector remain. Despite commonalities with the impact on the construction and real estate sectors, the particularities remain important. In 2013 on average, steel prices in the world and in the region tended to increase, however the selling price of *construction steel* was still falling in both the north and the south of Vietnam due to reduced demand. Many steel enterprises reduced their prices by increasing commissions and supporting shipping costs (also exacerbated by the problem of smuggling) and this resulted in lower than expected profits. The consumption of steel indicated signs of recovery, mainly due to increasing exports rather than domestic consumption¹⁰. Steel factories are promoting exports to find customers and reducing depreciation expenses, management costs etc.

¹⁰ In the first 10 months of 2013, export of construction steel reached 1.8 million tons and 1.4 billion USD. This was an increase of 19.2% in volume and 12.5% in value compared to the same period of previous year (Source: Ministry of Industry and Trade)



Box 1.5: Steel manufacturing turned to export clients

In 2012, VinaOne Steel Manufacturing Joint Stock Company's sales on the domestic market fell back by 50% and prices did not increase but actually fell. Much inventory was left unsold, and the company was forced to stop producing. In the final period of 2013, our company found Myanmar as a new market for exports. And circumstances became better and we started producing again.

In-depth interview with leader of VinaOne Steel Manufacturing Joint Stock Company, Ben Luc district, Long An

While steel can be used for major infrastructure construction such as concrete roads and canals, bricks and tiles can only be used in house building. And the big reduction in domestic civil construction has brought difficulties for this subsector.

Box 1.6: Brick manufacturing face difficulties

"In the whole of Nam Dinh province, there are about 28 construction materials companies (Tuynel Brick Companies) which have been established for a long time. During the final part of 2011 and beginning of 2012, prices of input materials increased, while we could not sell any products, therefore we had to continue reducing prices to compete. At the end of 2012, Typhoon number 10 caused heavy damage to the factories located in coastal areas. Some of them lost 4-5 billion VND, we lost 2 billion VND (we needed to restore the ground and the ignition system). Thus a "crisis storm" and "natural storm" at the same time, led the Tuynel Brick Companies to be in freefall. Due to many on-going risks and difficulties since June 2012, my factory had to stop operating..."

Director of Xuan Chau building materials company in Nam Dinh

The garbage gathering and sorting sector suffered a domino effect related to the challenges faced by the construction sector. Due to the losses incurred, many scrap owners have returned home to evade their creditors and have tried to find new livelihoods. The people who remained in the big cities are facing a tough situation.

Box 1.7: Impact on garbage gathering and trading

"In one or two recent years, there were no construction projects – and that's why we don't have a contract to buy refuse. Buying at higher prices and selling at lower prices and the price is getting lower - if we don't sell, we will not get back capital. Now we cannot afford to be employer as well as employee so many have had to go back home..."

Group discussion of workers returning home, Xuan Truong, Nam Dinh



b. Responses and Impacts

Characteristics

Construction enterprises usually maintain a core labour forces consisting of official workers with labour contracts (management, high skilled and office staff). Despite substantial work experience, the majority of workers are seasonal workers, hired via contractors (in the south) or foremen (in the north) without labour contracts. The lack of labour contracts prevents them from benefitting from social benefits, such as unemployment and health insurance. They only receive occupational accident insurance, covered by the enterprise. In the case of a labour dispute, such as non-payment of salaries, employees are usually the disadvantaged side. Furthermore, the lack of formal contracts prevents employees formally seeking their rights in accordance with the law. They thus often wait or are forced to go on strike.

Seasonal workers account for almost 80% of the total workforce in the sector. The fact that most of their work is manual or involves basic skills, means this group is always available for work. They are easily replaceable and subject to a lot of contractual vulnerabilities. The common feature (also the biggest limitation) is their low educational and professional skills level. The share of male workers is considerably higher than the share of female workers. The age profile varies but the majority are young; they come from rural areas, from households without or with little cultivated land. Most of them are immigrant workers from populous poor provinces. The majority of them do not only work for their living but also to send money back home to feed their families (old parents, younger sisters and brothers, small children). Often they can only afford temporary dwellings due to precarious job security. Some stay directly at construction sites, some hire accommodation outside.

Box 1.8: Seasonal worker in construction

Le D, a 35 year-old, hometown Bac Lieu, is a mason for *Viet Thuan* company. According to the regulations, he is entitled to take four days off per month, if more leave is taken, one day leave will be counted as two (payment will be deducted as double for each extra day of leave) but working overtime is given at 1.5 normal payment. No lunch or extra allowance is paid, only salary, however, the company has camps (provisionally) set up by the workers, with no rental charge, no electricity and water charge. Some people bring their family to stay with them and/ or 4-5 people cook together: "I don't have rice field at my hometown so I have to work here. Before that, I worked as a helper, and then gradually learned to become a mason. I started working here since Tet. A friend introduced me. I also take my family here. Everything depends on my sole income, my children are still small so my wife could not go to work and we also have to send money home. I get 4,030,000VND/month now. By saving on food by staying at the construction site, the money sent home is about 1 million VND".

In-depth interview with building workers, Ben Luc, Long An



Survey evidence shows that incomes of this group are calculated based on working days - thus no work, no gain. The average working time is 6 days per week (Sunday off) from 7 am to 5 pm with a lunch break. The daily wage fluctuates among regions and the nature of work. The South (HCM City and Long An) has a 20-30% higher payment than the North (Nam Dinh, Thanh Hoa).

Some female workers said that despite the same amount of work, they are paid a lot less than male workers (about 30-40%). However, most contractors and male workers stated the reason is that females do not have to do hard work - *only* cleaning and cooking.

Table 6: Summary of Income and working days for construction worker groups

#	Object	Ha Noi	Nam Dinh	Thanh Hoa	Long An	TP. HCM
I	Formal sector					
1	Working day (<i>day</i>)	20 – 26	15 – 20	15 – 20	23 – 26	23 – 26
2	Income (1000 VND)					
	Skilled workers	180 - 200	140 – 170	160 - 180	180 - 220	180 - 220
	Manual workers	130 - 150	100 – 120	100 - 130	130 - 160	130 - 180
II	Informal sector					
1	Working day (<i>day</i>)	10 - 15	5 – 15	10 - 15	15 - 20	15 - 20
2	Income (1000 VND)					
	Skilled workers	180 - 250	150 – 180	160 - 200	200 - 280	220 - 280
	Manual workers					
	Female	100 - 130	70 – 100	80 - 100	70 - 130	80 - 150
	Male	120 - 180	100 – 120	100 - 120	130 - 200	130 - 200

Seasonal workers in the formal sector call themselves “company workers” to differentiate from the “free labour” group (seasonal workers in the informal sector). Daily wages for “company workers” are lower than “free labour” workers. However, their employment is more stable with a higher number of working days per month. They also benefit from social welfare such as housing allowance (not much), accident insurance, and a bonus during the Tet holiday and allowances for overtime.



Box 1.9: Comparing formal and informal sectors

“I worked for a company for a while but my wages were delayed for several months, now I am afraid of that, and only want to work freely. Working for a company, the salary is quite low, at only 2-3 million/month which is not enough to get by. Working freely is better when it’s available. My friends, brothers or a contractor ask me to work for them, the wage per working day is 250.000VND, and payment is made every week... so having such work is better than working for a company”

Interview with Mr Nguyen Van T, 32 year old, a building worker, Thu Duc, HCM city

In fact, despite the opportunities and benefits, many “free labour” workers do not want to become “company workers”. According to their opinion, if they work enough days per month, their incomes will be higher than if they worked for a company. They also usually receive weekly payments while most companies pay monthly. In the context of declining construction orders [as discussed above], the case of unpaid salary or late payment is seen often in construction companies.

Shocks and coping strategies

As mentioned above, the impact on the construction sector affects workers: loss of job, decline in working days/working hours and income reduction. To cope with these, construction workers usually choose 1 of 4 strategies: (1) continue to seek a similar job at other companies or construction work gangs and accept relocation or poorer quality jobs; (2) find extra jobs in their spare time (applied by people whose working hours are cut); (3) try to stand aside, using personal savings or support from family to wait for better opportunities; and (4) return home, enter in agriculture or find another job. The choice of coping strategy depends on many factors which vary by region and dependent on individuals’ capacities.

Enterprise owners and contractors were highly affected and faced a reduction in employment and income; many also braced themselves to maintain their workers. However, this group has high financial capacity and competence, so they can often cope very well. Few of them fell into a difficult situation, however many had to cease activities or dissolve their businesses. In general, welfare and living conditions of this group are not much affected.

The groups of skilled workers in the construction enterprises also experienced salary cuts and a reduction in employment. This occurred when their enterprises were unable to invest or had to shut down due to lack of orders. Since this group has a higher ability to cope (having money savings, qualifications and insurance support), the impact of shocks on their living conditions were not so serious. Qualified workers in the formal sector have higher chances to find a new jobs or extra jobs in the same field.



Box 1.10: Skilled workers

“... I am road roller driver for Company 59. There has been not much work over the last 2 years, thus I am concurrently project manager for the Long Giao Construction Company. After 2 months, I will go back to Company 59, my health insurance, social insurance are there. I have to be in Company 59 at least twice a week, the rest of time I work for Long Giao...”

In-depth interview with construction manager, Duc Hoa Ha commune, Duc Hoa district, Long An.

Local people (living nearby the work place, having houses and stable livelihoods) often choose to find another job or alternative employment in the same place. In rural areas, taking a job in agricultural production is a common solution; while in urban areas, densely populated and adjacent areas, retail is the primary solution.

The most vulnerable are seasonal migrant workers. As mentioned above, their capacity is limited and they are not entitled to any formal support to deal with shocks. Seeking a new job in any place is their most popular coping strategy. As migrant workers, it is not a big challenge for them to relocate to other areas. Workers from the Southwest areas are typical for this group. They cannot standstill and wait for an upturn because of a lack of savings, but they also cannot return to their hometown due to the difficulties in finding jobs. Thus, they are forced to move to other districts/provinces to get a job and income. In the North, workers with a similar lack of choice are mainly from areas with limited arable land (Thanh Hoa, Vinh Phuc). They cannot return to farming because they have no land or because they have left farming for a long time and got used to their current occupations. Other workers accept work on smaller construction jobs, or repair and maintenance in for short periods with low wages.

Some workers tried to stay in cities while unemployed, because they could not get income if they return to their hometowns. In fact, this group often has reserve resources (savings, support from their family etc.) and they have some prospect of employment in the near future. Some people choose to return their hometown. The number is not remarkable due to the weak incentives offered by agricultural work and of the rural areas. They only come back if they cannot provide a livelihood anymore after a long period, and have no or a decreased level of income.



Box 1.11: Coping strategies

"I will move to Binh Duong or [Ho Chi Minh] City to find a job. My friend has just called me ..."

In-depth-interview with building workers in Duc Hoa, Long An

"We used to work for the nearby communes, from morning until evening, and then I went home. But this year, construction work is difficult to find and work is less available than previous year, thus we have to go farther. Now my son is working in Nghi Son..."

In-depth-interview with building workers in Quang Xuong, Thanh Hoa

"We are a group of workers, because of difficulties, we returned to our hometown, but I still take jobs in Nam Dinh City and other districts as when have orders".

Group discussion with return building workers, Yen Phu commune, Y Yen, Nam Dinh

The other return wave is from workers who still have a lot agricultural land (for example in Vinh Hung district, Long An province) or because their hometown has become an industrial development area (Nghi Son – Thanh Hoa) with a high prospects of finding sustainable work. Income levels might not be high but the living costs are low and they are close to their families.

1.2. Retail

a. Key trends and developments

According to the Association of Vietnam Retailers (AVR), there are about 750 supermarkets, 130 shopping centres and 9,000 markets of different types, in which urban markets account for 22% and rural markets 78%. In 2013, total retail and consumer service sales volumes were estimated to be 2,618,000 billion Dong, representing an increase of 12.6% against 2012; the lowest growth rate in the last four years. After inflation, the annual increase was 5.6%, somewhat lower than the rate of 6.5% for 2012¹¹.

In urban areas, many supermarkets have been established in recent years, and mostly, retail prices are not much higher than domestic markets. Foreign-owned supermarkets and shopping centres have developed strongly. Retail enterprises have adjusted their business strategy targeting the essential needs of consumers, and as a result creating competitive pressure on local traditional retail channels. The competition in the retail market has sharpened considerably because workers from other sectors have also moved into retailing, which does not require high qualifications and set-up costs. The army of street vendors in cities is growing with the participation of migrant workers. The advantages of this type of retail business include the convenience for buyers and the lower prices due to the minimum or free charge for the sales venue, fees and taxes.

¹¹ General Statistical Office.



Box 1.12: High competition in retail

"... Now there are a lot of street vendors. They sell in the streets. [I] don't know where they get the goods but they don't have to rent a location and pay taxes so they sell at cheaper prices. It is also convenient because buyers don't need to go to the market. Workers who often prefer cheaper goods buy from street vendors. In addition, there are many supermarkets. Better-off people shop in supermarket. Our customers have decreased, even regular customers..."

In-depth interview, retailer, Linh Trung market, Thu Duc district, Ho Chi Minh City

In urban areas, small-scale sellers in markets face the most difficulty because market segmentation has narrowed. Middle-income groups often shop in supermarkets and retail chains due to good service, product quality and reasonable prices. Low-income groups are inclined to buy from street vendors because of convenience and lower prices.

Due to pressures from competition, a reduction in consumption demand and diminishing returns, a number of sellers have had to close down. Others have experienced heavy indebtedness after resorting to loan sharks with very high interest rates such as 24-day loans (the loans are typically for 20 days of principal and 4 days of interests, equivalent to an interest rate of 20 %).

Retail businesses have not yet fully developed *in the rural areas* due to the absence of supermarket chains and general stores. Markets are small in size and the commodities are less varied. In sparsely populated areas, street vendors or small shops are preferred in place of sellers gathering in markets.

As a result of the prolonged economic slowdown, purchasing power has reduced remarkably in non-essential goods. To maintain turnover, retail enterprises and market sellers or street vendors [in rural and urban areas] had to extend their business trading times. In spite of such efforts, consumption has not increased, and for some types of non-essential products it has even decreased.

Box 1.13: Purchasing power reducing in inessential goods

"Fruits are mainly unsold because people just buy when they have money. It doesn't matter if they don't eat fruit."

"Meat is an essential product and the demand is reducing."

"In terms of groceries, expensive confectioneries are unsalable and products for cooking like fish sauce or salt are still in need."

"Plastic products like baskets, buckets are sell slowly because people just buy when their products at home are broken."

"Powdered milk is sells slowly because people move to buy fresh milk. It is more economical."

From interviews of groceries' owners



Buying on credit has become popular, especially groceries in residential areas in both rural and urban areas thanks to the relationship between the sellers and buyers. “If we don’t agree to offer credit, there will be no buyers but we don’t know when we can collect the outstanding debts.”

b. Responses and Impacts

Characteristics

Almost all workers in retail are sellers in markets and street vendors. They are diverse in gender, age and other characteristics. Similar to the situation in the construction sector, *migrant workers remain the most vulnerable group*. They mainly move to urban areas, industrial zones and surrounding areas. A key common characteristic for this group is their limited education and professional level.

The destinations of the migration workers are mainly Ha Noi and Ho Chi Minh City. Workers engaged in retail businesses in Ha Noi mostly to come from surrounding areas, suburban districts and the Northern provinces such as Hoa Binh, Hung Yen, Hai Duong, Nam Dinh, Thanh Hoa etc. Those working as sellers in markets and street vendors in Ho Chi Minh City and surrounding areas (Binh Duong, Dong Nai) came from various parts of the country’s three regions - north, centre and south. Some of them have been living and working there for 10 years or more while some of them are newcomers. Their main work is reselling goods from wholesale markets or abattoirs in markets and on the streets.

Migrant groups, who have been living for a long time in the destination location, usually have more stable jobs and higher living standards. Some own a house and live with their families. In general, they are more stable with savings or accumulated assets. These workers have already decided to settle down for a long time.

Box 1.14: The market seller

Ms. Trinh Thi O is 44 years old from Hai Duong with an educational level of grade 7 (of 10). She and her husband have a pork selling stand in Linh Trung market. They have been living in the South for six years and rent a house in Di An (Binh Duong). They have two children of school age. The nearby stand is owned by Ms. Nguyen Thi Ng, 40 years old from the same hometown, she and her husband came here 12 years ago and have bought a house in Di An.

“We pick-up the goods [pork] at abattoirs in wholesale markets in the morning (at 3 am) with total of 20 kilograms to sell until evening. Rental cost for a stand is 1 million VND, not including water and electricity fees, taxation are not high.”

In-depth-interview with market seller, Linh Trung, Thu Duc district, Ho Chi Minh City



Groups of new migrants (a few years or a few months) left their hometown due to difficult living conditions. Their goal is to earn enough money to resolve their immediate difficulties and to accumulate capital in order to return home. Almost all of them are street vendors in the city. They regularly gather with brothers, friends or fellow villagers in one of their lodgings.

Box 1.15: The street vendor

“We came from Binh Dinh. People in this lodging house mostly came from Binh Dinh and some from Quang Nam. We rented a house here to sell fruit. We pick up fruit in the wholesale market in the morning and separate to sell until all are sold. It was hard to work in our hometown, thus we moved here together. The profit is about 200.000 VND per day; capital is only 2 up to 3 million VND, depending on the type of goods. If selling fast, all the stock will be sold before noon, else during the afternoon”.

In-depth-interview with vendor in Binh Tan District, Ho Chi Minh city

Table 7. Income and average fee/day of an informal sector retailer

Unit: 1000 VND

#	Subjects	Ha Noi	Nam Dinh	Thanh Hoa	Long An	HCM city
I	Urban areas					
1	Street Vendors	150 - 180				180 - 220
	Fee (petrol, market ticket ...)	20 - 40				20 - 40
2	Market sellers	80 - 200				120 - 250
	Fees (tax, rental cost of stand, electricity and water fees)	30 - 60				40 - 70
3	Groceries	100 - 200				150 - 250
	Fees (tax, electricity and water fee)	10 - 80				10 - 80
II	Rural areas					
1	Groceries	100 - 150	80 - 100	100 - 130	80 - 120	
	Fees (tax, electricity and water fee)	0 - 20	0 - 10	0 - 10	0 - 20	
2	Stands of meat	130 - 150	100 - 130	120 - 130	80 - 130	
	Fees (tax, electricity and water fee)	0 - 10	0 - 10	0 - 10	0 - 10	



Shocks and coping strategies

Despite the fact that this group has not been affected as strongly as workers in the construction sector, retail companies also suffered significant impacts of the economic downturn. The main shock is a decline in turnover because of falling purchasing power and increases in competition. As a result, incomes have reduced dramatically.

Informal sector retailers are self-employed, so they can decide to keep or close their business independently. Their first strategy is increasing sales hours and widening sales areas. The second, is to diversify goods and forms of sales, for example switching from expensive to popular and cheap goods. In order to keep regular customers and preserve capital, retailers have to accept purchasing with deferred payments selectively. Those who could not cope via these strategies, generally become paid workers.

Box 1.16: Coping strategies

"... I've been bustling around; go to where ever I can sell, to Huu Nghia, to some residential area ... working until late in the day. I cannot go home before everything is sold out because the produce would be ruined and I would lose my capital..."

"... Last year I only did retail. This year retail is ineffective, thus I have to find some more customers and do wholesale. I also sell more goods - such as dried fish, pork pies. However, there are only a few customers..."

"... We sell only popular fruits such as ivy, guava, mango... We can sell expensive fruits like grapes, plums, custard only on the first and the full moon day of the lunar month..."

Individual interview, retailer, Tam Binh ward, Thu Duc district, Ho Chi Minh City

The most prominent feature of retailers is that they have tried their best to maintain their businesses throughout the period. The street vendor group fluctuates a lot. People leave and join frequently because it does not require high educational skills, health or capital investment. People who return home could not earn as much as they had expected or could not manage the expensive costs of living in urban areas. Others come back because they do not want to live away from their families and they have earned enough money to go home.

Local grocers, food sellers in residential areas are also affected by reductions in purchasing power, competition and deferred payment/ credit buyers. Similar to landlords, when workers go away or their income decreases, they lose a large number of customers. However, compared to migrant retail workers, they still have better conditions to hold on to or are able to switch to other economic activities.

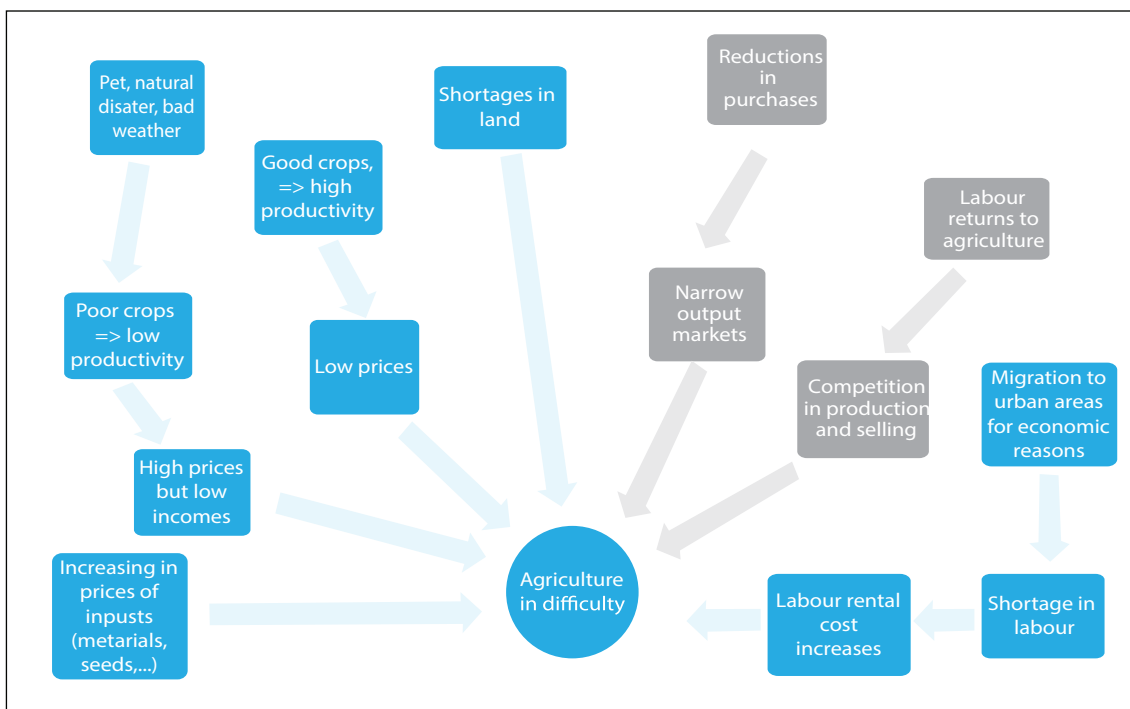


1.3. Agriculture

a. Key trends and developments

The agricultural sector has the highest proportion of labour and includes many people who lost their jobs in other sectors. But agriculture also carries a lot of risks: natural disasters, pests, price fluctuation, hostile bids, competition from Chinese agricultural imports and others. These are common pressures in agriculture but the impacts of these risks are more serious in tough economic times. The impacts will be mitigated less if households also have income from other sources and more serious if they depend only on agriculture. The chart below depicts the implications, with those factors in blue being the existing challenges, now supplemented by the effects of the downturn shown in the red.

Chart 3: Impacts on agriculture



In the most significant agricultural production areas like Long An, the impacts of economic recession remain not so serious. The agricultural products of Long An farmers are sold to wholesalers during harvesting. The wholesalers are often from other provinces and come to buy products during harvest times (2 rice crops in a year). Price squeezes have happened every year during the main crop harvest, but this is not because of the economic downturn. According to the Long An Department of Agriculture and Rural Development, although the cost of rice production fell by 100-650 VND/kilo over the same period last year, the earnings of farmers are not good because the rice sales price remained unchanged at about 10-15 million VND/hectare. Given price fluctuations, farmers can earn about 6-10 million VND/hectare. For sticky rice growers, the profit is about 12-15 million VND/hectare due to the higher price.



In the areas with little arable land and significant land fragmentation such as in the outskirts of Ha Noi and Northern rural areas, a household can have several plots in different places. “A large plot is about 1 sao¹² and a small one is often just few rows of plants.” Farming no longer brings high economic rewards but farmers are still working on their land because: (1) they do not need to buy rice and food at high prices; and (2) it is a habit or routine (like eating rice every day).

Indeed, working in agriculture does not bring high economic gains and is highly prone to a lot of risks (prices, epidemics, weather, etc.). The linkage of farmers, agricultural marketing and buyers to establish an appropriate value chain is too loose and not transparent enough to ensure the right benefits for farmers. For this reason, farmers are always in a dilemma on whether to continue or cease agricultural activities.

Increasingly farmers do not cultivate their land. This response differs depending on the locality: In large production areas with a lot of arable land, many households lease their plots while they themselves work in the locality, cities or industrial zones. In the small and scattered land areas, agricultural products are mainly used for household consumption and animal breeding. Leasing land is not popular but many households lease their land to get some yields or hire daily workers to farm for them.

Box 1.17: Farmers losing interest in agriculture

“My family has 3 sao of farming land but I hire workers to farm for me. They come from Phu Tho, Hoa Binh to do the planting and harvesting. I don’t have time to do these activities, and it doesn’t matter how much we harvest. My fields are scattered in several locations. This year, the land will be re-allocated, it might be better. But my family cannot farm the land because we have just a few people. In the commune, the households doing business also do the same as us. The earnings from farming are insignificant. Some households do cultivation because they have so much land and borrow more.

In-depth interview with head of Sinh Lien hamlet, Binh Minh, Thanh Oai, Ha Noi

“Economic activity in Ca Trot hamlet has been better in recent years. Local people’s living have improved but the population has shrunk. Many families have experienced migration of some or all of their members. Homecoming only happens once or twice a year. People without land move away but people having land still go and rent their land out. The rental fee is 15-20 million dong a year and you have to pay 2 years in advance. Working for a company pays you 3 million VND per month, which is more stable than farming.”

In-depth interview of a head of hamlet, Khanh Hung commune, Vinh Hung, Long An

¹² 1 northern sao is equal to 360m²



Young workers are no longer interested in agricultural production. Working for factories as hired workers in urban areas, they make a better income than farming. Ignoring the problems of natural disasters, pests, weather and assuming the best conditions for agriculture, income per hectare is around 15-20 million VND/year. A comparison with the lowest income of an employed worker of 2-3 million VND/month clearly shows the disparity. Yet agricultural production often remains the only adaptation option for those older than 45 who are hardly employed by companies.

The livestock (animal breeding) sector was seriously affected in both consumption volume and output prices. Besides the problems associated with diseases caused by unreliable product quality that negatively influenced customers' attitudes, the decreasing purchasing power of food products (meat, fish) and difficulties in export markets have sharply reduced selling prices, causing huge damage to the producers. While the livestock feed price has risen annually, sales prices are constantly falling. In addition, the groups of workers from urban and industrial areas moving back to the countryside (due to unemployment), mainly participating in agricultural production, have intensified competition.

Box 1.18: Livestock sector faces difficulties

"Pork prices have dropped significantly, at some times reaching below 35,000 VND/kg. Since the livestock feed price remains high, you would be lucky to raise pigs without making any losses. Traders buy pigs to sell to China but now China has closed the trading gates."

"Chicken prices have decreased considerably since last year until earlier this year. But, prices begin to rise, usually around the Tet holiday. Yet this year, since there are more households raising chicken, the price dropped again."

"Egg prices constantly change, last year at 3200 VND per egg, gradually dropping to 3000 VND then 2400 VND, and now rising to 2800 VND per egg. By and large, the prices have declined compared to last year, but we have to keep up the business. It's difficult to switch to a new occupation."

"Many households choose to raise catfish, goby, snake-head mullet... In previous years, the prices were satisfactory at 40,000 – 50,000 VND/kg for goby fish, 25,000 VND/kg for catfish, but now the prices have lowered by 5,000-10,000 VND..."

Summary from in-depth interviews with livestock households.

Next to agriculture, traditional craft and handicrafts play an important role in guarantying household incomes. Those sectors were also heavily affected by the economic downturn. Production in traditional craft villages, produced for the domestic market such as garments and castings, were able to maintain business output. However, there are many difficulties such as high cost of inputs and low market purchasing power. In the meantime, production in the villages which produce for export has also been seriously affected because of the global economic crisis.



Box 1.19: Situation of craft villages

“Orders of arts and crafts to Yen Tien village (bamboo rattan) immediately declined, many ordered goods which have been returned. Large numbers of bamboo rattan suppliers have been put in a serious situation, from thousands of producers in 2010, now there are only several tens of suppliers, and some big manufacturers, and all are in a difficult situation. From tens of thousands of employees relying on incomes from exported bamboo rattan goods, not only the locals but ones in nearby provinces such as Thanh Hoa, Hoa Binh, Ninh Binh... are now down to the several hundred.”

Summary from the survey in Nam Dinh

b. Responses and Impacts

In the agricultural sector the economic downturn has hit agricultural households strongest (economic activities completely based on agriculture) including households planting, breeding animals or engaged in aquaculture and households with mixture of these activities.

Shocks and impacts

Households face heavy risks such as losses in agricultural production, being forced to sell at prices lower than cost and low returns to labour. Also there is the constant risk of diseases, natural disasters and price falls during good harvests. However, these pressures are more serious during periods of economic stagnation and shrinking markets. Additionally, workers from other strongly affected industries have tended to return back to agriculture (temporary or permanent), which has impacted on the employment and incomes of agricultural households. Since they lack income from non-agricultural resources, the impact of shocks is very strong.

Households planting rice and vegetables experienced weaker impacts, since the consumption of essential goods has not fallen. Workers from other industries returned to agriculture causing an oversupply of labour, reducing productivity and income per capita. Households planting vegetables were somewhat more affected because many households chose rice over vegetables leading to a superabundance of supply. Households planting fruit trees were strongly affected because of falls in consumption and competition within the Chinese fruits market.

Box 1.20: Difficulties faced by crop growing households

“...Things have been difficult for more than one year. We hardly sell any vegetables although they are cheap. Before, the price was around 10,000 VND per kilo, now it is only 5,000 to 6,000 VND per kilo. We plant a lot of bananas but no one buys. You can see my garden, the bananas are spoiled, and I don't want to bring the crop in because no one buys. Before, I could have 500,000 to 600,000 VND per market time but it is only 80,000 to 150,000 VND now. Yesterday, my wife got 40,000 VND after a whole day selling in the market.”

In-depth interview with planting household, Linh Nam, Hoang Mai district, Ha Noi



Households breeding animals were hit hard due to reduced consumption of more expensive foods such as meat and fish. This consumer behaviour affected the market, leading to difficulties for meat production. In addition, the migrant workers who returned to agriculture, engaged mostly in breeding activities, thus bringing increases in competition, increasing sales of cheap animal food. Overall there was increased supply and a reduction in prices. Therefore, many households gave up because “the more they work the more they lose.”

Box 1.21: Difficulties of livestock rearing households

“...In previous years we received leftovers from restaurants to feed our pigs. Nowadays, there are many people who do the same, yet leftovers from restaurants have decreased because of fewer customers. It is easier to find pig food for 5 to 10 households than for the whole village...”

“... Since last year, there have been many fluctuations in prices. In October 2012 and early 2013, the price of pork fell sharply to around 30 -31 thousand VND per kilo. Meanwhile, expenses for mash and breeding pigs have been increasing. We lost 10 million VND after selling.”

Group discussion, households breeding animals, Cao Vien commune, Thanh Oai district, Ha Noi

Coping strategies

To cope with the lack of owned cultivable land and the labour surplus in agriculture, the major strategies were renting-out land or working for households with more land. Renting or lending land for cultivation took place in regions with less productive or fragmented land and also in regions with large areas of arable land.

Box 1.22: Coping strategies

“...There are five people in my household, me and my wife, my parents and my child. We own only two ‘cong’ of land (around 1296 square metres). It is not enough for us to cultivate so I rent other 15 cong. I have to pay 15 million VND per year. It is only just enough for living...”

Farmer group discussion, Vinh Hung district, Long An province

“... We have no qualifications so we can only work in the fields. My children are unemployed and thus I have to rent land for them to work instead of living in idleness. The more difficult the life is, the more hardworking you have to be. Before, we had to cultivate only 7 – 8 sao, now we have to work more....”

Individual interview: Crop growing household, Hoang Mai district, Ha Noi



Generally, producers have not found an appropriate strategy to deal with the growing surplus in agricultural products, because farmers are unable to take the initiative in production. Converting output production, such as changing the plant structure, selecting farm products with high value-added requires more complex techniques and knowledge. The development of fresh vegetables production required capital investment and the transfer of technology. As a result, finding stable markets for new agricultural products is beyond their ability. Until agricultural production reaches maturity, farming households are forced to sell in order to break even, before the harvest is complete. For households breeding animals, the main responses are pausing to restructure, and try to take new initiatives in breeds and feed, in order to reduce costs and to increase production efficiency.

Indeed a better production model in agricultural activities may even develop in as a result of the difficult economic situation. Some agricultural pilots have brought remarkable results. However, success requires not only capital but also investments in technology and improvements in the knowledge of the producers. Therefore, it is hard to replicate these models on a wide scale, and almost all of these projects closed at pilot stage.

Box 1.23: Results of an effective agricultural project

"... the LIFSAT project run by World Bank on clean pig husbandry, seeks to fully clean production from input to output, clean cages, clean food, and a clean slaughterhouse. This project started in 2010, and we have now become familiar with the strict regulation imposed by the project and found huge benefits. They supported us to build some 650 slaughterhouses, and to build a market for the sale livestock products. Generally, we do not have to go anywhere to find people to buy our pigs, only sometime they force us to price the pork too low..."

Group discussion with households breeding animals, Quang Xuong district, Thanh Hoa province.

Farmers with large-scale production are affected by the shock in agriculture, but they have high potential, so that they can often cope with this situation. After one or two profitable harvests, they can overcome the difficulties.

Poor households in the surveyed areas are mostly elderly, people with disabilities or suffering from chronic illnesses. They are no longer in the labour force or hardly participate in economic activities, thus, they were not "caught" by the economic downturn. This group also receives much support from social programmes, which is the reason why "many households are reluctant to leave the poverty list."



Box 1.24: Support for poor households

"... free tuition for kids to go to school, 30 thousand VND per month for electricity, 200 thousands VND for Tet holiday, free health care insurance... It helped us much in reducing our difficulties in necessary expenditure and medical care..."

In-depth interview with poor household, Cao Vien commune, Thanh Oai district, Ha Noi

In a nutshell, due to the prolonged decline in economic growth, these three sectors have been constrained, directly affecting the employment and income of workers. As a result, workers have had to move in search for new occupations and more stable incomes, imposing an immediate impact on labour mobility. Equally, since the employment and income were adversely affected, the standard of life and welfare of households has deteriorated. Consequently, new vulnerable groups have emerged and/ or are becoming more sensitive compared to the position before the downturn.

The economic downturn has and continues to directly affect employment and income in these key sectors, driving the following shocks:

- Loss of job/ unemployment: this shock mostly has happened to wage earners in the construction sector, and on a widespread basis in both rural and urban regions and the main economic zones like HCM City, Long An, Ha Noi and the less developed areas such as Nam Dinh and Thanh Hoa. MOLISA data shows that the number of workers registering for unemployment insurance unexpectedly rose in 2011 and 2012. In 2013, this number, remarkably, went down compared to 2012, but compared to 2010 it is still at a very high level¹³.
- Greater job competition: This impact affects workers in all sectors, especially retail and agriculture. The number of new market entrants increases daily as unemployed workers come back to their hometowns to participate in agricultural activities. These changes cause pressure on existing market composition in the sectors.
- Being forced to change the work /place of work with the risk of more precarious and poorer working conditions: This shock happens mainly to wage earners and self-employed businesses in the construction and agriculture. This takes place at a large scale, most visibly in urban areas and areas bordering urban areas. This shock creates the counter-flows of labour from urban to rural regions, from the formal to the informal sector, from industry and service sectors to the agricultural sector. It also reduces the quality of work in general.

¹³ According to figures from Long An Job Services Centre, the numbers of employment registrants through the years are: 6 886 (in2010); 10 816 (in2011); 17 133 (in 2012), 12 299 (10/2013) respectively; the corresponding figures from HCM City Services Centre are: 67 490; 105 737; 142 050; 106 469. (Regularly, the employment registrants in 2 last months of a year is smallest



- Income reduction: This shock had the greatest and most widespread impact, in all occupations, areas, groups and types of employment. In construction, incomes have declined mostly because of loss of work entirely, temporary reduction in working hours and an inability to find alternative jobs. Income reduction in the retail sector is due to declining sales revenues and profit ratio (despite an increase in working hours); whereas in agriculture it is caused by output/input costs and unexpected secondary effects such as reduced harvest production.

Due to the different impacts of shocks in each area as well as different characteristics of the three sectors, the impacts affect workers differently. Workers also respond to shocks differently, depending on their own resources and capacities. Although some groups were affected strongly, they still can cope well due to their better resources in terms of capital, human resources and/ or financial savings. In contrast, some are limited in personnel capabilities and financial funds. Therefore, they and their families' living conditions and welfare are hit severely, even when the shock is not very big (in general terms). This circumstance creates new vulnerable groups with regard to the prolonged economic downturn, including seasonal (temporary) workers, migrant workers and agricultural households with medium or lower incomes.

2. Three cross cutting issues

2.1. Labour mobility

The economic downturn has severely impacted all industries and through impacts on the labour market to increased labour mobility. The unemployment rate in general and in urban areas has increased and workers are forced to travel more to find a job. Flows of labour mobility have become more complex and diversified. Besides conventional flows of labour mobility from rural to urban areas, from the North to the South, from the informal sector to the formal sector, counter-flows are also on the rise.

a. Formal and informal sector:

Labour and employment restructuring tends to encourage flows from the informal to the formal sector, and an increase job security. Yet, in recent years, enterprises, seriously affected by the economic downturn, reduced their size, temporarily halted business or totally closed down, causing lay-offs. Many jobless workers could not find jobs in similar firms, effectively making themselves freelance workers, seeking jobs in worker groups or returning home to work in agricultural sector.

From the formal sector, many workers had no choice but to move back to the informal sector. This flow of labour mobility has increased from 2010. Macro-economic data also shows that the employment rate in formal sector has declined in the recent three years. From formal sector to informal sector, workers have become even more vulnerable in various aspects of working conditions, occupational safety and stability of income.



Box 2.1: Diminishing labour quality

Le Thanh T, born in 1992, had left school after the 2nd class, leaving his hometown in Kien Giang to move to Ben Luc Long An to work as a building helper for Khang Thong company which is one of contractors in Happy Land Entertainment Complex. Since 2012, investment in Happy Land decreased, new projects are not being implemented and many buildings under-construction have been delayed. Le Thanh T. and almost all the other workers of the Khang Thong Company had nothing to do and became free workers, seeking work on small projects in the area. His wage per working day declined from 250.000VND/day to 150.000VND/day, neither safe working clothes nor accident insurance is provided.

In-depth interview with a building helper, Ben Luc, Long An

In the retail sector, the expansion of supermarkets and the increase of professional retailers has brought an increased in the number of formal workers in this sector. However, the number of street vendors and sellers in markets has grown by considerably more. Although the flow from the formal to the informal sector is not so visible, the rate of workers in the informal sector is still very high, and there is no sign of decline in near future.

b. Agriculture, rural regions and urban regions

Although the economy faces difficulties and economic growth has decreased in the long run, the flow of workers from rural to urban and industrial zones for job seeking has still increased. The main cause of this flow is linked to the attraction of urban regions and the push from rural areas.

In rural areas, the main occupation is seasonal agricultural production and non-agricultural production has not yet developed. Production is dominated by individual and household businesses and a few small and average scaled enterprises. While productivity in agricultural production is low and land is scarce, labour is abundant and farmers do not have enough land to cultivate. In many regions due to planning limitations (including the planned areas but not yet constructed, becoming planning restricted) people lose farming land, thus are forced to switch into another occupation. However, some farmers with limited qualifications as well as being too old, cannot find jobs.



Box 2.2: Workers leaving agriculture in rural regions

“Each household has one and a half sao. Older households often have rice fields but the young generation, born from 1997, doesn’t. Without land, they have to work away from home. Growing rice is sufficient so all my children left here almost 10 years ago, the youth all become workers after finishing school. They do not want to do farming, how they could do, as it is now long time since they left.”

Group discussion of household having children working away, Xuan Thuong

“Anh Viet Company compensated for farmers from 2007-2013 based on each sao. But the land is still abandoned without any real reason. We are proposing farmers to come back because the land is abandoned while people do not have work.”

Group discussion of farmer, Xuan Chau, Nam Dinh

In urban areas, there are better chances to find labour-intensive work - street-selling and other jobs with higher income than farming and it is obviously better than being unemployed back in the countryside. Therefore, employment in the rural/ countryside areas held little appeal, especially to young workers. This has generated a flow of job seekers in different places, both in the North and the South of Vietnam.

On the other hand, in context of the declining economic growth, there is a flow of labour from urban to rural areas, typically from construction workers. The construction and the related sectors were badly affected by the recession, leading to unemployment and diminishing incomes. The groups of workers, facing difficulties to maintain their livelihoods in the cities, were forced to move back to the countryside to seek jobs or to at least, to dramatically cut down their expenses. Therefore, the competition for jobs in rural areas escalates; only the workers with high levels of proficiency are employed. Less competent workers remain at home to assist in raising livestock, engage in subsistence farming, look after the children or are hired as house helps or ad hoc workers. The flow of labour back to rural areas is more prominent in the North than in the South, where the economy is more dynamic and it is easier for workers to find new jobs.

Rural regions or homelands, which used to act as a buffer for workers, have also changed. Almost all returning workers only return home after trying every other alternative and failing to hold on their livelihood in urban areas. They come back home to minimize living costs, to wait for new jobs until they can to go out to urban regions.

Box 2.3: Jobless workers temporarily coming back to rural regions

“...If the work is not available here, I’ll go elsewhere to find a job; I’ll only return home if I don’t have work for a long time, I’ll keep going if someone asks because it’s not easy to make money at home.”

In-depth interview with a construction helper, Ben Luc, Long An



c. Among regions and areas

Labour migration from other regions to the two biggest centres, Ha Noi and Ho Chi Minh City, has been present for many years since the beginning of the Doi Moi reforms and economic opening. The South-eastern region is much more dynamic and has responded better to the negative impacts of the economic downturn. Hence, labour flows move to the south keeps increasing. Young workers from other provinces still go to the south to find a job. Data from the annual Population and Housing Survey from 2010 to 2012 has shown that the net migration rate of Binh Duong, Dong Nai and Ho Chi Minh City is higher than in Ha Noi and Hai Phong¹⁴.

Box 2.4: Migration flows to the South

In Minh Chau village, three quarters of the population has left. They went mostly to Sai Gon [Ho Chi Minh City], bringing their home trades there... They do a better job than people staying at home; it's populous there so it's easy to run businesses than at home, policies there are also more favourable. Moving there at first is tough, but it is better gradually so more and more people leave home. Even students go there to work; some groups went to Ha Noi to work but then moved to the South...

In-depth interview with the head of village, Thieu Chau, Thieu Hoa, Thanh Hoa

In Thanh Hoa province, there are signs of labour mobility, with workers coming back from other provinces, registering as unemployed and finding new jobs. The reason is that provincial industrial zones (IZ Nghi Son, IZ Le Mon...) have been put to in operation, leading to an increase in labour demand to attract workers to come back. Workers do not only stay closer to their family but also reduce travelling, accommodation costs, education costs for their children etc.

Box 2.5: Workers coming back to their homeland for job seeking

"We heard that many industrial zones at home also attract many workers, so we go home to try."
"Even the payment is high there, it's only just enough, working at home is also enough. But at home I feel secure about my children's schooling and grandparents' support also. So it's better to go home."

In-depth interview with workers enjoying unemployment insurance, Thanh Hoa

¹⁴ According to Population and Housing midterm survey (GSO), net migration rate in 2010, 2011 and 2012 respectively: Hà Nội 5.9%; 4.1% and 2.9%; Hải Phòng: 3.2%; 2.9% and 4.0%; Bình Dương: 57.3%; 38.4%; and 46.4%; Đồng Nai: 27.7%; 19% and 11.3%; HCM city: 18.4%; 11.2% and 7.4%.



2.2. The impact on the living condition and welfare of households

The main large-scale consequence of the shocks is income reduction for workers and also their family. The incomes of members living in the household and remittances from migrant workers are reduced. Workers who have returned home but could not find a job immediately become a burden to households. Some households have to send money or food to support members living elsewhere. As a result, households cope by: (1) cutting unnecessary expenses, including savings and accumulation, (2) using previous savings to offset income reductions, and (3) finding support from other sources.

Cutting expenses has a direct impact on living conditions and welfare of the family and its members. Entertainment expenditure is reduced first, followed by monthly savings, clothes, household appliances, etc. The low and middle-income households are forced to tighten their food expenses. Meat, fish and expensive fruits are reduced first. Necessary food and vegetables are not reduced, and may even be increased for replacement of meats and fish. For agricultural households producing their own main food such as vegetables, rice, eggs so that they do not have to buy too much, this is not so much of an issue. The amounts of electricity, water, gas are saved to reduce living costs.

Box 2.6: Saving on living costs

"... We plant vegetables, feed the chicken so that we have eggs for both selling and eating..."

Retail group discussion, Cao Vien Commune, Thanh Oai district, Ha Noi

"... Although we have a gas stove, we use the oil stove to save money. We can try to have enough rice, but spice is not necessary sometimes. Only our grandchild must be feed nutrition fully..."

In-depth interview with household with construction worker, Binh Tri Dong B ward, Binh Tan District, Ho Chi Minh City

Medical care also tends to decrease, especially for household with serious difficulties. They treat minor sickness by their own and only go to hospital in serious cases.

Medical care and nutrition for children are mostly maintained, "adults can be tighten their belts but not children," and "in case of sickness, kids have to go to hospital, obviously." However, many households save by choosing foods of the same category but lower prices or on sale by promotion.

While many expenses have been cut down, *educational spending* is virtually unchanged, maybe even higher than the previous year because of increased tuition fees, donations and health insurance. Despite the difficulties, people try to continue their children's schooling, even if they are in debt. Extra courses might be cut or reduced.



Box 2.7: Nutrition and education for children

“... Food and education for children cannot be reduced. I have two children, one is in third grade, and one is in kindergarten. My income has reduced but I won't let it affect our children's education. If we lack money, we can borrow from brothers then pay it back gradually instead of letting our children leave school...”

Group discussion, households with people working for construction companies, Cao Vien commune, Thanh Oai district, Ha Noi

Children in migrant households often face more difficulties in access to the basic education. *Households with small children (under 6 years old)* often face with constraints in seeking nursery schools and kindergartens for their children; especially those aged less than 3 years. Therefore, many households have sent their children to their hometowns or to private childcare centres, which are not registered and offer poor quality care. This problem has not been addressed due to a lack of feasible solutions from relevant agencies. In addition, the costs for childcare are high in relation to the workers' income levels and this becomes an even heavier burden for them given the employment and income difficulties in recent years.

Box 2.8: Kindergarten education for children

“I do not collect much childcare costs from the parents, meals and caring service only cost just over 1 million VND per month; however, at present, more than 10 children are absent because their parents do not have work, they stay at home to keep their children because their wages are not enough to pay for childcare service...”

In-depth interview with an owner of a private childcare centre in Ben Luc, Long An

Owing to the universal education policy, migrant households do not face many difficulties in finding schools for their children in their temporary living places, but the study and other costs are still higher than others because they are not permanent residents. The universal education policy has only targeted the lower secondary level; therefore, if their children want to pursue upper secondary level schooling (high school), they must often come back their hometown to study or meet much higher costs. These difficulties often prevent these children from accessing the most basic educational services. In fact, there has not been any policy directly supporting these children. The long period of economic downturn makes *those problems ever more serious, increasing the likelihood and the risk of children leaving school early.*

Due to the situation of prolonged income reductions, households have to spend their *savings* as the first offsetting source. Over the time, those accumulated amounts are almost exhausted, thus the *physical and spiritual support from their*



parents, siblings, relatives, friends are rated as the most important support in the difficult times. Lending money to invest/ set up new enterprises or simply cover the minimum living expenses are the most common supports among family members and friends. Giving loans without interest and extended repayment durations are not only an important source of support, but also, spiritual encouragements during these difficult times. There are many cases where the parents or siblings also face difficulties so that they cannot support with money, but they share their house, food and/or offer child care. Migrant workers who are living away from home do not have family. Friends become the sources to borrow money, followed by tenants and employers.

Box 2.9: Support from informal sources

“... My two children were sent to my sister in Tien Giang province, sometimes I send money to her to raise them, but sometimes I have nothing to send...”

Group discuss with workers without land, Vinh Hung district, Long An province.

“... When I have no money I can borrow from my tenant. Only the kind tenant lends me money, others do not.”

Individual interviews with mason, Binh Tri Dong B ward, Binh Tan district, Ho Chi Minh City

Deferred purchase is also one of the responses often used by the low-income groups when they are in trouble. Sellers agree to sell goods with deferred purchase for regular customers. They have to accept higher prices but it is not significant (usually equal to the interest rate of commercial banks).

Borrowing from banks is also an adaptation measure. However, low-income households can hardly access ordinary loans from commercial banks. The preferential credit resources according to government's programs limit the target groups, and impose many constrains. The most popular cases are loans for children in poor households to go to school. Loans to support production requires mortgage so that many households cannot access.

Quick loans with high interest rates from moneylenders are considered as the final resort. It is not too hard to borrow money from these sources. However, extremely high interest rates, calculated monthly, weekly or even daily become heavy burdens – “more than 10 percent [per month] is the lowest, some others are even higher.”

In addition, economic shocks also indirectly have negative impacts on the living conditions of households and communities. Being unemployed, people return home or stay in lodging houses in the city/industrial zone to find new jobs. However, in the period of economic downturn is not simple or easy. Having a lot of spare time, being depressed is one of the main reasons, why people fall into a trap of social evils. Gambling, drug addiction or stealing brings instability and



social disorder to families and communities. It occurs frequently in both rural and urban areas, negatively affecting the living environment of the resident community and each of its members.

2.3. The role of the social security system

In difficult periods, *Government has taken measures to support companies and producers* such as financial support, production premises, technology, technical proficiency and training. Generally, supports had variable impacts, but did not really have the expected gains, but the real impacts are difficult to assess.

For the agricultural sector, policies on consumption and price stability have not been appreciated by farmers because the “stability price is lower than market price.” The activities of building grain drying ovens or rice stockpiles held little appeal because the “previous paddy price is not as profitable as recent paddy price. The longer we keep, the more devalued agricultural production will be.” Agricultural extension programs and policies were implemented in recent years. Workers in rural areas have access to agricultural information through activities of communicating and training. However, the level of exposure to direct guidance and the experimental model is still very low. The agricultural extension models are implemented under a pilot phase, which is not tied to the market and has little chance of being replicated.

Therefore, many small and medium enterprises, producers still rely on their own accumulation of capital and borrowings if needed.

The Social protection policy system plays an important role to support defined groups such as the poor, households living in disadvantaged areas etc. But, it had largely not considered economic risks happening to workers. So, some vulnerable groups in recent periods were unable to access social protection policies.

Compulsory and voluntary social insurance policy

Compulsory social insurance applies for employees with at least three-month labour contracts. Therefore, the coverage of social insurance only reached about 20%¹⁵ of the workforce. In the context of economic slowdown, the most vulnerable groups are concentrated in the informal sector and self-employed workers or are seasonal workers in the formal sector. These are workers who do not have labour contracts, so they are not subject to compulsory social insurance. In the situation of job losses and income reductions, without social insurance, they and their families face many difficulties.

On the other hand, due to prolonged economic difficulties, the premiums for social insurance became a burden for financial viability of many enterprises. Therefore, enterprises tended to use seasonal labour contracts to reduce costs. The situation of enterprises accumulating debts of social insurance premiums or those workers contributing premium for them still became more common.

¹⁵ Sources: Vietnam Social Insurance's, data by the end of 2013.



Box 2.10: Compulsory social insurance

".. Earlier this year [2013], the company cut 70% of salary and paid insurance premiums for employees according to agreement between employees and employers. But from May 10, the worker must be self-sufficient for these fees, because the company cannot afford..."

Construction JSC Xuan Thuy - Phu Xuan, Xuan Truong, Nam Dinh

Voluntary social insurance was implemented in 2008. It is considered as a complementary policy to the compulsory social insurance to attract the remaining workers of the economy (over 30 million workers). However, voluntary social insurance only attracted over 170 thousand participants, of which approximately 70% were previously participants of compulsory social insurance. The voluntary social insurance scheme covers only two benefits, which are retirement and death. And the monthly minimum premium of the voluntary social insurance scheme (prescribed as 22% of the minimum wage) is also high compared to the income of a vast majority of workers. Thus, they do not want to participate and prefer to be outside of the social insurance system.

Box 2.11: Voluntary Social Insurance

"... Before when I worked for a garment company, I had social insurance. Now I quit the job and stop paying for it. I did not know what voluntary insurance is. I have never even heard of that..."

"... My family has bought private life insurance from Prudential ... I have not heard about the voluntary insurance ..."

Group discussion with building contractors, Binh Minh, Thanh Oai, Ha Noi

Promotion of the social insurance law as well as different forms of social insurance is still limited. Employees and most people are not aware of the policies they have the possibility to participate in. Many people misunderstand voluntary social insurance as life insurance. At the sites within this survey, most of the people know about life insurance while only commune officials know about voluntary social insurance.

Unemployment Insurance

Unemployment Insurance was implemented since 2009. Currently it only applies to workers with labour contracts from 12 months on and in enterprises with 10 or more employees. *Workers in informal sector and seasonal workers are not included.* So, in times of unemployment, they are not supported, even though they are the most vulnerable group. This is also a reason that those workers do not dare to be unemployed and also accept lower quality jobs.

For workers in the formal sector, who are eligible to participate in unemployment insurance, the policy is very important to support them in the risks of job loss. After adjusting some regulations and procedures, the registration and entitlement to



the policy is more favourable to these workers. But on the flip side, the cases of policy abuse occur more often. Typically, workers have found jobs but they continue to register and enjoy unemployment insurance.

Health insurance

The health insurance policy is one of the preferential policies; universal health care insurance is a goal that the government is pursuing hard. Under the current health policies of Vietnam, poor households and social protection target groups have been issued with free health insurance cards, while the nearly poor households are subsidized with 70% of the health insurance card price or even 100% in some localities. Coverage of health insurance has reached 70% of the population; however, most of them are compulsory participants or subsidized by the government. The rest (30% of the population) have not participated in health insurance. Around 74.7% of near poor households and 40-45% of pupils and students are not covered by health insurance even though they are supported with up to 70% of the contribution fee. Plus, some 48.6% of employees in enterprises and 74% of the farmers and informal workers have not participated in health insurance.¹⁶

The main cause is that the policy lets groups participate in the scheme voluntarily (not compulsorily) without any subsidy from the government. As a result, only those who often get sick or have poor health conditions participate. *This situation also implies that people do not have opportunities to access and learn about the health insurance regime, including propagandizing and mobilizing people to participate.*

Box 2.12: Health insurance

"I do not have a health insurance card, I have been working for 10 years; however, I have never bought it. My company does not buy it for me and it is not compulsory to buy it..."

In-depth interview with a building worker, Viet Thuan Company, Ben Luc, Long An

"My households only buy health insurance cards for my two children as regulated by their schools, which take several hundred thousand per year, otherwise the other members in my household do not buy the insurance."

In-depth interview with a retail household, Linh Trung, Thu Duc, Ho Chi Minh City

"Only poor households are issued with free health insurance cards. My households have to pay all the fees while the fees increase annually (in line with the increase of the minimum wage level). This year, a health insurance card costs about 600 thousand VND per head, my family has 4 members, so I should pay more than 2 million dong for the cards; however, I cannot afford to buy them"

In-depth interview with a farmer household, Vinh Tri, Vinh Hung, Long An

¹⁶ Source: Vietnam Social Insurance



On the other hand, *health insurance premiums are quite high* for many low-income households. The premium increases according to minimum wage and hence people, especially low-income groups, perceive health insurance as wasting money (paying but not receiving for non-sickness). Therefore, except for the people with free health insurance cards, the vast bulk of participants are compulsorily insured and capture pupils and students (in accordance with the regulation of schools), government staff and workers with labour contracts in the formal sector.

Preferential credit

Preferential credit loans aim at providing financial resources for those with extremely disadvantaged backgrounds such as the poor and social policy target groups. The state assists production and business activities of enterprises, households and individuals by providing preferential credits loans through different programs and policies to create opportunities for disadvantaged groups such as poor workers, rural workers as well as workers working overseas under defined-term contracts, and workers in the areas where farming lands are used for other purposes. Preferential credit from the Bank for Social Policies with low interest rates including loans for production (trust mortgages via mass organizations and associations in localities); loans for study (applied for poor households); and loans for other purposes (building/buying houses, access to clean water etc.). Those loans have many limitations as the regulation and procedures have limited the audiences, and selection of beneficiaries takes place via a very limiting community approval process.

Box 2.13: Preferential credit from the Bank for Social Policies

“Getting loans without mortgages via the Farmers’ Union and Women’s Union is also difficult because the Unions approve those who are capable of paying the loans. The groups or teams organize meetings to select the borrowers for the loans: what is the purpose of the loan, the capability of paying the loans. Poor households or those with temporary resident certificates have difficulty in getting loans because no one dares to secure them ...”

Group discussion with Farmers, Vinh Tri, Vinh Hung, Long An

Credit from the Bank of Agriculture and Rural Development for production is difficult to access because of its high interest and mortgage rates (for land-use right certificates or different kinds of assets). This source is more popular in areas with large agricultural production. Households with plenty of production lands use their land ownership to mortgage at the banks.

In fact, often legitimate borrowers who have no demand for loans sell their rights to other people. Moreover, some people have misused the loans and spend the loans on wedding celebrations or medical treatments.



Box 2.14: Mistakes in preferential credit

“My household has accessed a loan of 8 million VND for clean water. I do not know the loan is from what source but the interest rate is low; however, my family has some private work to do so we spent it already, we will find another way to supplement it...”

In-depth interview with a poor household in Vinh Tri, Vinh Hung, Long An

“Some households are legitimate recipients of preferential credit loans; however, they do not know what to do so they lent me the loan.”

In-depth interview with a contractor in Binh Minh, Thanh Oai, Ha Noi

The most vulnerable group are migrant workers (especially construction and retail sectors) who have few opportunities to access preferential capitals. The reason is that the policy is attached to household registration or long-term residence registration (KT3). In rural areas, non-poor households with small or no land cannot access trusted credit while they have no assets to mortgage. Therefore, they have to look for informal channels such as family, relatives, friends or even quick loans with high interest rates.

Job services

Job Service Centres in the provinces have worked hard to connect employees with employers. The main services that the Centres deliver are job counselling, job introduction for employees; organizing job fairs and job transaction sessions on a defined day of month and 24/24 hours online job sessions.

Long An Job Service Centre consults around 5,000 job seekers, providing around 30,000 job applications for them in 2013. At the present, the Centre does not organize job fairs because of huge budget (200-300 million per one). Instead, the Centre organizes monthly job sessions, which does not cost much (only 10 million/session). In each session, around 20-35 enterprises directly and 80-90 indirectly recruit the workers, attracting around 800-100 people (mainly from Long An and other provinces) to attend the session for recruitment. Up to 300-450 people have obtained jobs from these sessions.

Compared to the job demands of employees and employers, this number is still modest. For instance, the number of the employees registering for unemployment insurance benefit in 2013 was 12,000 and 20% of those registered could obtain jobs via the centre.



Box 2.15: Formal channels for job seeking

"...The jobs which we introduced to are irrelevant to our expectations. We came back home because we hoped to get better jobs with higher salaries. However, the companies we are introduced to now are not much better than those that we used to work before..."

In-depth interview with the unemployed making registration for unemployment insurance in Long An Job Service Centre

Results from group discussions and in-depth interviews revealed that responding to the shocks of losing, changing jobs or degrading job quality, the workers do not rely on formal job seeking channels, but on personal relations and self-search. This seems obvious for workers in the informal sector and free migrant workers who have limited access to information sources and have a low qualification level.

Box 2.16: Main job seeking channels via individual relationships and self-seeking

"...I saw a construction site, so I went over to ask if they needed a building helper. They said yes so I worked for them right after that..."

"...I only wait for the contractors or my acquaintances, friends to accompany me with them to work ... I think that maybe only qualified people can get jobs from the Job Service Centre..."

Result from the survey

Vocational training

Supportive policies for people to participate in vocational training appear not to have been deployed effectively. Rural vocational training programs under the Decision No. 1956 have not attracted interest from the rural population since the trainees do not have to pay for the training fees and they are subsidized with 15 thousand dong per day for meals and travelling cost. The main reason is that the training course contents are irrelevant to the actual needs of the trainees and the labour market. Many trainees cannot apply their acquired knowledge for their job search; therefore the training is a wasted of time of as well as the state budget.

Box 2.17: Vocational training for rural workers

There have been some training courses here; however, we took great efforts and time to mobilize people to participate. For the courses on farming, planting, breeding skills, trainees can apply their acquired knowledge for the daily work. However, for the training courses on motorbike repair or skills for planting mushroom, the trainees cannot apply for work. After they finish training courses, they do not know what to do with the knowledge.

Focus group discussion with Farmers in Vinh Tri, Vinh Hung, Long An



Vocational training assistance (under unemployment insurance) for unemployment insurance beneficiaries has been deployed ineffectively because of the low demand of trainees and low level of assistance. In 2012, the number of the unemployed people who participated in vocational trainings was less than 1% of the total unemployment insurance beneficiaries. In 2013, the total number of unemployed registered to receive vocational training support increased from 4,776 in 2012 to 8,000, but it is still insignificant compared to total of 421,000 unemployment insurance beneficiaries. The vocational training demands of this group are quite low because most of them have been trained before. Moreover, in order to learn a new occupation, it will take much time and effort.

Box 2.18: Vocational training for unemployed workers

This year (2013), only 150 unemployed people [in total of 12,000 people] have participated in vocational training courses. We have taken great efforts to encourage them because they said that they would do nothing with the knowledge acquired from the courses.

In-depth interview with unemployment insurance official, Long An Job Service Centre

The rate of support for vocational training (300,000 VND/month) was low compared to the actual costs; therefore, it does not encourage people to join the schemes. Since December 1st 2013, support has increased to 600,000 VND/month (for the courses lasting from 3 to 6 months) and up to 3 million VND for the courses lasting 6 months. It is anticipated this will attract more people to participate in the training courses.

Thus, overall, we find social protection policies are not performing well in meeting the needs of emerging vulnerable groups (those most affected by economic shocks). As a result, to cope with these shocks, workers and their families have been unable to count on support from the formal social protection system. They often have to manage by themselves based on support through individual relationships and other informal resources as described above.



IV. CONCLUSIONS AND RECOMMENDATIONS



1. Conclusions

Among the three sectors - agriculture, construction and retail, construction is **the most adversely affected** (both the formal and informal sector). In addition, other allied subsectors that provide inputs for construction such as construction materials production; steels, cements etc. are also affected due to a domino effect. The retail sector has retained a positive growth rate; however, competition has become severe among: (1) retail enterprises, (2) small-scale market sellers and (3) street vendors. The subsectors of agriculture - animal husbandry and vegetable planting have also been influenced due to the overall decline in consumption and an increase in competition.

In the context of the long-term economic downturn, alongside the well-established labour movements from rural to urban areas and from agricultural to non-agricultural sectors, **reverse flows from the formal to informal sector, from the urban to rural areas and from the non-agricultural to agricultural sector are also observed.**

Agriculture and rural areas are losing their attraction and workers only return to their rural homelands when they are incapable of surviving in urban areas. Reverse labour flows from urban to rural areas in the North are clearer while the migrant flows to the South still remain strong without any signs of reversal. Migrant workers in the South have been more able to cling to urban areas and industrial zones by changing jobs or workplaces.

The main shocks faced by employees are (1) job loss, job shifts or working hour reductions (especially in the construction sector); (2) higher competition or difficulties in selling products (agriculture and retail); and (3) income reductions (for all three sectors). Overall, the most affected workers are seasonal workers, migrant workers and agricultural households with mid to lower incomes.

Within the existing rules and policies governing the provision of insurance policies (compulsory social insurance, unemployment insurance, mandatory health insurance), seriously affected workers are, at a large scale, are not eligible to participate (due to the lack of labour contracts or use of only short-term labour contracts). Moreover, most of these workers did not feel unable and did not participate in voluntary social insurance and voluntary health insurance, because: (1) they did not know or understand the policies adequately; and (2) their financial capability to participate in the system is limited due to the absence of incentives. Therefore, **most workers exposed to the shock of job loss or income reductions are not supported by the social insurance system.**

Due to income reductions, households have been forced cut down their daily expenses, including spending on entertainment and recreational activities, unnecessary purchases, such as new furniture and expensive food, but also crucially, savings or capital accumulation. **However, nutrition, healthcare and education for children are still secured by these households. In the case of financial exhaustion, households can usually obtain loans from family, relatives, friends or informal resources - such as quick loans albeit with high interest rates to maintain their children's education and healthcare other minimum family expenses.**



2. Recommendations

The research findings of the RIM 2013 gave out a number of policy implications. From these we make a series of suggestions for the government. These are set out as immediate near term actions to support the currently vulnerable groups and longer term measures to prevent newly emerging vulnerable groups falling in to poverty due to the economic downturn. The main target groups include seasonal workers, informal workers and migrant households who have lost their job or suffered a serious decline in income. While short run measures focus on practical, often administrative actions, in the longer term, it is necessary to reform policies and institutions to enhance the system's capacity to build resilience.

Foremost, the Government should strengthen policies and mechanisms to support workers maintain their current employment and/or support workers who lose their jobs to find new ones soon. To accomplish this goal, recently it is necessary to:

In the short term; (1) local authorities should continue to support small and medium size enterprises to overcome difficult times through: exercising discretion to reduce and relax closure of outstanding accounts for taxes, social insurance, health insurance etc., and promote access to credit at reasonable interest rates (for working capital as well as investment); and (2) promote counseling and job guidance for all workers at risk, including indigenous and migrant people via formal and informal channels. This might be done by calling on the participation of enterprises and communities.

In the longer term; (3) continue to improve the system of labour market information and intermediation, in which the development of the Job Service Centre system ensures support for workers in providing information and counseling; and (4) promote research, development and implementation of public work programs to support unemployed workers (who could not find jobs in the labour market) to have a temporary job that helps maintain a minimum level of income.

Secondly, it is important to better secure base levels of income during any period of unemployment and cushion the impacts of severe losses of livelihood.

In the short run, the authorities should: (1) exercise discretion to deliver immediate assistance for those who have fallen into poverty due to the prolonged economic downturn (within the existing framework); and (2) the near poor (the group just above the poverty line) should also be reviewed and identified to enjoy some preferential policies and support (i.e. support should not only be limited to poor household prescribed by poverty line). Again some discretion would be required here.

In the longer run, the Government should: (3) Improve the poverty targeting process - the poverty review should be conducted twice a year or quarterly instead of once a year as currently; and (2) research the potential and mechanisms for permitting greater flexibility for local authorities to apply the framework (in line with the short term recommendations above).



Third, the rights of the workers should be better guaranteed. Information coming from the survey shows that the vast majority of workers, especially those in the construction industry, are mainly seasonal employees (though their work may span years) without labour contracts, and that informal activity dominates these sectors.

Therefore, (1) **in the short run**, it is necessary to better enforce enterprises' compliance with labour regulations (ensuring the adoption of labour contracts and participation in different insurance schemes for the employees). This might be through many existing inspection, supervision and monitoring activities, and improving the role of sanctions or penalties. Further, current year, budget funds might be devoted to these activities.

And (2) **in the long term**, government should **encourage and incentivize enterprises to participate and implement such policies on labour, insurance** such as offering them priority in land rental, preferential business credit and so forth.

Fourth, as vulnerable people in rural areas and informal sector workers lack information and knowledge about policies on employment, vocational training, health insurance and voluntary social insurance, they are not motivated to participate. Therefore, **it is vital the authorities promote and communicate about labour, employment regulations and social protection policies.**

In the short run, these activities should be carried out through policy dissemination campaigns via mass media and government management systems at all levels, especially at the grassroots by commune and village staffs.

In the long term, a client and target group-oriented communication strategy needs to be designed and implemented. This should be delivered with the participation of all stakeholders including state management agencies, employers and workers.

Fifth, In order to form a durable and effective safety net for workers, it is vital to promote tailored schemes to secure their rights and uptake of benefits. Therefore, **it is important that adjustments and improvements to social insurance, unemployment insurance and basic health insurance regimes are made.**

The measures here are **long run**. This can be achieved by expanding and attracting farmers, workers in the informal sector, and seasonal workers in enterprises to participate in the system, by: (1) All workers in enterprises eligible to participate in the compulsory social insurance, unemployment insurance and health insurance schemes, are required to join. When at risk of falling into poverty, they should be entitled to the benefits depending on the contribution of each participant; and (2) diversifying the modes of voluntary social insurance from just two regimes (of retirement and death) to more complete cover. Especially, the authorities should promulgate policies to encourage farmers and workers in informal sector to participate as confirmed by Resolution 5-NQ/TW dated 1/6/2012 1 of the Party Central Committee on Social Policy Issues during the period of 2012-2020.



Sixth, in the context of the current economic slowdown, migrants are the most vulnerable group, yet current social protection policies are associated with population management through household registration (identifying poor households, social protection objects, preferential credit beneficiaries etc.). As a result this group is systemically at a very high risk of being excluded from the social security net and of not receiving any support. Therefore, ***we recommend there should be specific criteria for residence duration qualification at the destination of migrants (with no difference made between renter and owners of housing), so they become entitled to social protection policy similar to indigenous peoples.***

In the short run this would be ameliorated by: (1) Government mandating access to the public schools system and healthcare for children in migrant households; and (2) by localities exercising greater discretion in relation to other services.

In the longer run, it is recommended that the Government consider adoption of portability of benefits to allow for flexibility of policy take up, independent of beneficiaries' residence.

Finally, ***it is important to continue with RIM studies of this type, through an institutionalized base within ILSSA.*** For improved results in following rounds of the RIM, the following should be considered:

- Choosing an appropriate time for implementation (preferably from May to July);
- Selecting the most appropriate surveyed areas, noting that besides offering data at national level, provincial data is useful in selecting provinces and districts;
- Establishing stronger local networks by building relationships with localities for conducting the survey; thoroughly consulting local governments to select appropriate communities as well as accessing to affected population groups;
- Further developing the analytical framework and assessment toolkit (this needs to be completed after conducting quantitative analysis and local government consultations).

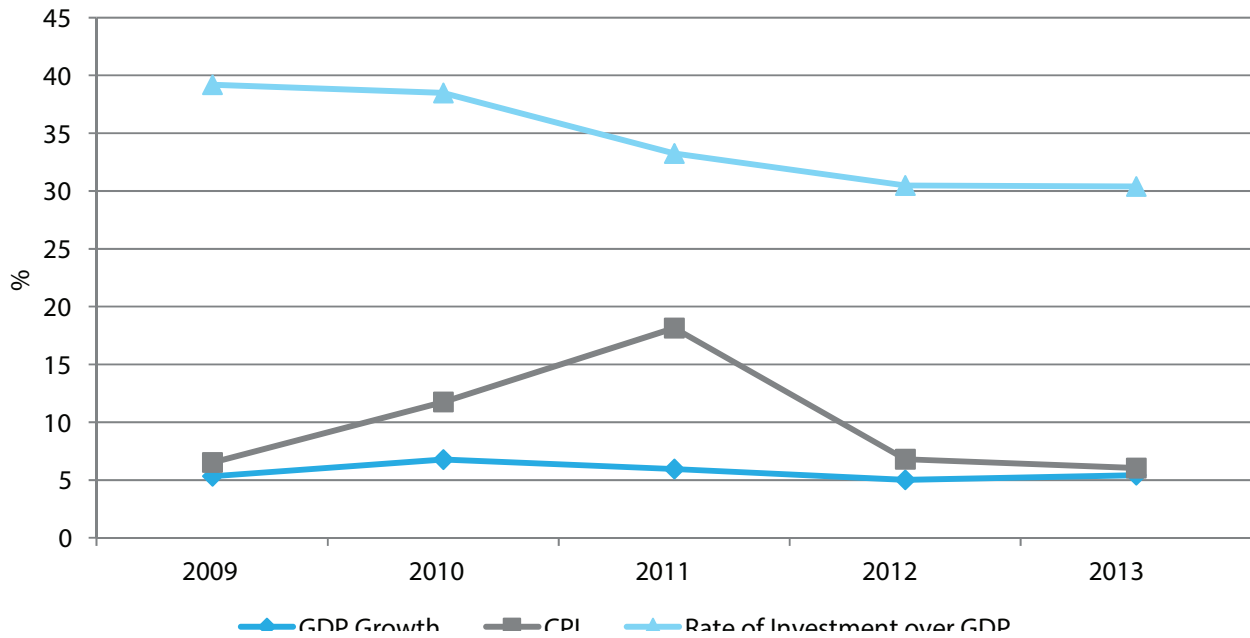


ANNEX



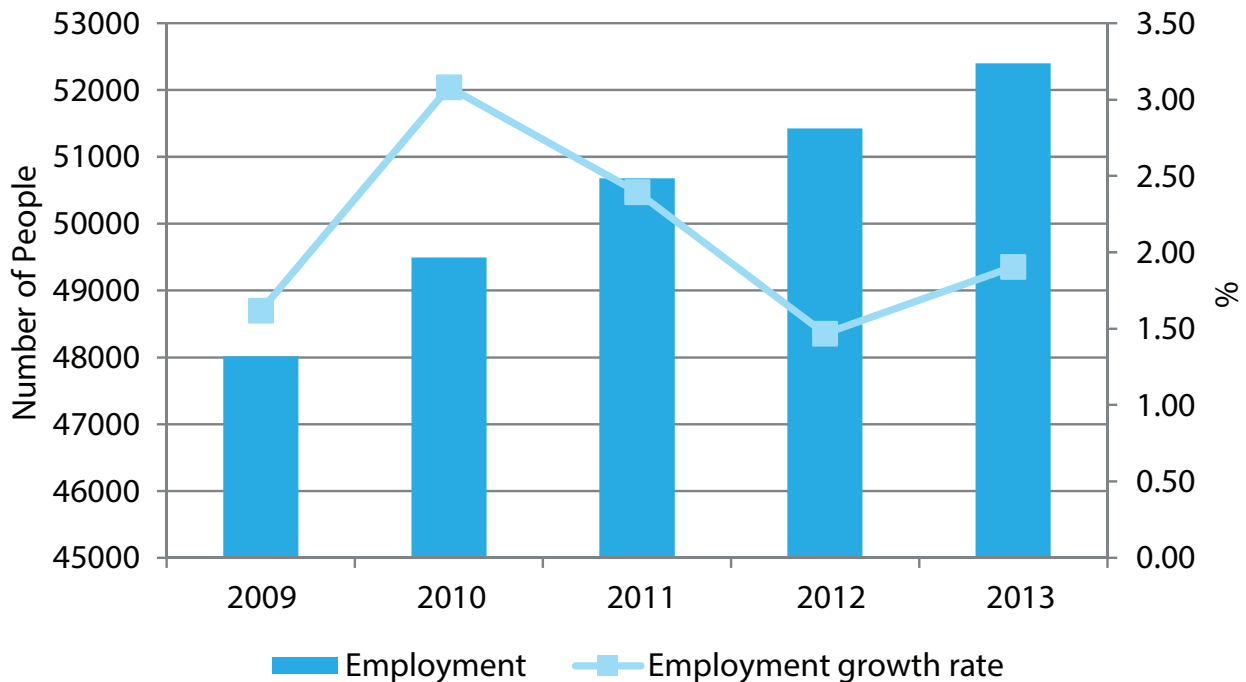
ANNEX 1. INDICATORS OF MACRO ECONOMY AND THE LABOUR MARKET

Graph 1. GDP growth, CPI and social investment capital, 2008-2013



Source: SO (2013), *Statistic Yearbook 2012. Press release on 2013 socio-economic situation*

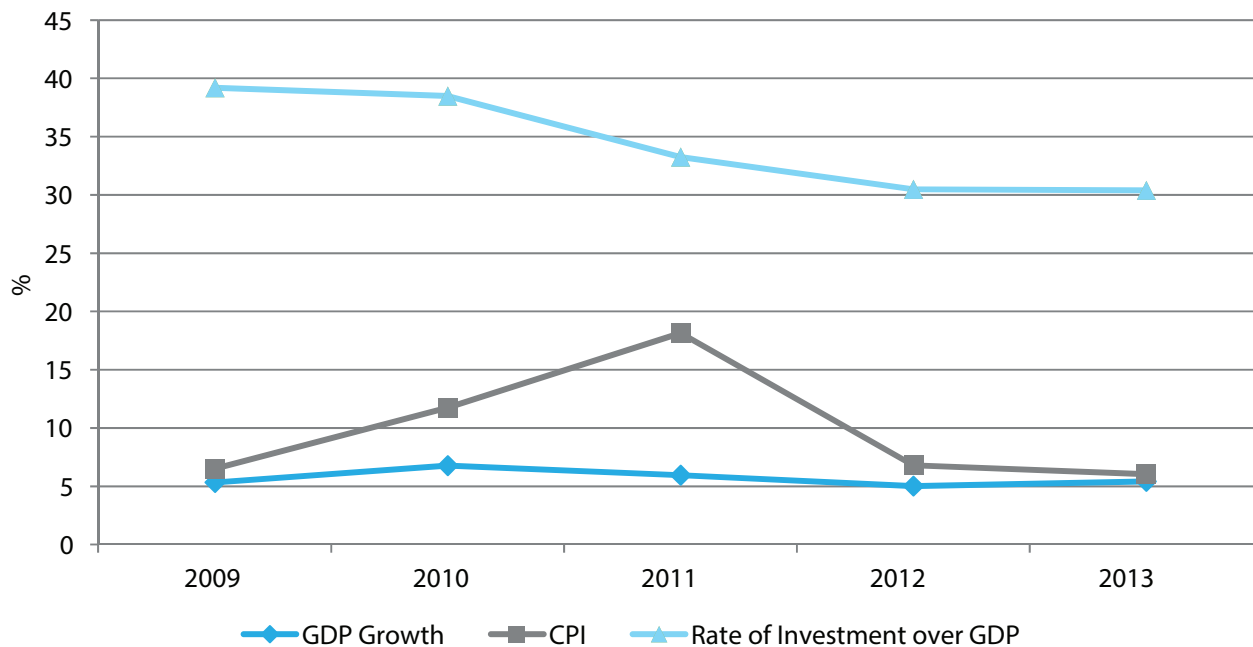
Graph 2. Employment and employment growth



Source: GSO, *Annual Labour and Employment Survey*



Graph 3. Unemployment and Underemployment rates in the period of 2009 to 2013



Source: GSO



ANNEX 2. SHOCKS AND THEIR IMPACTS ON SPECIFIC TARGET GROUP

I. Ha Noi

As the economic – political – cultural centre of the country, Ha Noi lies at the heart of Red River Delta, and is also the nucleus of the Northern key economic region. The city after expansion (with Ha Tay and part of Vinh Phu province) currently has 12 urban districts, 17 rural districts and 1 town. The two chosen areas for research are district Thanh Oai and district Hoang Mai.

District Hoang Mai was established in 2003 and its development has been constantly associated with both small and large sized construction works. As a suburb district, Hoang Mai attracts a large number of workers from exterritorial provinces renting accommodation and working in construction and retailing sector. Besides, there are still rural characterized areas, dominated mainly by agriculture production.

District Thanh Oai (previously belonged to Ha Tay) is the adjacent rural municipality, with scattered agriculture land, majorly developing crafts that supply goods and services for the urban area. It is the destination of construction workers (bricklayers, painters,..) coming from Thanh Hoa, Nam Dinh, Bac Giang, Thai Binh, Hoa Binh.... and also the place where retailing workers depart to supply agriculture and food processing products for Ha Noi. In addition, there remains poultry raising/slaughter and vegetables planting, which caters for wholesales markets in Ha Noi.

#	Labour group	Shocks and their impacts	Responses to employment and income	Responses to expenses and family welfare	Assistance from the Government
I	Construction				
1	Ha Noi an contractors	<ul style="list-style-type: none"> - Number and scale of construction project all decline - Input and other costs increase compared to the previous year - In-stock capitals because contractors cannot gather money from investors when they still have to pay for their employees 	<ul style="list-style-type: none"> - Cut down number of employees, especially the immigrant ones - Take over the small projects to have jobs for their employees - Connecting with other contractors to send their employees to them - Debts to the dealers who provide them input materials - Debts to their employees 	<ul style="list-style-type: none"> - Reducing expenses for meals and drinks. - Reducing expenses for recreation and entertainments (tourism and parties) 	<ul style="list-style-type: none"> - Receive no assistance from the Government; - Do not participate in voluntary social insurance but participate in life insurance)
2	Contractors from other provinces/cities	<ul style="list-style-type: none"> => Reduced income 	<ul style="list-style-type: none"> - Take over the small projects to have jobs for their employees – Return home to take over the projects in their hometowns - Return home to cultivate farming lands - Debts to the dealers who provide them input materials - Debts to their employees 	<ul style="list-style-type: none"> - Delay the plan for purchasing and construction in their hometowns 	<ul style="list-style-type: none"> - Receive no assistance from the Government; - Do not participate in voluntary social insurance but participate in life insurance)



#	Labour group	Shocks and their impacts	Responses to employment and income	Responses to expenses and family welfare	Assistance from the Government
3	Ha Noian building workers	<ul style="list-style-type: none"> - Reduced working days; do not often work in the beginning months of the year - Because of limited jobs, contractors have rights of selecting workers rather than workers have rights to choose employers 	<ul style="list-style-type: none"> - Seeking other self-employed jobs - Moving from the formal to informal sector - Doing other jobs - Getting loans from friends and relatives without interest 	<ul style="list-style-type: none"> - Reduce savings - Try to ensure their children's study; however, they have also to cut down the fees for their children's outdoor activities and extra lessons. 	<ul style="list-style-type: none"> - As seasonal workers, they are illegitimate to labour and social insurance policies - Less informed about voluntary social insurance so they do not participate in the scheme
4	Building works from other provinces/cities	<ul style="list-style-type: none"> - Daily wage level is kept constant or reduced - Less or little bonuses (by cash or meals) => reduced income and welfare regimes	<ul style="list-style-type: none"> - Reduce the remittance sent back hometown - Try to stay in Ha Noi because if they return home, they will not be able to get jobs to generate income - Shifting to other jobs (selling teas and drinks, taxi drivers or doing small trades) - Returning home to cultivate farming lands, sometimes working as building workers; - Migrating to other provinces with high demands of building workers such as Quang Ninh, Son La or even to China 	<ul style="list-style-type: none"> - Reduce expenses for healthcare - Reduce expenses for unnecessary products 	<ul style="list-style-type: none"> - Legitimate to preferential credit loans from Banks for Social Policies if they are from poor, nearly poor households or their children are at universities and colleges
II Retail Sales					
1	Self-employed workers & traders	<ul style="list-style-type: none"> - Number of consumers and commodities reduce, especially the products that are not daily needs - Increasing competitiveness while many employees have move to work in the retails - Debts of clients and customers => Reduce incomes and capitals	<ul style="list-style-type: none"> - Diversifying types of commodities, - Selling other types of commodities - Doing other jobs or move to other jobs 	<ul style="list-style-type: none"> - educe savings - Try to ensure their children's study; however, they have also to cut down the fees for their children's outdoor activities and extra lessons. - Reduce expenses for healthcare - Reduce expenses for unnecessary products 	<ul style="list-style-type: none"> - Illegitimate to labour and social, health insurance policies - Less informed about voluntary social insurance so they do not participate in the scheme - Legitimate to preferential credit loans from Banks for Social Policies if they are from poor, nearly poor households or their children are at universities and colleges
2	Hired employees	<ul style="list-style-type: none"> - Less work to do => Reduce income	<ul style="list-style-type: none"> - Reduce the remittance sent back hometown - Selling other commodities - Doing other jobs; - Return home to selling commodities or cultivating their farming lands 	<ul style="list-style-type: none"> - Getting loans from relatives and friends when needed 	



#	Labour group	Shocks and their impacts	Responses to employment and income	Responses to expenses and family welfare	Assistance from the Government
III	Agriculture	<ul style="list-style-type: none"> - Prices of output products reduce and fluctuate without ability to predict - Increasing number of households breeding animals and planting vegetables => severer competitiveness in output sales - with cheap Chinese agricultural products => Reduced income which reduce farmers' desire for cultivation 	<ul style="list-style-type: none"> - Extending their production scale (breeding different kinds of poultry and animals) - Self subsidize varieties and foods for animals and poultry - Debts to dealers who sell inputs for planting and breeding - Doing other jobs 	<ul style="list-style-type: none"> - Make use of the food produced by households themselves such as vegetables, rice, and eggs; - Reduce the purchased food, especially the expensive one like red meat and fish; - Trying to maintain the study for their children; - Borrow money from relatives or friends when needed 	<ul style="list-style-type: none"> - Vocational training for rural labour: has not much reached to people in needs, many people have not been able identify which occupations to be trained and relevant to themselves and their local labour market. - Legitimate to preferential credit loans from Banks for Social Policies if they are from poor, nearly poor households or their children are at universities and colleges - Able to get preferential credit loans from Bank for Agriculture and Rural Development if they have assets for mortgage - Initiate the process of gathering small farming lands in bigger ones

II. Nam Dinh province

Nam Dinh is located in the southern Red River Delta, with Ha Nam province to the north, Thai Binh to the east, the East Sea to the southern east and south, and Ninh Binh to the west. The province has 9 districts, 1 type-2 provincial city; 230 wards and towns. Nam Dinh city, 90km from Ha Noi capital, is the economic – political – cultural centre of the whole province. The two selected zones for research are district Xuan Truong and district Y Yen.

District Xuan Truong lies in the south of Nam Dinh province, 35km from Nam Dinh city, with ample agriculture labour. There are not many construction enterprises, but the districts hosts bricks and building materials production (Nam Dinh province has a total of 28 brick and building materials production companies but all faced with difficulty). The people there are chiefly seasonal workers or migrate to Ha Noi and other large cities seeking for employment, majorly in the liberal vocations such as collecting recycled materials, household assistant, bricklayer, 'xe om'... and the trend is becoming more common due to the meager income from agriculture. The case of people abandoning or leaving land to family members altogether happened 5 years ago

District Y Yen is situated in northern Nam Dinh province, with the economy mainly dependent on subsidiary crafts; many workers move to large cities for extra jobs. Y Yen has some subsidiary crafts such as copper casting, fine arts,



bamboo and rattan knitting, sewing... Workers working in construction in large cities mostly come from Yen Phu town, which has the traditional bricklaying craft. Due to the economic downturn, 60% of builders and carpenters sustain in Ha Noi, while 40% head back to their hometown, getting temporary jobs, and instead of producing agriculture, they work as builders for the local or non-local construction. In short, working hour was reduced; income was minimized by 50% to maintain labour, revenues and profits.

#	Labour group	Shocks and their impacts	Responses to employment and income	Responses to expenses and family welfare	Assistance from the Government
I	Construction				
1	Owners of construction enterprises	<ul style="list-style-type: none"> - Policy on tightening public expenses and reducing public construction - Banks tighten the policy on credit loan lending - No or reduction of construction projects - Owed or late payment for on-going or completed projects => Unaffordable for expenses and payment for their employees 	<ul style="list-style-type: none"> - Extending their geographic areas for construction (to other provinces) - Handover the projects in remote and mountainous areas; especially the projects sponsored by the Program 135; - Diversifying working industries (moving to garment industry) - Borrowing capitals from different sources to pay for their employee's wages and other expenses; - Reducing number of employees: keeping skilled workers while dismissing all seasonal workers. - Reducing every administrative and other relevant costs 		<ul style="list-style-type: none"> - Difficult to get preferential credit loans; - Less or no information about supportive policies for small and medium enterprises
2	Formal employers in the enterprises	<ul style="list-style-type: none"> - Having no job to do, they are only paid with 70% of their monthly salaries or temporarily staying at home without payment - More difficult in seeking jobs because they have the right to choose employers and vice versa => Reduction of or no income source 	<ul style="list-style-type: none"> - Seeking other jobs but it is really difficult to get others; - Moving to work in the informal sector 	<ul style="list-style-type: none"> - Reducing family expenses on food, foodstuff; - For education, they try to maintain their study for their children; however, they cut down the expenses on daily outdoor activities and extra lessons of their children. 	<ul style="list-style-type: none"> - Legitimate to unemployment insurance benefits when they are dismissed or resigned from their jobs
3	Seasonal workers in enterprises	<ul style="list-style-type: none"> - Dismissed immediately right after the projects are completed or the enterprises face with financial difficulties =>Reduced income and have no savings to send back their families 	<ul style="list-style-type: none"> - Reduce the remittances sent back their families - Get involved in other irregular construction groups/teams; - Accept to go to mountainous and remote areas to work 	<ul style="list-style-type: none"> - Reduced personal expenses (cigarettes, alcohol) - Reduced expenses for families (except for expenses for education) 	<ul style="list-style-type: none"> - No available state policy to support them



#	Labour group	Shocks and their impacts	Responses to employment and income	Responses to expenses and family welfare	Assistance from the Government
4	Workers in the informal sector (building worker group/team)	<ul style="list-style-type: none"> - Reduction of construction projects; - Severer competitiveness from immigrant building workers; - Constant or even reduced daily wage; => reduced income and have no saving to send back their family 	<ul style="list-style-type: none"> - Doing other irregular work to stay in the city; - Return home to join in local building worker groups/teams; - Going to mountainous and remote areas to work (projects sponsored by the Program 135); - Temporarily work at home to help their family cultivate their farming lands o breeding poultry or animals 	<ul style="list-style-type: none"> - Reduced personal expenses (except for cigarettes) - Reduced expenses for families (except for expenses for education) 	
II	Retail Sales (agricultural inputs and construction materials)	<ul style="list-style-type: none"> - Reduced consumed goods and inputs - Reduced revenue - More debts from customers and clients => Reduced income and lack of capitals 	<ul style="list-style-type: none"> - Still try to survive because they do not what jobs to do - No allowed debts from their clients 	<ul style="list-style-type: none"> - Reduced expenses for families (except for expenses for education) 	
III	Trading and collecting recycled wastes	<ul style="list-style-type: none"> - Unavailable big deals - Unable to sell the in-stored wastes - Recycled wastes collected from individuals or groups also reduce. As a result, there is a shortage of bottles or paper boxes => Sharp decrease in income 	<ul style="list-style-type: none"> - Give up big deals to deal with small deals for individuals and groups; - Do not hire big warehouses but small ones far from central areas with cheaper rental prices. - Seek other jobs (domestic workers, cleaners or street vendors); - Return home to do farming work or help their families 	<ul style="list-style-type: none"> - Limit expenses of their families; - Limit personal expenses (except for cigarettes) 	
IV	Agricultural industries	<ul style="list-style-type: none"> - Increased prices of inputs; - Decreased prices of outputs with no explanation; - Epidemic happening in breeding => reduced income 	<ul style="list-style-type: none"> - Continue their work though they get no profit; - Reduce their breeding scale or no longer breed any poultry or animals 	<ul style="list-style-type: none"> - Limit their family expenses, especially for the expensive and luxurious products; - Quality of meals is also reduced because of an increase in food prices 	<ul style="list-style-type: none"> - Able to access preferential credit loans if they have assets for mortgage - Get involved in the movement of farming land gathering to make bigger ones, building newly rural areas
V	Handicraft trade (bamboo and rattan products)	<ul style="list-style-type: none"> - No deal; - Severer competitive in terms of prices and quality 	<ul style="list-style-type: none"> - Enterprises reduce number of their employees while other establishments providing inputs for enterprises also reduce their workers; - For skilled workers, enterprises still try to keep them; - Move to process wooden products for praying; - Connecting with tradecraft villages in Ha Tay (rural Ha Noi) and Sai Gon to sell their products 	<ul style="list-style-type: none"> - Reduced income, so limit their family expenses; limit to purchase luxurious products. - Try to maintain expenses for education (education fees and school construction costs), only reduce costs for extra lessons or clothes for their children. 	<ul style="list-style-type: none"> - No available state policy to support them



III. Thanh Hoa province

Thanh Hoa is a densely populated province lying in the North Central. With the population of approximately 3.6 million, Thanh Hoa has fairly abundant source of labour. The natural areas is 11.108km². About administrative boundaries, the province has 27 districts and cities, including 11 mountainous districts; 636 towns/villages, plus 102 particularly disadvantaged towns/villages. The chosen districts are Quang Xuong and Thieu Hoa.

District Quang Xuong is one of the populated districts, with the people in working age constituting for a proportion of 55.5%. Within the economic development stimulus triangle: Thanh Hoa city – Sam Son borough – Nghi Son economic zone, there are numerous industrial parks, enterprises operating with highly skilled labours. The local workers are very diverse in occupations. In district Quang Xuong, the research has selected 3 boroughs: Quang Vinh (with many workers in construction, rice milling, working away from home), Quang Phong (substantial land suitable for raising cattle/poultry), Quang Tan (various builders, construction enterprises, and fish breeding).

District Thieu Hoa is located not far away from Thanh Hoa city but is considered as one of the disadvantaged districts of the province. The most prominent characteristic of this district is scattered and scarce agricultural land, thus many farmers abandon their land and move far away from home in quest for employment. In Thieu Hoa district, the research selected 3 boroughs: Thieu Nguyen (plants cultivating, diverse domestic breeding, plenty of construction builders), Thieu Chau (few land, many working away workers, rice paper village, diverse domestic breeding) and Thieu Giao (abandoned land, many working away workers).

#	Labour group	Shocks and their impacts	Responses to employment and income	Responses to expenses and family welfare	Assistance from the Government
I	Construction				
1	Construction enterprises	<ul style="list-style-type: none"> - Reduction of construction projects - Debts by the on-going or unsold completed buildings or houses - Banks tighten the policy on credit loan lending. => No capability of paying for expenses and workers' salaries	<ul style="list-style-type: none"> - Extending their geographic areas for construction (to other provinces) - Handover the projects in remote and mountainous areas; takeover the projects of national defence soldiers in the border areas of Thanh Hoa. - Extending more relations to seek for construction deals - Reduction to the lowest number of employees - Try to keep skilled workers while totally dismiss all seasonal ones. - Reduce all administrative costs and other relevant ones 		- No support



#	Labour group	Shocks and their impacts	Responses to employment and income	Responses to expenses and family welfare	Assistance from the Government
2	Seasonal workers in enterprises	<ul style="list-style-type: none"> - Jobs lost - have to seek other new jobs => and have no savings to sent back their families	<ul style="list-style-type: none"> - Get involved in other irregular construction groups/teams - Accept to go to mountainous and remote areas to work 	<ul style="list-style-type: none"> - Reduced personal expenses (except for cigarettes) - No reduction for attending weddings or funerals 	- No supportive policy
3	Workers in the informal sector		<ul style="list-style-type: none"> - Do other irregular jobs to stay in the cities - Going to mountainous and remote areas to work - Return home to join in local building worker groups/ teams - Temporarily work at home to help their family cultivate their farming lands o breeding poultry or animals 	<ul style="list-style-type: none"> - Reduced expenses for families (except for expenses for education) 	
II	Retail Sales	<ul style="list-style-type: none"> - Reduced consumed products - Reduced revenue; - More debts from clients 	<ul style="list-style-type: none"> - Still try to survive because they do not what jobs to do - No allowed debts from their clients 	<ul style="list-style-type: none"> - Still try to survive because they do not what jobs to do - No allowed debts from their clients 	No supportive policy
III	Trading and collecting recycled wastes	<ul style="list-style-type: none"> - Unavailable big deals - Unable to sell the in-stored wastes - Recycled wastes collected from individuals or groups also reduce. As a result, there is a shortage of bottles or paper boxes => Sharp decrease in income 	<ul style="list-style-type: none"> - Give up big deals to deal with small deals from individuals and groups; - Do not hire big warehouses but small ones far from central areas with cheaper rental prices. - Seek other jobs (domestic workers, cleaners or street vendors); - Return home to do farming work or help their families 	<ul style="list-style-type: none"> - Limit expenses of their families; - Limit personal expenses (except for cigarettes). - Still maintain the expenses for their children's education, but still reduce expenses for their extra lessons though they will take the university entrance exams next year. 	No supportive policy
IV	Agriculture	<ul style="list-style-type: none"> - Steadily increases inputs prices - Decreased output prices - Epidemics happened which caused the mass death of pigs and chickens 	<ul style="list-style-type: none"> - Go to the South to seek jobs; - Still continue their work though they get no profit; - Reduce their breeding scale or no longer breed any poultry or animals 	<ul style="list-style-type: none"> - Limit their family expenses, especially for the expensive and luxurious products; - Quality of meals is also reduced because of an increase in food prices 	<ul style="list-style-type: none"> - Vocational training for rural workers has not been paid with right attention - Preferential credits for several particular groups



IV. Long An province

Long An is one of the 8 provinces of Mekong River Delta key economic region. Lying at the gate of Ho Chi Minh city - the largest economic centre of Vietnam, 15km from the East Sea, having harbor to Soai Rap Inver to the North, and gateways to Cambodia, Long An owns a strategic location, which is ideal for economic development. By enhancing those advantages, Long An always names among provinces with highest economic growth and also made to the list of 10 most investment attracting regions. However, in the context of prevailing economic downturn in these recent years, Long An economy has also been affected, leading to decline in economic growth.

The targeted localities include district Vinh Hung, the Cambodia adjacent borderline district representing for the rural areas with large-scaled agricultural production; districts Ben Luc and Duc Hoa, standing for areas with compacted industrial parks, factories, and operating enterprises. Ben Luc has been industrialized for more than 10 years whereas Duc Hoa has only started in the last few years. In both of these two districts currently exist hang-planning projects and unfinished construction works.

#	Labour group	Shocks and their impacts	Responses to employment and income	Responses to expenses and family welfare	Assistance from the Government
I	Construction				
1	Construction enterprises	<ul style="list-style-type: none"> - Reduction of/no new construction projects - Debts by the on-going or unsold completed buildings or houses - Banks tighten the policy on credit loan lending. => No capability of paying for expenses and worker	<ul style="list-style-type: none"> - Extending their geographic areas for construction (to other provinces) - Accept to do small deals and small projects to survive. - Reduce the number of employees to the lowest threshold - Try to keep skilled workers while totally dismiss all seasonal ones. - Reduce all administrative costs and other relevant ones 		
2	Contractors	<ul style="list-style-type: none"> - Number and scale of the projects reduce; - increased input and other costs compared to the previous year => Reduced income	<ul style="list-style-type: none"> - Cut down number of employees; - takeover the projects in remote areas or smaller ones; - Connecting with other contractors to send their employees to work for them; - Debts to the dealers who provide construction materials for them 	<ul style="list-style-type: none"> - Reduce costs for meals; - Reduce expenses for luxurious activities (tourism or parties) 	- No support



#	Labour group	Shocks and their impacts	Responses to employment and income	Responses to expenses and family welfare	Assistance from the Government
3	Building workers in the formal sector	<ul style="list-style-type: none"> - No extra working hours or shifts - Temporary day-offs because of no available jobs - Slowly increased daily wages, lower than the payment for those in the informal sector- - Owed or late salary payment => reduced income	<ul style="list-style-type: none"> - Reduce remittances sent back home; - Seek other jobs; - Migrate to other provinces like Ho Chi Minh City or Binh Duong to work - Moving from the formal to informal sector; - Doing other jobs (street vending or selling lottery); - Using their savings; - Borrowing money from friends or relatives; 	<ul style="list-style-type: none"> - Reduce savings - Try to ensure their children's study; however, they have also to cut down the fees for their children's outdoor activities and extra lessons; - Reduce costs for health care services - Reduce to purchase necessary products for daily needs 	As seasonal workers, they are illegitimate to labour and social insurance policies <ul style="list-style-type: none"> - Less informed about voluntary social insurance so they do not participate in the scheme - Legitimate to preferential credit loans from Banks for Social Policies if they are from poor, nearly poor households or their children are at universities and colleges
4	Building workers in the informal sector	<ul style="list-style-type: none"> -Reduced many working days, no jobs in rainy months - Slowly increased daily payment; - More job and geographic changes => reduced income	<ul style="list-style-type: none"> - Receiving assistance from families to survive - Returning home to do farming work and waiting for jobs from contractors; - Getting involved in strikes to ask for payment 		
II	Retail Sales	<ul style="list-style-type: none"> - Number of consumers and commodities reduce, especially the products that are not daily needs - Increasing competitiveness while many employees have move to work in the retails - Debts of clients and customers => Reduce incomes and capitals	<ul style="list-style-type: none"> - Diversifying types of commodities, - Selling other types of commodities - Doing other jobs or move to other jobs - Choosing clients who can owe the payment for the products 	<ul style="list-style-type: none"> - Reduce savings - Try to ensure their children's study; however, they have also to cut down the fees for their children's outdoor activities and extra lessons. - Reduce expenses for healthcare - Reduce expenses for unnecessary products - Getting loans from relatives and friends when needed 	<ul style="list-style-type: none"> - Illegitimate to labour, compulsory social and health insurance policies - Less informed about voluntary social insurance so they do not participate in the scheme - Legitimate to preferential credit loans if they are poor, nearly poor households or have children who are at universities and colleges



#	Labour group	Shocks and their impacts	Responses to employment and income	Responses to expenses and family welfare	Assistance from the Government
III	Agriculture	<ul style="list-style-type: none"> - Prices of output products reduce sharply - Traders often try to reduce the prices in the harvesting seasons; - Lack of human resource for harvesting crops => unstable income and farmers do not feel secure to work 	<ul style="list-style-type: none"> - Getting loans from banks to invest in production - Debts to dealers selling inputs. - Mechanizing in production; - Rent and lease production lands; - Working for others in their living areas; - Employ seasonal workers when needed; - Doing other jobs when having spare time (fishing, catching birds or breeding, ...) 	<ul style="list-style-type: none"> - Make use of the food produced by households themselves such as vegetables, rice, and eggs; - Reduce the purchased food, especially the expensive one like red meat and fish; - Trying to maintain the study for their children; - Borrow money from relatives or friends when needed 	<ul style="list-style-type: none"> - Government's and enterprises' policies on purchasing and collection agricultural products for storage and sales are ineffective because they offer lower prices than the price in the market - Large-scaled rice fields have been formed and deployed - Vocational training for rural labour: irrelevant to people's and the market's needs => unable to attract trainees - Legitimate to preferential credit loans if they are poor, nearly poor households or households with schooling children - Legitimate to loans from the Bank of Agriculture and Rural Development if they have assets for mortgage - Not participate in voluntary social and health insurance because of two high premiums



V. Ho Chi Minh City

Ho Chi Minh city accounts for 0.6% the areas and 6.6% the population of the whole country, situated in the Southern key economic centre, and is the national leading centre in economic growth and development. The city is the largest banking and finance centre of Vietnam, appealing the most foreign capital investment, and also making up for the highest proportion in the State budget revenues.

During the development and globalization process, Ho Chi Minh city has always consolidated its status as the principal centre of economy, finance, commerce and services, the nucleus of the Southern key economic centre, which is 1 of the 3 biggest key economic centres of the country and also serves as the stimulus zone for the economic and social development of The South in industrialization and modernization. Nevertheless, in light of the economic recession, the city's economy has been adversely affected, resulting in declining growth.

The studied areas are the 5 wards belonged to 3 urban districts including Thu Duc, Binh Tan and District 7. Thu Duc and Binh Tan are the two recently established which are adjacent to the rural areas of Ho Chi Minh city, hosting a large number of immigrant workers and construction buildings. District 7 is the particular zone for the EPZ, industrial parks, and rapidly developing construction buildings in the last more than 10 years.

#	Labour group	Shocks and their impacts	Responses to employment and income	Responses to expenses and family welfare	Assistance from the Government
I	Construction				
1	Construction enterprises	<ul style="list-style-type: none"> - Reduction of/no new construction projects - Debts by the on-going or unsold completed buildings or houses - Banks tighten the policy on credit loan lending. => No capability of paying for expenses and workers	<ul style="list-style-type: none"> - Actively extend their geographic areas for construction; seeking new construction deals - Accept to do small deals and small projects to survive. - Reduce the number of employees to the lowest threshold - Reduce all administrative costs and other relevant ones 		
2	Contractors	<ul style="list-style-type: none"> - Number and scale of the projects reduce; - increased input and other costs compared to the previous year => Reduced income	<ul style="list-style-type: none"> - Cut down number of seasonal workers; - takeover the projects in remote areas or smaller ones; - Connecting with other contractors to send their employees to work for them; - Debts to the dealers who provide construction materials for them 	<ul style="list-style-type: none"> - Reduce costs for meals; - Reduce expenses for luxurious activities (tourism or parties) 	- No support



3	Building workers in the formal sector	<ul style="list-style-type: none"> - No extra working hours or shifts - Temporary day-offs because of no available jobs - Slowly increased daily wages, lower than the payment for those in the informal sector- - Owed or late salary payment => reduced income 	<ul style="list-style-type: none"> - Reduce remittances sent back home; - Seek other jobs; - Migrate to other provinces like Long An, Binh Duong, Dong Nai to work - Moving from the formal to informal sector; - Doing other jobs (street vending or selling lottery); - Using their savings; - Borrowing money from friends or relatives; - Receiving assistance from families to survive - Returning home to do farming work and waiting for jobs from contractors; 	<ul style="list-style-type: none"> - Reduce savings - Try to ensure their children's study; however, they have also to cut down the fees for their children's outdoor activities and extra lessons; - Reduce costs for health care services - Reduce to purchase necessary products for daily needs 	<p>As seasonal workers, they are illegitimate to labour and social insurance policies</p> <ul style="list-style-type: none"> - Less informed about voluntary social insurance so they do not participate in the scheme
4	Building workers in the informal sector	<ul style="list-style-type: none"> - Reduced many working days, no jobs in rainy months - Slowly increased daily payment; - More job and working geographic changes => reduced income 			
II Retail Sales					
1	Small-scaled traders	<ul style="list-style-type: none"> - Reduced purchasing power, especially for the unnecessary commodities - severe competitive by supermarkets and street vendors - More debts from clients - Getting loans from black credit sources with high interests => Reduced income and capitals 	<ul style="list-style-type: none"> - Diversifying types of commodities, - Selling other types of commodities; doing other jobs or move to other jobs - Choosing clients who can owe the payment for the products - Getting loans from different sources, including black credits 	<ul style="list-style-type: none"> - Reduce savings - Try to ensure their children's study. - Reduce expenses for healthcare - Reduce expenses for unnecessary products 	<ul style="list-style-type: none"> - Illegitimate to labour, compulsory social and health insurance policies - Less informed about voluntary social insurance so they do not participate in the scheme - Legitimate to preferential credit loans if they are poor, nearly poor households or have children who are at universities and colleges
2	Street vendors	<ul style="list-style-type: none"> - Reducing purchasing powers; - Severer competitiveness from more other street vendors 	<ul style="list-style-type: none"> - Changing their products for sales, selection easily consumed products; - Increasing the time for selling products; - Return home less and reduce savings to send back home 	<ul style="list-style-type: none"> - Maximally cut down expenses for themselves; - Accept to live in the slum houses with poor conditions but with cheaper prices; - Sending their children to their hometowns for their parents' cares 	<ul style="list-style-type: none"> - Illegitimate to labour, compulsory social and health insurance policies - Legitimate to preferential credit loans if they are poor, nearly poor households or have children who are at universities and colleges - Unaffordable to participate in voluntary health and social insurance

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