MOLISA– VIE/02/001

# Rapid Impact Assessment

# Viet Nam 2011

## Synthesis report

Ha Noi, October 2011

**What do enterprises say about changes in the first 8 months of 2011?**

*"I haven't seen any other countries in which enterprises have had to increase salaries four times in one year."*
A foreign investor in the garment industry, Ho Chi Minh City

*"I borrowed from the banks to repay outstanding debts. What I paid the workers was not enough to for them to live on, but I couldn't do more. It is better to give them a job than let them be unemployed. Therefore, I borrowed from the banks to do a project. I borrowed 2 billion worth of "hot money" at an interest rate of 6% a month. When the project finished, I only had enough money to pay the interest. I did not make a profit."*
Manager at a construction enterprise, Dong Nai

*"I work with whatever (capital) is available. Enterprises do not go bankrupt except when the workers lack the proper skills and spirit or when they do not have a production base of their own."*
Manager at a small handicraft enterprise, Dong Nai

**What do labourers say?**

*"There was low basic salary and no other incentives for higher productivity, so I quit my job. I did that to collect unemployment benefits for three months. During that time, I worked at construction sites. When that work became unstable, I went back to the company. Job hopping was not difficult."*
A garment worker, Dong Nai

*"The company is currently losing money, so it discharges highly-paid employees but keeps recruiting new workers. Some people quit their job. Although my salary was increased, it is still too low, about 2.5 million per month. Prices are increasing and I have many expenses related to my children."*
A footwear worker, Ho Chi Minh City

*"I have spent everything I have earned this year. Expenses are almost double compared to last year. This year is more difficult than last year. My salary has increased but life is still difficult due to price increases."*
An electronics worker, Hai Duong

*"Monthly income does go up, and remittances have also increased a bit, but with such an increase in prices, nothing is as good as last year. Prices have increased so much that we have had to reduce all of our expenses, including food. We only buy very cheap things."*
An unskilled worker, Ho Chi Minh City

**Social security**

*"In Viet Nam about 9.45% of the population lives below the poverty line and up to 28% of the population receives social welfare services, for example the elderly, the disabled, and children with special needs."*
Department of Social Protection, MOLISA

*"There are two types of social support, regular and emergency. Both of them have been well-implemented. Many poverty alleviation policies have had good effects upon the beneficiaries in regard to healthcare, access to credit and education."*
Provincial Department of Labor, Invalids and Social Affairs

*"99-100% of all children are told to attend primary school, and classes. Attendance is reported to be 100%, but in fact half of all pupils are absent so that they can stay at home and help their parents."*
A commune labor officer

*"School fees are borrowed and many kids have to leave school. Some only complete grade 5 and then stay at home to do farming. They do not go to work far from home. Some complete secondary school and some do not. If they don't want to study, their parents do not force them. Prices have increased a lot but our retirement allowance has only increased a little."*
A retired householder

*"My child is young, but I could not register for the orphan allowance, so I had to take him along. I have been renting accommodation by the day for a year without registering with the police and getting a temporary stay permit. Every year on September 2nd the landlord asks me to report to the precinct. I struggle here on a very low income, but back home I am not poor. Therefore, we do not receive any social support. Life is difficult, but manageable. The only problem is that my child does not live as well as other children."*
A female migrant at a slum

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# ABBREVIATION

| | |
|---|---|
| CAF | Centre for Analysis and Forecasting |
| CPI | Consumer Price Index |
| DFID | The UK Aid from the Department for International Development |
| EU | The European Union |
| EVN | Viet Nam Electricity Corporation |
| FDI | Foreign Direct Investment |
| FII | Foreign Indirect Investment |
| GDP | Gross Domestic Product |
| GSO | General Statistics Office |
| HEPZA | Hochiminh city Export Processing and Industrial Zone Authority |
| ILSSA | Institute of Labor Science and Social Affairs |
| ISPARD | Institute of Policy and Strategy for Agricultural and Rural Development |
| IP | Industrial Park |
| HCM city | Hochiminh city |
| HH | Household |
| NGO | Non-government Organization |
| MOLISA | Ministry of Labor, Invalids and Social Affairs |
| MSG | Monosodium glutamate |
| ODA | Official Development Assistance |
| RIM | Rapid Impact Assessment |
| SME | Small and Medium-size Enterprise |
| UNDP | The United Nations Development Program |
| UNICEF | The United Nations Children's Fund |
| US | The United States of America |
| VASS | Vietnamese Academy of Social Sciences |
| VCCI | Vietnam Chamber of Commerce and Industry |
| VND | Viet Nam Dong |
| VSIP | Viet Nam Singapore Industrial Park |
| WTO | The World Trade Organization |

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# METHODOLOGY

Rapid Impact Monitoring (RIM) of changes observed in enterprises and workers has been done annually in July-August since 2009 with technical and financial support from different donors, especially UNDP, UNICEF, the Ford Foundation and the Embassy of Ireland.

The most important aspect of RIM is keeping track of key informants who can provide information not only about themselves but also their communities in order to collect information in the shortest period of time.

The information collected by RIM strives for highaccuracy in terms of tendency, importance, impact mechanism and experience, but absolute accuracy in scale cannot be ensured. This information is meant to complement the aggregate statistics from other government bodies like the General Statistics Office and MOLISA.

**RIM principles**

- **Key informants** – Interviewees must be key informants. Interviews are conducted not only to collect information at the individual level but, more importantly, to get information about the community (both the departure and destination communities in the case of migrants), and labor market segments.

- **Mapping of vulnerable groups** – Qualitative interviews are limited to a small scale. Therefore, it is essential to map/locate vulnerable groups with respect to the impact of economy-wide shocks in the overall picture.

- **Linkage focus** – The focus is on the linkages between macro issues and micro responses, between urban and rural areas, and between the formal and the informal sector.

- **Evidence-based** – Interview participants are purposively selected using snowball sampling to validate the collected information and ensure that each piece of information from the key informants is supported by evidence and a typical example. This is to validate that the concern is not unique to the situation of only a few respondents.

- **Forward-looking approach (short-term)** – This approach is used to gauge the confidence of enterprises and consumers through short-term forecasting in terms of their confidence and expected impacts.

**RIM 2011 focus**

- What has changed in the labor market? How have inflation (the increase in the price of petroleum and electricity), the exchange rate, and changes in the market affected enterprises, workers and households?

- What are the coping measures that have been used? How effective have support programs been in facilitating positive measures? What have been the causes of measures that have had a negative effect?

**A qualitative report cannot validate exact figures. However, it can complement existing statistics by confirming key mechanisms and the trend of impacts and responses. With respect to overall statistics and regular monitoring exercises, qualitative findings are credible in regards to patterns and direction.**

**RIM is used to create an overall picture in a timely manner.**

# SUMMARY

The three rounds of Rapid Impact Monitoring (RIM) since 2009 have shown that the impacts of economy-wide shocks have varied across different groups of firms, workers and households, yet have changed both in terms of direction and magnitude as the nature of shocks has changed quickly from dominant external to internal ones over the last few years.

RIM in 2011 shows, in general, that firms, workers and households have all been hit hard by the economy-wide shock of too-high inflation. However, the labor market (employment and income) has been strong enough to found a basis for consistent implementation of tightening monetary and fiscal policies, which has led to a decline in inflation expectations. While these are positive signs overall, the Government still needs to pay attention to the issues of confidence in the economy and investment behavior.

The first months of 2011 witnessed an acceleration of inflation. The inflation rate in April 2011 was 9.64% higher than it was in December 2010, and it was 17.51% higher than it was in April 2010. The trade deficit has persistently been on the rise, reaching approximately 5 billion USD by the end of April 2011. Rising inflation and the trade deficit have put pressure on the domestic currency, resulting in the danger of entering a vicious circle of currency depreciation and inflation acceleration. Interviews conducted with enterprises and groups of individuals show that inflation of input production and consumer prices are dominant concerns. More worryingly, the expected inflation rate is very high due to (1) the expectation that production input prices will increase and (2) the expectation that agricultural output/service prices; both psychological factors whose combined effect exceeds an increase in actual expenses such as higher electricity and fuel prices .

There has been an overall increase in employment despite a few signs of decline in some localities. Bright macroeconomic signals in the first eight months of 2011 leave room for optimism in terms of an improved situation for employment in general. Positive growth has been observed in all sectors: in exports, industry, agriculture, services and retailing. However, there has been a slight decrease in business confidence as expressed in the short-term forecasting of purchasing orders. Amidst the difficult context of high input prices and decreasing profits, what is most concerning is the increase of inventories. Firms are currently adopting a temporary strategy: accepting orders just to keep their workers employed. However, it will be risky for firms to change their business strategy in the coming period, when their resilience will be tested to the limit. If all firms were to cut down on employment, policies in support of unemployment would once again be passively implemented. At present there are no proactive social protection mechanisms in place if this worst-case scenario were to occur.

Most significantly, mid- and long-term investment plans have been challenged by price increases and there is no sign of mid- and long-term investment expansion. Factory expansion in rural areas has actually been a shift of investment from high-cost to low-cost areas, as planned some years ago. This signals a danger for enterprises' production capacity and competitiveness in the future.

Surveys conducted on workers and households show the vulnerability of migrant workers in urban areas (workers at industrial parks and informal laborers) and poor farming households in rural areas. This observation is based on two factors: (1) real income has not increased much because it has been deflated by inflation (nominal income has increased a little, but prices have increased a lot) and (2) there has been a decrease of accumulated resources/assets due to pressures caused by debts and expenses. Groups unable to participate in the growth process (such as households comprised of elderly people, those in which nobody works, those in which the people are unable to work, and those without land assets) are considered by the community to be the most vulnerable groups. Poor faming households do not benefit from agricultural output price increases due to informal debts for production and living expenditures. In all survey areas, coping mechanisms used by vulnerable groups mainly consist of cutting down consumption to a minimal level and living in

hardship. Overall, negative impacts on employment and income have been registered without, however, causing any observed changes to poverty rates at the community level.

In brief, RIM 2011 shows that the labor market (employment and income) will remain strong enough during the implementation of consistent tightening monetary and fiscal policies until the expected inflation starts to show signs of reduction. However, the positive signs in terms of employment and income stability are coupled with concerns over the expected management, investment behavior and the sustaining endurance reaching a limit. A roadmap for the consistent and uniform implementation of the package of solutions offered in Resolution 11 is required. It should include:

- A steady and consistent monetary policy and continuous tightening control of the monetary supply;
- A tightening fiscal policy and a gradual decrease in public investments in order to limit the budget deficit, thereby easing pressures on capital markets;
- Concrete supports for export sectors, SMEs, and agriculture in rural areas, and;
- Effective implementation of the improved social protection measures as stipulated in the Resolution.

In the context of existing weaknesses in social safety nets, reviews of social protection enhancements against shocks in 2011 show that implementing the solutions to inflation and consistent macroeconomic policy coordination recommended in Resolution 11 is the only way to achieve the goal of welfare guarantee in the near future.

The current national information system lacks an impact monitoring system for employment and income. The development of such a system would require a more appropriate CPI for certain population groups such as migrants and informal workers.

The impacts of inflation on the most vulnerable groups in 2011 would not be totally mitigated by improvements in the design and implementation of the targeting programs of social safety nets. A social protection approach should be broad-based and integrated into all economic programs. Automatic stabilizers to shocks are a key solution to a long-term social safety strategy. Much more importantly, macroeconomic adjustment against inflation will be the only way to protect the most vulnerable groups.

# 1. Introduction

Looking back, the 5-year period 2006-2010 was quite unusual for Viet Nam. There was a promising start with the country becoming a WTO member in January 2007 and a resultant upbeat mood among the public about the country's prospects. Nobody then anticipated the huge challenges which would face the country in the ensuing years from 2008 to 2010. These years turned out to be a period of prolonged macroeconomic instability, with the economy constantly shifting from very high inflation and large macro imbalances in early 2008 to an economic downturn in early 2009 and then back to high inflation and rising macro imbalances in early 2010 which have continued into 2011. Indeed, the first months of 2011 witnessed an acceleration of inflation. The inflation rate in April 2011 was 9.64% higher than it was in December 2010, and it was 17.51% higher than it was in April 2010. The trade deficit has persistently been on the rise, reaching approximately 5 billion USD by the end of April 2011. Rising inflation and the trade deficit have put pressure on the domestic currency, resulting in the danger of entering a vicious circle of currency depreciation and inflation acceleration.

The economy in general and firms, households and workers in particular have all been hit hard by these systematic shocks. However, impacts have varied across different groups, and they have changed, both in terms of direction and magnitude, as the nature of the shocks has changed quickly over the last few years. Policy makers have thus experienced huge challenges steering the economy between the fire of inflation and the ice of economic downturn in recent years.

Despite policy makers' great efforts, policy responses to the shocks are widely seen as falling behind the curve, stop-and-go and poorly coordinated. Inappropriate responses to external shocks have sometimes made policies pro-cyclical, and at times inconsistency and weak coordination have even resulted in policy shocks, which have exacerbated the negative impacts of external shocks on the economy, firms, households and workers. Furthermore, the implementation of policies has raised serious concerns, which has undermined the effectiveness those policies in stabilizing the economy.

Many factors have made the stabilization task very challenging, including the inherent structural weaknesses of the economy; the inadequate capacity of macroeconomic management; and the lack of timely information for the formulation of short-term responses as well as a medium- and long-term policy framework with a forward-looking approach. Policy makers should be better informed with evidence from the ground so as to be able to come up with sound policies for restoring macroeconomic stability and putting the economy back on a path of stable, sustainable and equitable growth. While the collection of mainstream information by GSO and some other agencies has improved considerably in recent years, there still exist significant information gaps both in terms of content and timeliness. Addressing these gaps calls for, among other things, the need to put in place a system of rapid monitoring of micro impacts of economy-wide shocks and macro policies. Such a system would provide qualitatively sound and comprehensive real-time information on the impact of inflation and economic instability on employment, households, the poor and the vulnerable, in particular children, which would complement existing quantitative

data generation systems.
The focus of RIM 2011 will be on Resolution 11, specifically on its implementation in practice, micro impacts and responses, and feeding the collected information back to relevant policy making agencies for possible policy adjustments.

Resolution 11 in brief:

- Tighten monetary policy. The credit growth target was under 20%, down from over 30% in 2010. $M^2$ growth target was under 15-16%, down from 28% in 2010.
- Tighten fiscal policy. The budget deficit was less than 5% of the GDP, down from 5.8% in 2010. This may have a big impact when construction projects financed by State bonds slow down.
- Support agriculture, export and support industries, and SMEs. Tax exemption (deferred tax payment) was introduced.
- Phase out electricity and fuel subsidies, leading to an increase in these input prices.
- Ensure social security. The question is how to promote sustainable coverage of social protection and efficient social assistance in the context of shocks.
- Improve communication of policies to the public.

It is considered to be a comprehensive and well-designed policy with solutions to decrease aggregate demands. In the short-term a trade-off between inflation and growth/employment is forecast, and the impacts of this policy are twofold: demand-pull (a tightened monetary and fiscal policy leading to a decrease in total demand) and cost-push (an increase in the price of electricity, petroleum and food):

- Firms will be double hit by a shrinking demand for their outputs and the rising costs of their inputs. Both will keep down their profit margin and consequently, their demand for labor.
- Workers may be hit by the double shock of rising prices on the consumption side and shorter working hours, or even being laid-off, on the income generating side. Both may reduce their incomes in real terms considerably.

RIM fieldwork indicates that positive changes observed in the economy and the labor market is quite fragile and that the situation remains quite volatile. In this context some objectives of Resolution 11, especially in terms of enhancing social protection, remain unfulfilled. The main question is how to effectively reinforce the sustainable coverage of social security, social protection and social support in the context of shocks.

As for rural households, migrant workers, formal workers at industrial parks, and informal laborers, their vulnerability seems to have increased due to several factors: (1) a decrease in the real value of accumulative savings (normal income increases cannot catch up with increases in the cost of living); (2) long-term bad impacts due to the loss/sale of assets and resources due to debt insolvency and financial clearance; (3) a labor mobility challenge due to high inflation; and (4) timing and costly barriers in procedures involving labor mobility.

The groups which are considered most vulnerable in the context of instability include urban migrants (contracted workers and informal laborers), IP workers in rural areas, and laborers in craft villages.

## 2. Impacts of macro instability and high inflation: An update on groups that are most vulnerable to economy-wide shocks

*Perception of economy-wide shocks shows the urgent need for macroeconomic management to aim at public confidence. Most concerns are related to the pressure of inflation expectations driven by inconsistent macroeconomic management and an unfavorable institutional environment.*

*The labor market remains strong in terms of all three of its key indicators, namely employment, underemployment (measured by working hours), and income (measured by nominal and real wages). This serves as a warning signal for delaying investments into technological expansion, which will have a greater impact in the long term. Increased challenges as a result of inflation have led to corresponding increases in the existing inequalities in outcomes and educational opportunities for low-skilled migrants, who make up the bulk of the labor pool responsible for labor-intensive export growth. This is strong evidence in support of the continuation of consistent implementation of Resolution 11.*

*Asymmetric adjustments to uneven impacts of price fluctuations place the most emphasis on the more negative impacts on the most vulnerable groups: increased inequality; the continued decrease in the ability to borrow; institutional obstacles; and the low income trap. Therefore, the problems which the Government should be concerned with are the liability of informal credit; inequality; and social cohesion. In the long term, high educational achievements necessary to join the high-skilled labor force have to be made more accessible in order to minimize the low-income trap.*

*In the context of market turbulence, negative impacts affecting vulnerable groups have not caused great disorders to the poverty situation at the community level as in previous rounds of survey.*

*The increased vulnerability of migrant workers (industrial park workers and informal laborers) and poor farming households is due to the decreasing real value of accumulated resources and a decreasing ability to access informal credit due to pressures caused by debt and expenditures. For groups unable to participate in the growth process, households with poor people, those in which nobody works, those in which the people are unable to work, and those without land resources are considered by the community to be most vulnerable. Due to a maximization of the labor force and a minimization of expenditures, vulnerable groups have encountered more difficulties than others at all sites.*

## 2.1. Perception of the most widespread and persistent economy-wide shock

Widespread awareness and discussion of the most pressing concern: high inflation as an economy-wide shock.

All concerns focus on continued increases in input prices (production units) and living expenses (firms, workers, households). Most firms perceive inflation to be the most difficult problem related to production due to the increased cost of wages and electricity. Laborers and households have voiced concern in recent years about the perennial problem of the high cost of living in cities and the high cost of food in cities and rural areas, and even in remote mountainous areas where ethnic minorities live.

> *"Our biggest concern now is the increase in input prices, not the contract issue. The biggest input cost increases are wages and electricity. Total wages for workers has increased by more than 30%. Electricity costs have increased by more than 42%. Other firms in our sector are in same situation."*
> Manager at an electronics firm with 4,000 workers, Ho Chi Minh City

> *"At export firms, due to inflation in wages and materials, total costs have increased by about 40% at some garment firms. As a result all the other firms nearby have had to increase wages."*
> Manager at a garment firm with 400 workers, Binh Duong

> *"Inflation affects all input costs, especially the price of gas price, which has risen by 15%, and wages, which have risen by 15%. The interest rate on a two billion dong loan from the bank has increased from 14.7 to 20%. The fact that there has been no increase in the output prices has made the situation more difficult. We have had no option but to accept a decrease in profit by 5% on a year-over-year basis."*
> Manager at a large-scale enterprise with 50 workers in ceramics craft village, Ha Noi

> *"From the beginning of the year until now, I have spent everything I have earned. Expenses are almost double compared to last year. This year is more difficult than last year. My salary has increased but life is still difficult due to price increases. Everything is more expensive."*
> An electronics worker at a 1,200-worker factory, Hai Duong

> *"Monthly income has gone up, but so have prices. Nothing is as good as last year. Prices have increased so much that we have to reduce all of our expenses, including food. We only buy very cheap things."*
> An unskilled worker in the informal sector, Ho Chi Minh City

In remote mountainous areas, where little rice is grown, most people are concerned about inflation when they have to buy rice. At a survey site in Son La, life was all the more difficult because of a crop failure last year. People had to buy rice sooner and in greater quantity than before. The inflation concerns of the people in remote areas are mostly related to the price of rice and other food expenses. Other items like agricultural input prices, which are also increasing, have not been one of their concerns because they do not know the exact price of everything and only repay those expenses in kind (crops) after the harvest.

> *"The most difficult thing is the increase in prices. A quarter of the village has had to buy rice. Prices at the market have risen from about 20 to 40,000. They increase every 2 days. I paid 7,000 for 0,5 kg of tofu and*

*35,000 for 0,3 kg of meat yesterday. You can see that the increase in wages cannot catch up with inflation. Last year a local man could earn 60 to 70,000 in one day, and with this money he could buy more than 1 kg of meat, but now a man can earn 80 to 100,000 a day, an increase in nominal terms, but with this money he can buy less than 1 kg of meat."*
Ethnic Muong farmer in a 235-household village 17 km away from the district center, Region 3[2], Son La

*"The government should work to decrease the prices. 3 kg of maize (the main local crop) is not equal to 1 kg of pork (which must be bought at the market). The thought that each slice of meat costs 2 to 3,000 stopped us from buying pork. We are scared of the prices."*
Ethnic Thai farmer in a 235-household village 17 km away from the district center, Region 3, Son La

Inflation is perceived as the biggest reason why labor recruitment is difficult in the more expensive places like industrial parks in urban areas.

Perception of the difficulty of labor recruitment has changed over time. The pressure of inflation has created the perception that inflation is the biggest reason why labor recruitment is difficult in the more expensive places like industrial parks in urban areas. Firms have confirmed the three most important factors: (1) inflation has led to a big gap between low income and high expenditures, (2) laborers are heading back to rural areas thanks to local factory expansion, and (3) attractive recruitment advertising has led to a labor turnover among enterprises within industrial parks[3]. In reality, labor turnover and migration has not changed much over time.

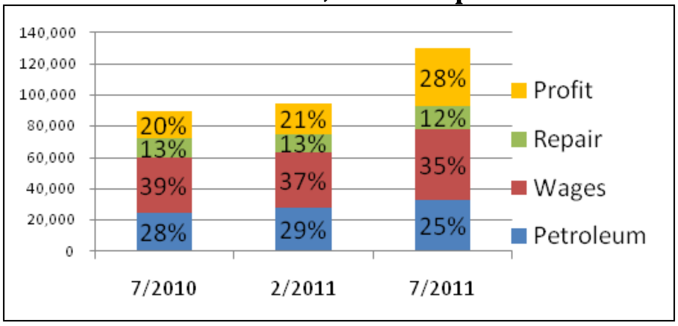
The current perception of the labor recruitment situation is different than it was a year ago. In late 2010 labor recruitment was difficult due to (1) laborers moving to informal sectors or heading back to rural areas thanks to local factory expansion, (2) fewer workers applying for jobs despite the fact that firms have advertised a need for a great many workers (in order to appear competitive),[4] and (3) higher recruitment demand in preparation for a high labor turnover.

Inflation expectation started to fall when public confidence in macroeconomic management improved.

In the formal sectors, price negotiations have been based on detailed explanations of wage and input expenses. However, in the informal sectors, including rural areas, inflation expectation has been the key driving force. As people anticipate further increases in inflation, they continue to fix higher and higher prices for wages and services. An example of this is land preparation services in rural areas in the North[5] (see Figure 1), while there has been a minimal increase in the actual costs (wages, petrol and repair), it is the profit margin (in the overall cost that is passed on to farmers) whose proportion has increased the most. This validates – at all rural sites – that price increases are mostly driven by inflation expectations rather than actual increases in the prices of commodities and services. That the higher prices have been due to inflation expectation much more than the cost of electricity or fuel prices has been validated at all rural sites.

[2] The classification of Socio-economic development regions. The extremely difficult areas are classified as Region 3 (Vùng 3)
[3] 50% of rotating workers returned to their previous jobs due to over-advertisement of recruitment information.
[4] After one or two years, recruitment advertisements had not been removed. Recruitment notices at gates of firms have not been a true indication of the labor demand.
[5] Hai Duong, Thanh Hoa and Nam Dinh.

**Figure 1 – The cost of using a land preparation service has increased to more than 120,000 VND per sào**




*Increases in the cost of land preparation services fueled by expectations, as validated in Hai Duong, Thanh Hoa and Nam Dinh*[6]

**Box 1 – An increase in the cost of land preparation services**

The cost of land preparation services is determined based on the guideline by the provincial agriculture office. However, the cost depends on the type of soil, the surface and the availability of water, so each locality negotiates a price with the owner of the tractor. If a field is small, remote and has difficult soil, it takes longer to prepare the land and the cost will be slightly higher. If the field is large and proportionately aligned with a total area of 7,000 to 25,000 $m^2$ and the water is easily accessible, then the cost will be slightly cheaper.

Normally the owner of the tractor calculates the price increase based on inflation. When the cost of living and wages increase, they increase the price of their service in order to maintain a daily income of about 200,000 VND a day. According to the owner of a land preparation service, due to several increases in the price of fuel and wages since March 2011, the cost of this service has increased. However, the price expectation is much higher than technical increases in local daily wages and fuel prices.

*Source: Tho Nghiep, Xuan Truong, Nam Dinh*

Complaints about high inflation seem to have fallen. People tend to be more accepting of increased living expenses as they expect corresponding increases in wages. They have become less concerned about the impact of inflation.[7] Rural people believe inflation will not increase much in the near future because (1) the price of things like drinks, milk and noodles has only increased by 500 or 1,000 VND and can be replaced by similar brands that are cheaper, (2) the increase in the price of fertilizer is now less than the increase in wages, and (3) the price of pig feed became stable after a decrease in inflation. They think the effectiveness of Resolution 11, as seen in the media, is the main reason for these positive signs.

More market-oriented perception of the driving force behind high inflation as opposed to state-regulated decisions. Social consensus favors

The beginning of the process of phasing out electricity and fuel subsidies can be seen as one of the biggest changes in 2011. However, awareness of this change, thanks to the mass media disseminating information on the reasons behind the increase in the cost of electricity and fuel, seems to be limited to people who are better off and spend time watching television and reading the news. Most people have not mentioned the phasing out of electricity and fuel subsidies but they have mentioned market-oriented considerations. They believe such increases are made after careful consideration by state-owned enterprises for the sake of the power and fuel sectors and the economy as a whole. People who are poor and lack awareness of public issues do not know or care about the reasons why the

[6] In Hai Duong and Nam Dinh 1 sào = 360 $m^2$. In Thanh Hoa 1 sào = 500 $m^2$. In this figure one sào = 360$m^2$.
[7] Quarterly surveys at 12 sites in Hai Duong, Nam Dinh and Thanh Hoa (funded by the Ford Foundation).

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|---|---|
| market-oriented macroeconomic management. | subsidies are being phased out. |

> *"The electricity price increase is due to increased production costs in the electricity sector. The petroleum price increase is due to a decrease in resources and war in the countries that export petroleum."*
> A rich ethnic Thai farmer in a village, Region 2[8], Son La

> *"I do not know the reason why the cost of electricity and fuel has increased. People just said it had when I paid my bills."*
> Poor rice farmer, Thanh Hoa

Three reasons were commonly offered to explain the increase in the price of electricity and fuel: (1) consumption volume and market fluctuations in price, and the costs of electricity and fuel, (2) inflation in general, and (3) international reasons such as global prices, wars, and a depletion of resources in other countries.

> *"The reasons for the increase in the price of power are unclear. It seems that the power sector is free to set the price."*
> Rice farmer, Nam Dinh

> *"The state-owned power company wants to increase the price of electricity in order to reduce power consumption. In the past prices were too low, and this led to the high consumption of power, which in turn led to power shortages."*
> Owner of a small shop, Hai Duong

> *"The increase in the price of electricity and fuel is driven by general inflation, just like other market goods. In an inflation context, the prices of all kinds of goods increase."*
> A well-off ethnic Ve farmer, Quang Nam

> *"The fuel price increase is due to the electricity price increase. The electricity price increase is the source of all price increases."*
> Informal laborer, Ho Chi Minh City

> *"The prices were increased in order to be in line with the international prices of power and fuel. Other countries increase the price of electricity and fuel, and so does our country."*
> Village head in a rural area, An Giang

> *"The fuel price is connected to the international price. Concerning electricity, I think budget constraints are the reason EVN increased the price."*
> Coffee farmer, Gia Lai

The common thought process is that input prices increase, causing living expenses to increase, causing wages to increase, which then influences market costs due to institutional factors, eventually leading to high inflation. Based on that way of thinking, most recommendations from respondents focus on how to decrease input prices, including fertilizers, seeds, electricity, and wages, and, more importantly, how to solve institutional factors like market information, market price integration, the input distribution system, and the value chain connection among stakeholders.

[8] The classification of Socio-economic development regions. The less extremely difficult areas are classified as Region 2 (Vùng 2).

## 2.2. Impacts on the labor market

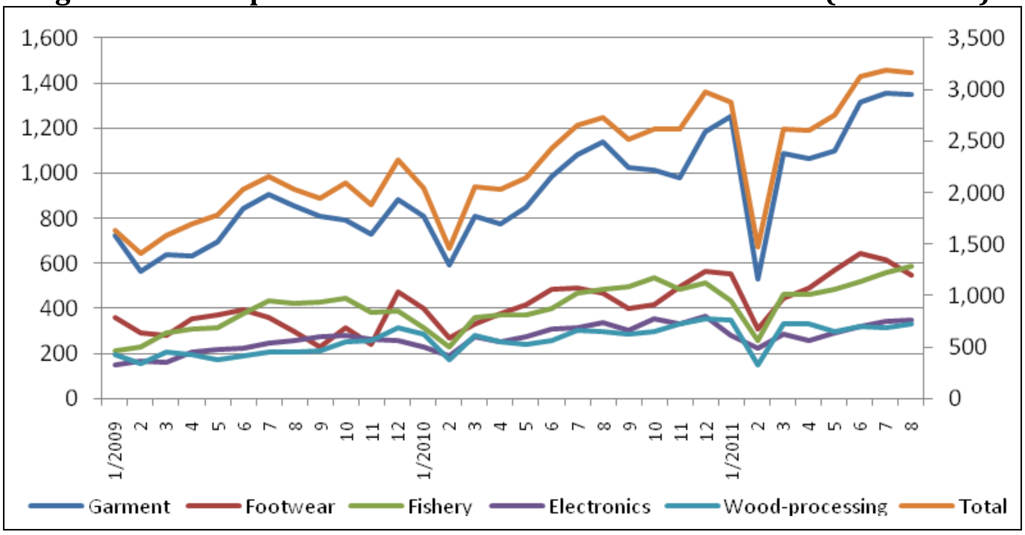
No stagnation is a sign to continue with consistent contractionary policies based on observations of the labor market.

*In terms of employment*

Even in times of contractionary monetary policy, cost push, crude oil price increases and exchange rate increases, there has not been stagnation where high prices have led to negative growth. The labor market continues to be strong in terms of employment, underemployment (working hours), and income (real and nominal wages).

The fact that people are working the late shift at all industrial parks is a sign of robust international demand, which has led to the expansion of contracts and employment at some big firms. This is confirmed by the growth rate of export turnover. The export figure for the first eight months of 2011 shows that labor-intensive export industries like footwear, garment, timber, and seafood processing have achieved impressive growth compared to the same period in 2010 (see Figure 2).

**Figure 2 - Total export turnover of the labor-intensive industries (million USD)**




*Source: RIM 2011. Based on GSO data (Sept. 2011) and estimated data for August 2011.*

In general, after a loss of jobs in the 1st quarter, the number of jobs remained quite stable and in some segments even increased significantly. This good picture of the labor market in general has been confirmed by signs of high-capacity production, high recruitment, and a rise in salaries at large-scale export enterprises as well as high-capacity production and a high number of orders at small-scale outsourcing enterprises.

No layoffs occurred anywhere except for at large-scale construction areas and in craft villages. However, some companies in the garment, footwear, electronics and wood-processing sectors have reduced production to a modest level due to difficulties encountered in inputs, loans, and orders.

> *"We have three building projects, but one has been stopped due to a lack of capital. There are about 400 workers at each of the other projects: an 18-storey building and a 22-storey one. So far we have not lost money, thanks to the inflation contingency of 20%. We have not suffered from high lending interest rates because our loans are small. But the slowing down of the real estate market will seriously impact our sales."*
> Manager at a construction company, Ho Chi Minh City

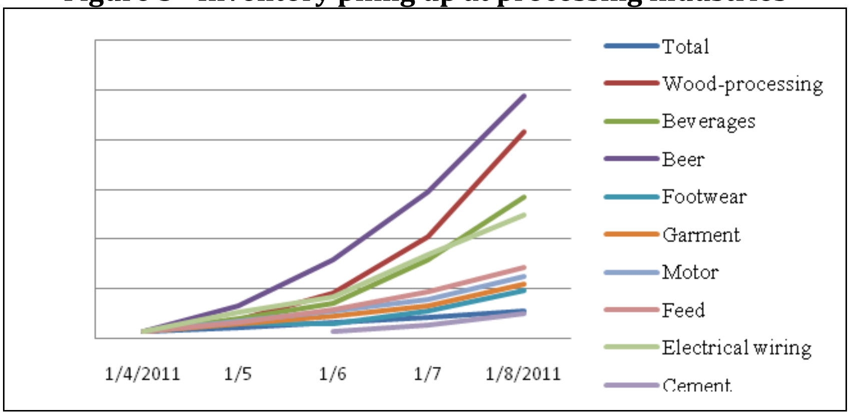
*"We have been suffering from inflation, and production costs have been increasing. The cost of each firing has increased by 5 million. We have had to increase wages twice since the beginning of the year, but sales have been bad and inventories have piled up to 1 billion worth of goods. Last year our inventory was not nearly so large, only 300 million dong. The interest rate of 23% annually has placed an additional burden on our business. We have had to decrease production and fire 10 full-time workers and a few part-time workers. Last year there were up to 20 firings per month, but this year only half that."*
Manager at a ceramics enterprise with 30 workers, Ha Noi

*"Financial costs (interest on loans from banks) have increased, the price of has timber has increased by about 25%, and the cost of certain kinds of wood that are in high demand has increased by 30-50% (depending on the exchange rate) in comparison to last year. Salaries for workers have also increased considerably since the beginning of the year. Total expenditures could rise by about 30%. The export price has only increased 5%. Therefore, the enterprise has stagnated."*
Manager at a wood processing enterprise with 300 workers, Dong Nai

There has been a lot of job hopping within and between industries as usual. This is one factor that has led to the high number of people registering for unemployment benefits in provinces and cities. (In Ho Chi Minh City 70,000 people were entitled to receive unemployment insurance benefits in the first 6 months of 2011. This is equivalent to the total number in 2010. In Gia Lai this figure was 425 in the first 6 months of 2011 and 349 in 2010.) However, most of these people were laid off voluntarily.

Stable employment has been offset by inventories piling up. Most enterprises state that input costs have increased too much and that they have therefore had to accept having large inventories and making less profit (see Annex 5 and Annex 6). This has been confirmed by figures from GSO which show that inventory in the industrial-processing sectors has tended to increase since a reduction late in the first quarter of 2011 (see Figure 3). Jobs have been maintained at the cost of inventory increases, increased financial leverage, and lower profits. It is unclear how long production units can continue that strategy.

**Figure 3 - Inventory piling up at processing industries**




*Source: RIM 2011. Based on GSO data (Sept. 2011) and estimated data for August 2011.*

In the informal sector, jobs have been stable at satellite enterprises doing outsourcing contracts for big export enterprises in the garment and footwear industries as well as in the civil construction segments, especially in rural areas in the northern delta. The laborers who have earned the most and sent more remittances work in the informal sector, mostly in civil construction, services and small trade.

*In terms of under-employment.*

Most employers have confirmed that their workers are working overtime, which means there is no under-employment in labor-intensive areas. However, in Binh Duong there has been no overtime since March, which means that workers only work eight hours a day at most, but not all, firms in the electric sector that targets the Japanese market. This appears to have been mainly due to the tsunami in Japan because some firms have recovered the extra hours since July.

> *"Two hours overtime per day, four days a week. These extra hours are thanks to seasonal fluctuations. We expect a short slow-down in September, but things will pick up again in October. In general, the contract situation is quite good. It's the same as last year."*
> Manager at a footware firm with 850 workers, Ho Chi Minh City

> *"We have worked double the number of hours we did last year. We are working about 100 hours overtime per month, whereas we worked 40 hours overtime every month last year. The situation is the same at garment and wood-processing firms."*
> Electronics worker, Binh Duong

> *"Workers in my factory worked 70 hours overtime a month, and even on weekends, last year. But since April this year, we have felt as if we were unemployed because there has been no overtime. No overtime means a lower income: 3 million a month. (Total income was 3.6 million VND a month the previous year.) If we could work overtime, we would earn about 4.5 to 5 million a month. Only 10% of the workers make 5 million a month. About 80% of the workers at my enterprise make just above 2.5 to 2.7 million a month."*
> Electronics worker at a 3,000-worker factory, Binh Duong

An increase in underemployment is also suspected at SME firms, which have confirmed a decrease in output, especially in the construction area.

> *"We have experienced modest production this year. Last year we produced 60 pieces of sewer pipe per day per team, but this year we cannot sell everything. Productivity is at only 45 pieces of sewer pipe per day."*
> Manager at a concrete construction materials factory with 40 workers, Bac Ninh

At rural sites in the North only 2 out of 12 communes have experienced higher underemployment due to lower production of local civil wood-processing. Other sites have experienced non-farm activities as usual. There has been no change in the underemployment situation at most sites in rural areas. Local people do other off-farm activities such as civil construction, weaving, waged farming, and junk collecting.

> *"The scale of production is lower this year. Last year my carpentry shop produced about 6 cabinets, 60 beds, and 80m worth of wood for doors, but this year I have made only 2 cabinets, 6 beds, and 20m worth of wood for doors so far. Due to the decrease in demand, I have not hired any of my neighbors to work with me this year. The situation is the same at three other carpentry shops."*
> Owner of a small carpentry shop with 2 full-time workers, Thanh Hoa

The informal sector in Ho Chi Minh City, especially retail, manual waged work, and civil construction, is still strong. No underemployment has been observed at crowded migrant sites in the city. In contrast, observation of mobile labor markets in Ha Noi has shown a slight sign of underemployment. Despite high competition at mobile markets (evidenced by crowded conditions) and unattractive wages, farmers from underemployed rural areas still choose to join these mobile markets.

> *"In comparison to 2010, there has been less work this year because there are more porters competing to carry the same amount of fruit and vegetables. I used to earn about 700,000 a night, but this year I earn much less, only about 400,000 a night because there are now more than 200 porters. The more porters there are, the greater the competition, so shop owners have decreased what they pay us from 60,000 to 40,000 or 50,000 per trip."*
> Porter, Long Bien Market, Ha Noi

*In terms of income.*

Most labor-intensive enterprises share very high figures of recruitment, from several hundred to thousands of new employees. This explains the total large figure for labor demand in some provinces. The movement of export market share from China to Viet Nam, seasonal production increases for some products, and the movement of production to less expensive areas are the reasons behind the demand for labor at workshops that have expanded, production lines in less expensive areas, and high-capacity production sites.

To meet the increasing number of orders, especially in the context of high inflation, enterprises have had to increase salaries for workers. Annex 3 shows that the nominal income (basic salary, allowances, extra shift allowances and production awards) has tended to increase in all labor-intensive export production zones throughout the country. Enterprises have had to increase salaries and insurance fund contributions by 30-40%.

**Table 1 - Salary increases in the formal labor-intensive sectors**

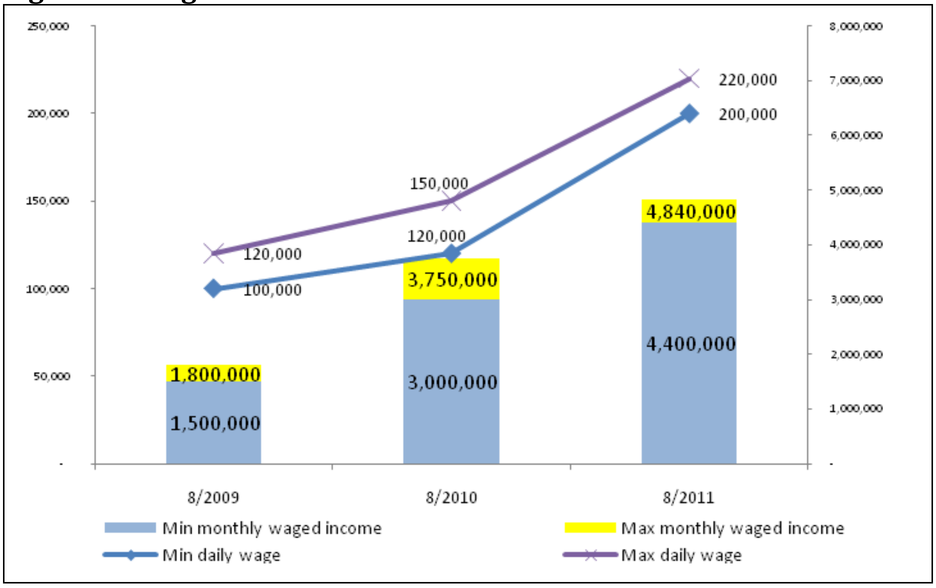
| In 2010 enterprises increased salaries twice. | In 2011 enterprises have increased salaries three times. |
|---|---|
| In January salaries were increased due to a policy requiring an increase in the basic salary.<br><br>In January to May there was the required annual salary increase.<br><br>In June/July salaries and allowances were increased in order to be competitive in attracting workers.<br><br>A worker's income increased about 8-12%. | In January salaries were increased due to a policy requiring an increase in the basic salary.<br><br>In February to May there was the required annual salary increase.<br><br>In March salaries and allowances were increased in order to be competitive in attracting workers (because the petroleum price increased).<br><br>In July salaries were increased due to a change in the classification of the region (urbanization).<br><br>Another salary increase is expected in October due to a policy requiring an increase in the basic salary. |

| | |
|---|---|
| | A worker's income increased about 20-30%. |

*Source: RIM 2011. A summary of interviews with people at Labor Departments; managers at industrial parks and enterprises; and workers at nine industrial parks in five provinces: Ho Chi Minh City, Binh Duong, Dong Nai, Ha Noi, and Hai Duong.*

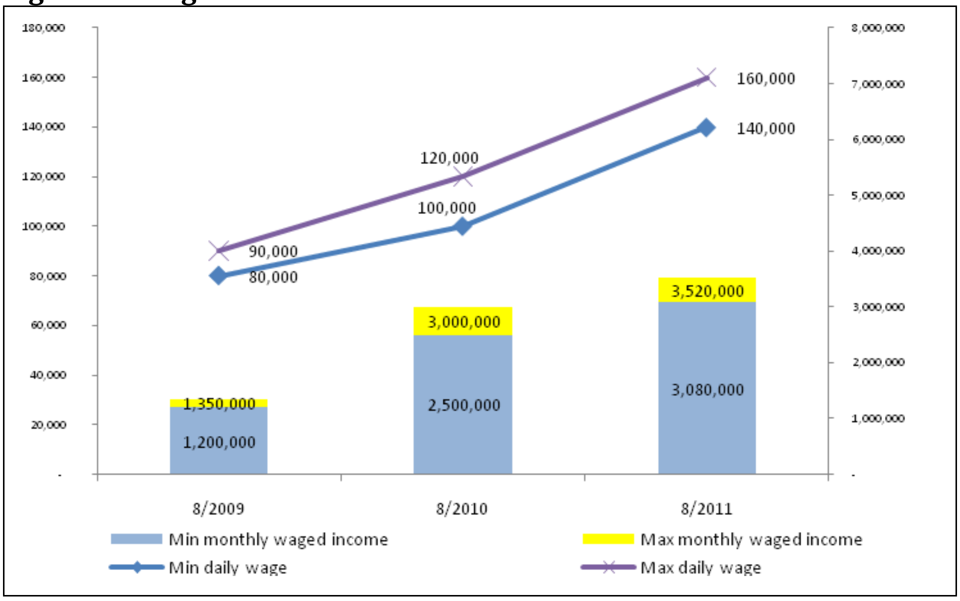
Workers have suffered from a terrible increase in the cost of living (see Annex 2), especially migrant workers in big cities like Ho Chi Minh City and Ha Noi. The cost of rent, water, electricity and food has continuously increased this year. When taking into account the slippage in prices, workers' real income has increased slightly. For newly recruited workers or those with low productivity (those at the lowest income level), their real income even went down (see Annex 4). Information from rural sites shows increasing wages (see
Figure 4, Figure 5, Figure 6, and Figure 7), but everyone has complained about the increase in the cost of living.

**Figure 4 - Waged income for informal male laborers at urban sites**



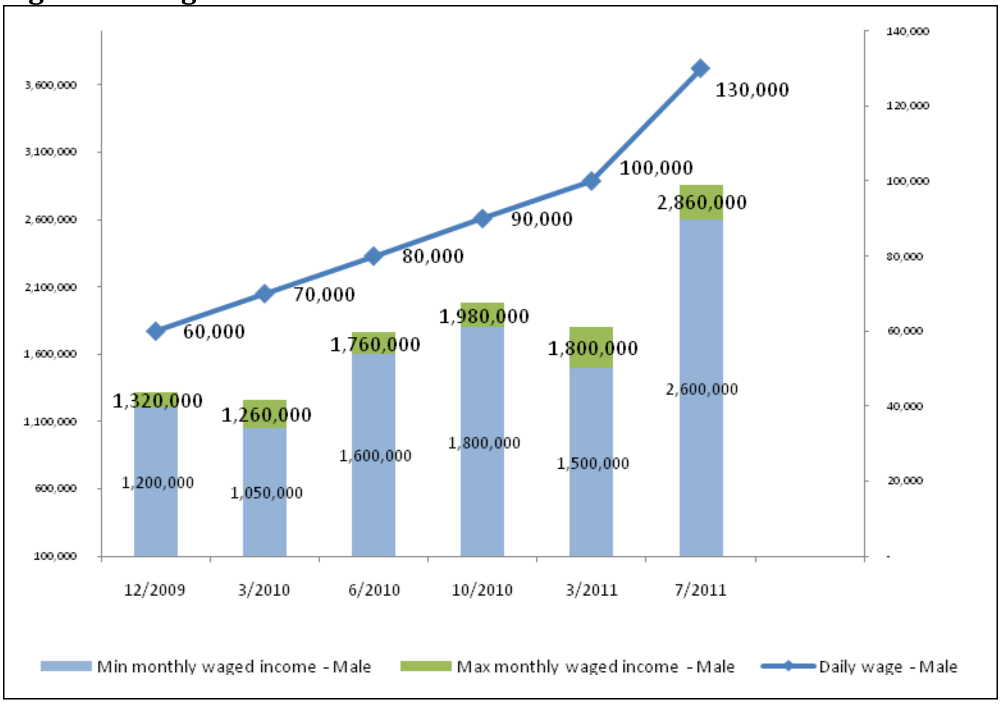

*Source: RIM 2011. Information is from rural sites from which workers have migrated to urban sites in Ha Noi and Ho Chi Minh City.*
*Note: This is the wage for a full day's work. Informal laborers cannot usually earn that much every day of the month.*

**Figure 5 - Waged income for informal female laborers at urban sites**



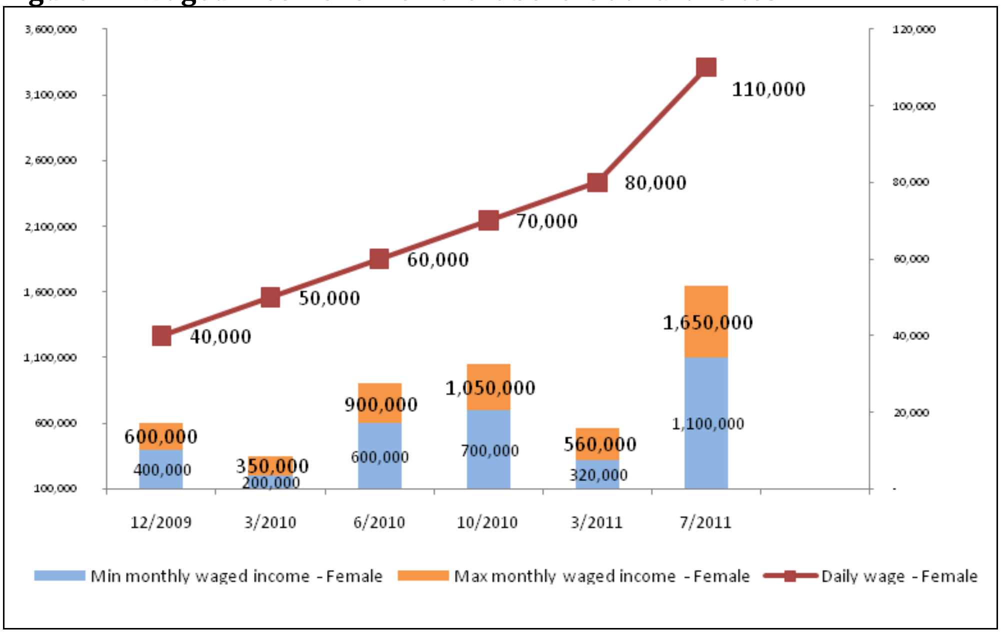

*Source: RIM 2011. Information is from rural sites from which workers have migrated to urban sites in Ha Noi and Ho Chi Minh City.*
*Note: This is the wage for a full day's work. Informal laborers cannot usually earn that much every day of the month.*

**Figure 6 - Waged income for male laborers at rural sites**




*Source: RIM 2011. Rural areas in Thanh Hoa, Hai Duong, and Nam Dinh.*
*Note: This is the wage for a full day's work. Informal laborers cannot usually earn that much every day of the month. In March, which is the first or second month of the lunar new year, there is higher underemployment in civil construction and waged farming jobs.*

**Figure 7 - Waged income for female laborers at rural sites**




*Source: This is the wage for a full day's work. Informal laborers cannot usually earn that much every day of the month. In March, which is the first or second month of the lunar new year, there is higher underemployment in civil construction and waged farming jobs.*

An increase in the cost of living due to inflation has resulted in a decrease in remittances for many jobs, increased remittances for some jobs, and no change for the rest (see Table 2).

**Table 2 - Remittances to rural areas**

| Job | Gender | Site | Remittances (million dong per month) | |
|---|---|---|---|---|
| | | | 2010 | 2011 |
| ***Reduced remittances*** | | | | |
| Interior finisher | Male | Ha Noi | 3 | 2 |
| Spray painter | Male | Ha Noi | 3 | 2 |
| Motorbike driver | Male | Ha Noi | 2.5 | 2 |
| Porter | Male/ Female | Ha Noi | 2 | 1 |
| Vegetable/fruit street vender | Male/ Female | H.C.M.C. | 2 | 1 |
| Hired fisherman | Male | Quang Ngai | 1.5 | 0.7 |
| Unmarried construction worker | Male | Ha Noi / H.C.M.C. | 1.5 | 1 |
| ***Unchanged remittances*** | | | | |
| Skilled carpenter | Male | Ha Noi | 3 | 3 |
| Married construction worker | Male | H.C.M.C. | 3 | 3 |
| Married construction assistant | Male | Ha Noi | 2 | 2 |
| ***Higher remittances*** | | | | |
| Married construction foreman | Male | Ha Noi | 2.5 | 3 |
| Peddler, shoeshiner, lottery ticket seller | Male/ Female | H.C.M.C. | 2 | 2.5 |
| Domestic servant | Female | Ha Noi | 1.5 | 2 |
| Mason, coolie | Male | H.C.M.C. | 1.5 | 2 |

*Source: RIM 2011*

Labor turnover patterns see no big change.

According to observations by local stakeholders (Labor Departments; managers at industrial parks and enterprises; and workers), there have not been any sudden changes in labor turnover among enterprises at industrial parks in the South. The labor turnover rates between industries are quite varied (see Table 3), but those within industries have not changed on a year-over-year basis.

**Table 3 - Labor turnover**

| | 2010 | 2011 |
|---|---|---|
| Garment | 20-40% | 20-40% |
| Electronics | 5-20% | 5-20% |
| Wood-processing | 20-40% | 20-40.3% |
| Footwear | 25% | 25.5% |

*Source: RIM 2011. A summary of interviews with people at Labour Departments; managers at industrial parks and enterprises; and workers at nine industrial parks in five provinces: Ho Chi Minh City, Binh Duong, Dong Nai, Ha Noi, and Hai Duong.*

## *2.3. Uneven impacts from price increases*

***Among firms in the formal sector***

Inward-looking firms with high financial leverage, especially in the context of unfavorable demand-pull and cost-push factors, have been hit the hardest.

Inward-looking firms with high financial leverage have been hit hardest, especially in the context of input price increases and inventory piling up. This situation has been confirmed in the construction sector and SMEs. Those firms that are outsourcing export-oriented contracts have not faced this situation thanks to loans from mother companies, mostly through the international banking system. SME firms with low financial leverage have only suffered the problem of input price increases.

> *"We are not as lucky as others in the sector. We borrowed up to 60% of the funding for the project. The interest rate rose from 1.42% a month (17.04% annually) this time last year to 1.6% a month early this year, and it is currently 1.82% a month (21.84% annually). This was a big blow because the price of other materials has also gone up. At the school project (worth 33 billion) we have lost 1.6 billion on the steel alone, and the cost of electrical wiring has risen by 30%. The current situation is that not working is much better than working at a loss."*
> Manager at a construction company with high financial leverage, Ha Noi

> *"We focus on the local market (not exports), and currently our inventory is piling up. The cost of wood has increased by 40% since the beginning of the year. We are facing losses because we borrowed 70% of the working capital. The rising interest rate is a nightmare. After the interest rate reached 20.5% annually, I stopped paying attention to it because we had no choice but to decrease production to the lowest capacity."*
> Manager at a wood-packaging SME with 30 seasonal workers, Bac Ninh

In order to maintain the international advantages of low prices and high market competitiveness, export-oriented firms have slightly increased in output prices and have benefited from robust external demand. Others have suffered a loss due to wage increases without an increase in output prices.

Export-oriented firms may have it slightly easier thanks to robust external demand for their outputs and a small increase in output prices. All firms have re-negotiated prices and tried their best to maintain low outsourcing prices, which is the key determinant for remaining competitive and getting export contracts. Small-scale firms that receive outsourcing contracts have been under high price-pressure because there has been no change in output prices, and all export-oriented firms are now facing the biggest increases ever in wages and raw materials.

> *"Wage increases of about 30% have led to an increase of about 15% in the cost of production. In the garment outsourcing sector there has been a smaller increase in total production due to a low-wage proportion of about 50-60%. We were able to successfully renegotiate the export price thanks to inflation expectation. However, the most recent wage increase was unexpected, so we are having problems with this contract."*
> Manager at a garment firm with 1,000 workers, Hai Duong

> *"Output prices have increased by about 10%, but the total costs have increased by about 20%. Profit has fallen by about 15%."*
> Manager at a garment firm with 446 workers, Ho Chi Minh City

> *"We have contracts to export to the US market. There has been no increase in output prices. We cannot increase the output prices and remain competitive against Cambodia, Bangladesh, and especially Indonesia. The*

*outsourcing price for a pair of shoes was one dollar in 2010, but we have had to increase our workers' wages. The average income has risen from $120 to $200 dollars a month per worker."*
Manager at a footwear firm with 850 workers, Binh Duong

Uneven benefits from robust external demand within the sector. Small-scale labor-intensive firms accept low-profit outsourcing contracts.

Pressures from decreased global demand are dependent on each firm's competitiveness as well as its unique contract situation and profits within the sector. Within the sector, SMEs operating as satellites have also benefited from the growth of the export sector. However, small-scale outsourcing firms have not benefited much from outsourcing contracts in comparison to large-scale labor-intensive firms. They have faced many difficulties (especially with capital) (see Annex 6). These small-scale firms have seen a decrease in profits in the current context of high costs. This has generally led to a decrease in income for workers at these enterprises (see Annex 7).

***Among farmers in the agricultural sector***

Uneven benefits from output price increases in agriculture. Informal credit on inputs and livings expenses is the biggest barrier to higher benefits from price increases.

In general, agriculture has performed slightly better thanks to strong global agricultural markets. However, benefits from increased output prices are uneven within the area, depending mostly on the vital factors of liability, access to market information and bargaining power. In the North, where land allocation is quite even for small-scale production units[9], the majority of rural households do not benefit from increased agricultural product prices. Most (60-65%) have to sell at very low prices at harvest time in order to repay their debts on production inputs and other living expenses (see Table 4). Local farmers at all sites have low negotiation power and normally accept the prices offered by traders.

**Table 4 - Barriers to benefiting from the highest rice price**

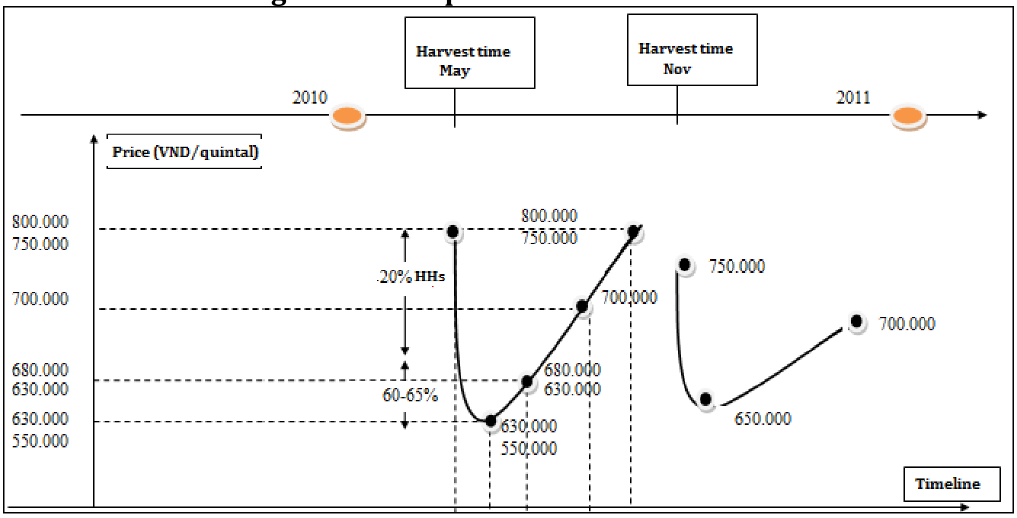
| Groups benefiting from the price increase | Sites (VND 000 per quintal) | | Structure (% of village households) | | Household characteristics | |
|---|---|---|---|---|---|---|
| | Hai Duong Nam Dinh | Than Hoa | | | | |
| Benefits from the highest price | 800-750 | 750 | 20 % | 0-5 | Large and medium sized land. Diversified livelihoods. Able to invest at the start of the harvest. | Lucky to sell at the highest price |
| Has rice to sell and waiting for a higher price, but does not know whether the price will increase. | 700 | 520 | | 15-20% | | Cannot estimate when the highest price will be offered |
| Has to sell a half of the production volume at a low price due to living expense pressure. The other half is reserved to sell at a higher price. | 630-680 | 480 | | | Medium size. Diversified livelihoods. | |
| Sells at a low price due to living expense pressure. | 680 | 480 | 60-65 % | 20-25% | Large-scale production due to high number of household members. A few diversified livelihoods. | |
| Sells at a low price due to loan pressure. Sells right after harvest. | 550–630 | 460 | | 40% | Large-scale production due to high number of household members. No diversified livelihoods. Not able to pay for inputs immediately. Risks and losses lead to selling all production volume (rarely 0%, usually 5-10% of households). | |
| No sale. | NA | NA | 15-20% | | Small size. Few household members. Does not rely on rice production. | |

*Source: RIM 2011. Quarterly monitoring in Hai Duong, Nam Dinh and Thanh Hoa.*

[9] Up to 2ha

Normally in rural areas in the North the highest price for rice is at the beginning of the harvest and/or very late after the harvest and the lowest price is when there is a bumper crop (see Figure 8).

**Figure 8 - Rice prices in the rural North**




*Source: RIM 2011. Quarterly monitoring in Hai Duong, Nam Dinh, and Thanh Hoa.*

The situation is quite different in the South. In the delta in An Giang, farmers have mentioned the fluctuation in market price but not any pattern, saying, "We are lucky to sell when the price is high." Farmers have sold rice at several different prices: 4,900, 5,500, 6,000 and 6,300 VND per kilo. In the remote mountainous part of An Giang,[10] even traders have confirmed that the price of rice has increased from 5,500 to 6,800 VND per kilo on a year-over-year basis. Local farmers have not confirmed this. Farmers have only mentioned to prices from 4,700 to 6,600 VND per kilo of rice[11].

> *"In this area, rice is sold right after the harvest. We keep just enough rice for self consumption. It takes 3 or 4 months for a crop to mature. The price of rice fluctuates randomly. There is no pattern. Sometimes the highest price is at the beginning of the harvest and another time it is at the end. It depends on luck mainly."*
> Large-scale rice production farmer with 12 côngs of rice land in the delta, An Giang

> *"We sell rice immediately after it's harvested. We don't have a drying machine or space for drying, and there's no money to hire more labor for drying. The first time I sold at 4,700 VND per kilo, the second at 5,800 VND per kilo, and the third at 6,600 dong per kilo. Since I sold from 10 to 20 tons each time, I made 3 to 4 calls to check market prices. Scanning the prices helped me to get about 50 to 100 VND more per kilo. In general, I cannot predict price increases on a year-over-year basis."*
> Large-scale rice production farmer with 60 côngs[12] in a remote area, An Giang

> *"On the news they say the price is 6,700 dong per kilo, but traders only pay*

[10] Tinh Bien District, An Giang province

[11] Local people normally sell dried rice. Rice is already a little bit dry before it is threshed when it is harvested and it is sunny.

[12] Local land unit: 1 công = 1000m$^2$. Large-size production land scale is noramlly about 12-13 công, so this farmer is an exception.

*6,300 or 6,400 dong per kilo. Local farmers like us have to accept the prices offered by traders. I do not know where the company buying rice at 6,700 dong per kilo is. Even if I knew, I would not sell rice to them as I have no means to transport rice."*
Medium-scale rice production farmer with 7 côngs in a remote area, An Giang

A similarly significant barrier to benefiting from the agricultural price increases (i.e. informal debt) is found for other crops such as maize and coffee, as at all sites. Moreover, not only informal debt pressure, but the pressure to sell product to the lender himself at lower prices as well, are found in Nam Dinh (in the North) and Gia Lai (in the Central Highlands). Most farmers agree to sell rice (about 90% in one village in Nam Dinh) and coffee (several cases in Gia Lai) at lower prices because they have informal debts.

*"We sell rice to our lender in order to maintain a good relationship. Although we suffer a little bit from the lower prices, she allows us to delay paying back the money she lent us to buy fertilizers and other crop inputs, or to cover living expenses. Last time I sold rice at 7,000 dong per kilo when the market price was 7,300 dong per kilo."*
Rice farmer with 5 sàos, Nghia Minh, Nam Dinh

*"It is common to take out informal loans with traders at a slightly higher than normal interest rate. However, due to the conditions of the coffee contract, this places more of a burden on farmers. Even when the market price is high, 40,000 dong per kilo of dried coffee, most of farmers here have to sell to traders at 30,000 in order to clear their debt. They do not break their contracts because they rely on informal credit."*
Coffee farmer, Gia Lai

Within the community, landlessness is the main reason that many do not benefit from agricultural price increases.

**Table 5 - Landlessness in rural and mountainous survey sites**

| | | Well-off | Average | Near poor | Poor |
|---|---|---|---|---|---|
| Rural survey sites | | | | | |
| Hai Duong | % of household | 50% | 40% | **10%** | |
| | Rice land | More than 1 mẫu[13] | 5-7 sàos | 2-3 sàos | |
| Na Dinh | % of household | 35% | 50% | **25%** | |
| | Rice land | More than 1 mẫu[14] | 8-9 sàos | 2-3 sàos | |
| Thanh Hoa | % of household | 30% | 40% | **20%** | **10%** |
| | Rice land | 5-7 sàos[15] | More than 1-2 ha | 1-3 sàos | |
| An Giang | % of household | | | | |
| | Rice land | | | | |
| Mountainous survey sites | | | | | |
| Son La | % of household | 30% | 22% | 20% | **18%** |
| | Rice land | More than 1-2 ha | 1 ha | Less than 1 ha | No land |
| Quang Nam | % of household | 5% | 20% | 25% | **50%** |
| | Rice land | 10-15 angs of rice seeds[16] | 6-8 angs | 2-3 angs | |
| Gia Lai | % of household | 20% | 30% | 30% | **20%** |
| | Rice land | 3–5 ha | 1.5–2 ha | 3-7 sàos | No land |
| An Giang | % of household | 47% | 17% | **36%** | |
| | Rice land | 12-17 côngs[17] | 5-7 côngs | No land | |

*Source: RIM 2011*

*Note: The groups facing a serious problem due to landlessness are in bold and red.*

[13] Local land unit: 1 mẫu = 10 sào = 3.600m$^2$
[14] Local land unit: 1 mẫu = 10 sào = 3.600m$^2$
[15] Local land unit: 1 sào = 500m$^2$
[16] Local unit: 1 ang of rice seeds is equal to about 1.000 m$^2$
[17] Local land unit: 1 công = 1000 m$^2$

In the mountainous part of Gia Lai, most do not benefit enough from price increases to offset negative things like a bad harvest or low market price expectation.

Even when farmers sold agricultural products (rice, corn, coffee and fishery products) at high prices this year, thanks to a robust export profile, they did not benefit enough from the price increase to offset negative factors like bad weather[18] (storms and droughts). In Gia Lai 60% of the farmers had 35% lower productivity, 20% had 20% lower productivity, and 20% had a decrease in productivity of 50%. Most farmers made a decision based on last year's price and did not expect the high increase this year. Hence they sold their entire output at low prices.

> *"After suffering a loss in the big storm in 2009, we faced a drought early this year. Output is down from 20 to 13 tons of fresh coffee*. (Most of the people in the community are in the same situation and have reduced productivity by 35%.) *The price increase has helped us a bit. My family only earned money on 5 of those 13 tons because we had to give 3.3 tons to the coffee enterprise and sell 5 tons to clear our debts (for insurance, water and fertilizers) with the enterprise."* (The farmer is hired by a coffee enterprise that allocates land to him to grow coffee.)
> Coffee farmer who owns 3 sàos and works an additional 8 sàos owned by an enterprise, Gia Lai

> *"Last year the highest price was only 7,200 dong a kilo. This year most farmers sold at 7,000 or 8,000 dong a kilo because they thought that would be the highest price. Farmers were afraid that the price would go down very quickly after that. However, the highest price went up to 10,200 dong a kilo, and only 2 out ot 160 households were able to get that much. These 2 households are small-scale farmers and receive remittances. They do not feel pressured to sell their coffee."*
> Coffee farmer, Gia Lai

Most households in ethnic minority areas do not benefit from agricultural price increases in large to the fact that they save what they grow for personal consumption rather than sell it.

In the northern mountainous area, even the ethnic minorities have noticed an increase in prices for agricultural products such as maize (from 220,000 to 300,000 per quintal) and rice (from 5-6,000 to 7-8,000 per kilo), but they think there has not been an increase in well-being. The first reason for this is that not many farmers earn money at harvest time due to low investment, the weather[19] and rats.

> *"My household planted 10 kilos of maize seeds, but we only grew a little corn due to a lack of fertilizer. I did buy some fertilizer but not much, only 1 ton of NPK and 5 quintals of nitrogenous fertilizer. Normally the lowest level of investment would be 2 to 3 tons of fertilizer, but I don't have any money. Similarly, 60% of the cultivatable area in my village gets only 6 to 7 quintals per 1 kg of maize seeds. Only one area, in which 3 to 4 kg of maize seeds were planted, had the highest output of 1 ton per 1 kg of maize seeds."*
> Ethnic Thai farmer, 4-member household, Region 3, 17km away from the district center, Son La

[18] In Son La, good crops of maize

[19] Long-lasting cold weather was very harmful for rice production. Rice was replanted due to the cold weather. After 2 months, rice diseases became a serious problem due to a lack of money for prevention. After that, rice stopped growing due to a water shortage. The productivity of the crop last spring was only 140 to 160 kg per sào, which is much lower than the usual 180 to 200 kg per sào.

The second reason is that they use most of their agricultural output for their own consumption or stock production (see Table 6).

**Table 6 - Main agricultural crops in mountainous survey sites**

| Main crops | Rice | Maize | Cassava | Beans |
|---|---|---|---|---|
| Son la survey site | 80% of the households do not sell anything.<br><br>About 10–15% of the households sell at about 1 ton per household. | 30-50% keep all output for stock production.<br><br>50-70% keep about 30% for stock production. | Half of the production output is kept for stock production and wine production. | |
| Quang Nam survey site | Not sold. | Most is sold. | Not sold. Used for wine production and mixed with rice for meals. | Most is sold. |
| Gia Lai survey site | Not sold. | | | |

*Source: RIM 2011*

The third reason is that they have to pay more for delayed payments for inputs and living expenses. All of the people interviewed have confirmed that this year has been harder than last year in spite of agricultural output price increases. It seems that small-scale production farmers have confirmed a rise in monetary profit, but most of them use their outputs for their own consumption. Meanwhile, large-scale production farmers have confirmed no increase in profit. Most of the people in the community have not benefited from local agricultural price increases.

> *"Only about 10 out of every 235 households in my village have rice to sell. Each of these households has a small field, about 1,000m², and an output of about 1 ton per year. They are small in household size and production size as well. They can sell right at the harvest and earn 5 to 7,000 a kilo* (the lowest price), *and/or they can save rice to sell during difficult times at the end of the year and make 6 to 8,000 a kilo. People like us can earn about 1 to 1.5 million per kilo of maize seeds.[20] This year we earned more, from 1.5 to 2 million. However, most of us plant only 1 to 2 kilos of maize seeds. Then the output is just enough to feed pigs or chickens."*
> Village head in a village that is 90% Muong and 6% Thai, Region 3, 17 km away from the district center, Son La

> *"I plant 6 kilos of maize seeds and harvest about 3 tons of maize annually. Due to an increase in the price of maize this year, I earned about 2.5 million more. But the cost of fertilizer also went up, so my income from maize this year, after costs, was the same as last year, about 6 million. I sold maize to buy a cow this year. However, I had planned to buy a bed, the price of which rose from 2 to 3 million, and a cabinet, the price of which rose from 5 to 7 million. I haven't noticed any benefits resulting from the increase in the price of maize. Compared to last year our standard of living has declined.*

[20] 18 kg of maize seeds = 1 ha

*We only eat meat twice a month. Last year we ate meat 4 to 5 times a month. My wife always complains that she has to spend about 50,000 a day on food."*
Ethnic Thai farmer, 4-member household, Region 3, 17 km away from the district center, Son La

On the consumer side, the increase in the price of rice has not had a large impact on daily life when income from non-farm activities covers the cost of rice. People buy cheaper rice.

Also in the mountainous area in Gia Lai, in the Central Highlands, the rice price changes seem to have had no impact on daily life because most of the rice demand is covered by their own production. Those who do not have rice production land do waged labor and papoose weaving to earn money to buy rice. The rice price increase has not impacted them because they now buy cheaper rice. Local farmers have perceived the rice price increase through an increase in the quantity of goods exchanged for rice.

*"We grow rice to eat. We have 2 crops a year and each provides us with 5 tons. Each day we eat about 3.5 kilos of rice, some dried fish, vegetables, and bamboo shoots. We grow enough rice for about 10 months, and earning money to buy rice for the remaining two months is easy. We do papoose weaving or waged labor. We can earn 60 to 70,000 a day, which is more than enough to cover the cost of meals for my family, which is 40,000. It is more difficult for other poor* households (those that have 3 sàos of rice production land but 9 to 10 family members), *and they also rely on papoose weaving. We have noticed an increase in our standard of living because we are now selling papooses well."*
Poor farmer with 1.5 sàos of rice production land, 5-member household including 3 children, Gia Lai

*"Normally I buy 40 to 50 kilos of rice, depending on how money I get from papoose weaving and waged labor, because people here do not allow delayed payments. When the rice price went up from 10,000 to 12,000 per kilo, I changed to a cheaper type that costs 10,000 per kilo. We eat rice, dried fish and vegetables produced locally. When we do not have money, I exchange rice for fish. Last year 1 cup of rice could be exchanged for 3 small dried fished, but this year a cup of rice gets you 5 fish."*
Farmer with 30 coffee plants but no rice production land, Gia Lai

The increase in the rice price has placed a larger informal credit burden on farming households that do not grow enough rice and borrow money to cover expenses until the next harvest.

On the consumer side, the increase in the rice price has placed a larger informal credit burden on households in remote mountainous areas in the North that do not grow enough rice. This is because people borrow money for rice and living expenses and pay it back later after the maize harvest. There have been a few cases of people facing a rice shortage because they could not afford to buy it and were unwilling to borrow more money. They are the poorest people in the community, and for them a rice shortage of few days is easily solved by eating maize, cassava and vegetables, which is what people often eat between harvests.

*"Those who have 1,000 m$^2$ of rice land still lack rice for 3 months of the year. Normally a household with 3 adults buys 50 to 80 kilos of rice per month, which can lead to a debt of millions for those households. This year it has been much more difficult. Due to a bad harvest last year, 50% of the village has had to buy rice on credit. Inflation has led to higher debts. Most of these people started to buy rice on credit in February, when the market price was 14,000 per kilo. They will only pay back the debt after the maize harvest* (usually in October) *at a rate of 20,000 thousand per kilo*. (The interest rate is equivalent to 5% per month.)"
Ethnic Muong village head, Region 2, Son La (30% have less than 1,000 m$^2$ of rice land, 20% have 3,000 m$^2$, and 50% have about 5,000m$^2$.)

*"My household lacked rice for about 15 days in the period between two harvests. Some others suffered a rice shortage much longer, more than a month, and some less, about 10 days. If we earn a daily wage doing something like harvesting plums, cutting down trees or transporting wood, we can buy a little rice to mix with cassava. When we have no money, we are happy eating cassava, maize, and some vegetables from around the house for a few days while waiting for the harvest, rather than borrowing more money."*
Poor ethnic Muong farmer, Region 3, Son La

*"Most of us lack rice for about 2 months towards the end of the year. Each of those months we buy 3 sacks of rice.* (a 25 kg sack cost 125,000 VND.) *Our meals consist of a 50/50 mixture of rice and cassava."*
Poor ethnic Ve farmer, 5-member household, Region 3, Quang Nam

Some farmers have not benefited much from the agricultural output price increase, and all are in a difficult situation due to higher input prices.

All farmers at all sites have suffered from higher input prices. Farming households have been exposed to a double shock, an increase in input prices and an increase in expenses in general, due primarily to an increase in investment caused by adverse weather conditions. In Hai Duong and Thanh Hoa there has been an increase in expenses due to the re-purchasing of seeds, replanting, and increased use of fertilizers (see Table 7). In Nam Dinh the cold weather has prevented rice from growing. When harvesting late, there is a decrease in productivity and the risk of losing the whole crop.

*"There has never been a year as difficult as this one. It is so cold! In January we started planting the winter and summer crops, but with this cold weather, the plants are dying, so farmers have to plant again. 60% of them have to re-plant the whole area again. The others have to re-plant half of their land. Re-planting will incur many extra expenses."*
Village head and rice farmer, Nong Cong, Thanh Hoa

"My household rents 5 sàos to grow sweet potatoes. Last year we earned 10 million after expenses. This year our income has decreased by half. The sweet potato price has increased a little bit, but the increase in the cost of fertilizers is too high."
*Farmer, Gia Lai*

**Table 7 - Further impacts on crop damage due to price increases**

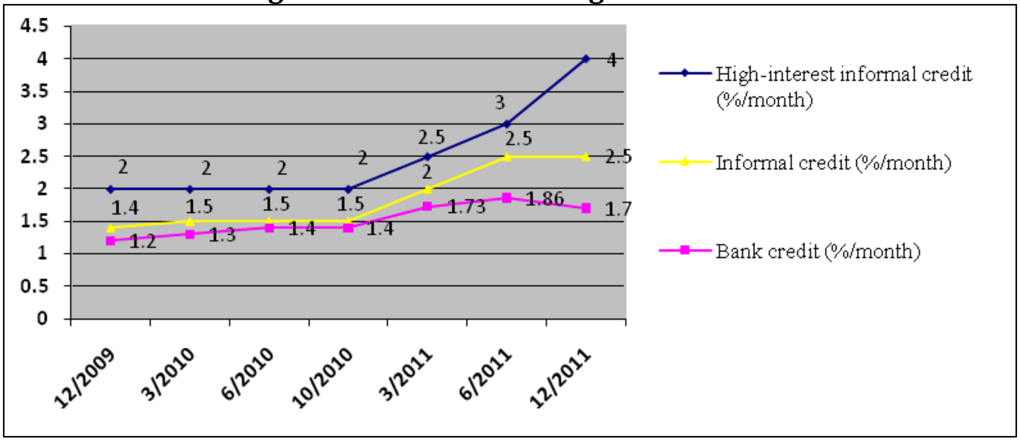
| Damage from the summer crop, 2011 | Summer crop, 2010 (normal) | Summer crop, 2011 (damaged) |
|---|---|---|
| Seeds: repurchased 1.5-2 kg | 174,000 | 174,000 + 0 (The state gave farmers cheap seeds for free.) |
| Re-plantation work: no labor hired | 0 | 0 |
| Herbicides: extra costs | 16,000 | 16,000 + 16,000 |
| Niyon to cover plants: 2kg | 0 | 0 + 90,000 |
| Fertilizer: an additional 7 kg of nitrogenous + 5 kg of kali | 272,500<br><br>**3,200** x 25 kg NPK + **7,500** x 7 kg nitrogenous + **10,000** x 8 kg kali + **3,000** x 20 kg phosphate (due to bad soil) | 476.000<br><br>**4,000** x 25 kg NPK + **10,000** x 14 kg nitrogenous + **12,000** x 13 kg kali + **4,000** x 20 kg phosphate (due to bad soil) |
| Total | 462,500 | 772,000 |
| Lost | | 309,500 |

*Source: RIM 2011. Quarterly monitoring in Nong Cong, Thanh Hoa (dong per 500 $m^2$) - Note: Price increases are in bold and red.*

Higher input prices hit hardest farmers with delayed payments in the mountainous area of Son La, due to higher informal interest rates.

All rural sites have confirmed a higher informal interest rate, fluctuating with the formal one in the banking system (see Figure 9). However, the hardest hit area has been Son La, where most of the ethnic minorities in mountains have chosen to delay payments. Normally the highest informal credit rate at Son La sites is 5%, but it ended up being even higher, 7%, when delayed payments are taken into account (see Table 8).

**Figure 9 - Informal lending interest rate**




*Source: RIM 2011. Quarterly monitoring in Hai Duong, Nam Dinh and Thanh Hoa*
*Note: High-interest informal credit, known as a "hot loan", is for emergencies.*

**Table 8 - Income after expenses, maize production in Son La**

| Over 1000 m$^2$ | Cash payments in February | Payments delayed until the harvest in August | Simple interest rate (% per month) |
|---|---|---|---|
| Maize seed (2kg) | 180,000 | 240,000 | 5.55 |
| NPK Fertilizer (50kg) | 200,000 | 250,000 | 4.16 |
| Nitrogenous fertilizer (30kg) | 300,000 | 360,000 | 3.33 |
| Weed killer (1 pack) | 140,000 | 200,000 | 7.14 |
| Total payment | 820,000 | 1,050,000 | 4.6 |
| Gross income | | 400 kg x 3,000 =1,200,000 | |
| Net income | 380,000 | 150,000 | |

*Source: RIM 2011. A commune in Region 2, Son La, where 80% of the farmers have chosen to delay payments for expenses and where the informal credit rate was 2% a month last year and is 4-5% currently. The situation is the same in Gia Lai.*

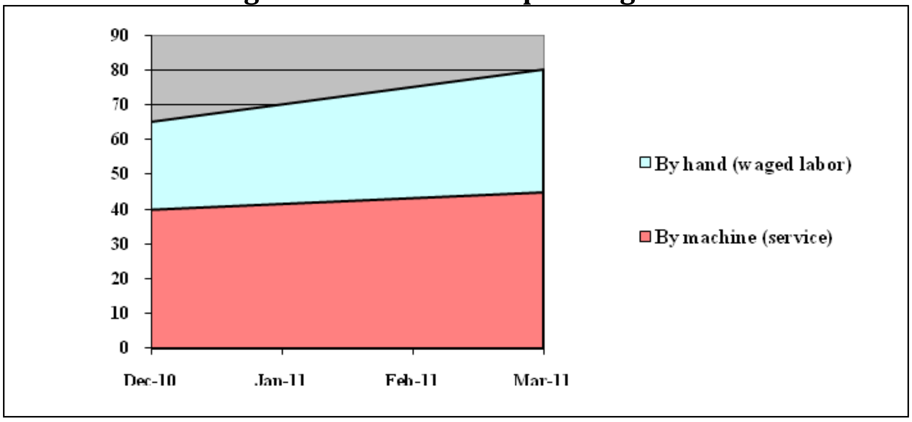
The increase in wages has had a strong impact on rice cultivating households with small and remote fields, fileds in the lowlands or bad soil. Households with large fields bear this burden

In the North, on small and remote fields and in the lowlands it is difficult to use machines and more waged labor is required (see Figure 10). This has led to increasing labor costs for rice cultivating households with small and remote fields or fields in the lowlands. At all rural sites in the North,[21] up to 10-20% of the rice fields are small and remote, and are owned by households that have a large total field area. The cost of manual planting is 50-70,000 per sào[22] (half a day's wage), while machine planting only costs 30-40,000 per sào. To make things worse, in addition to the 20-30,000 per sào difference, labor costs have risen. This does not happen in the South, where agricultural machines are employed everywhere.

[21] 12 communes in Hai Duong, Thanh Hoa, and Nam Dinh
[22] Local land unit: 1 sào = 360 m$^2$

the most.

**Figure 10 - The cost of planting rice**




*Source: RIM 2011. Quarterly monitoring in Xuan Truong, Nam Dinh.*

***Among vulnerable groups***

Electricity price increase impacts are different among households.

The electricity price increase has not had much impact on production at labor-intensive export-oriented firms, such as electricity, garment and footwear companies. This is because the cost of electricity only accounts for about 5% of total costs. Therefore, total production costs have increased by only about 1%. The problem with electricity is the power cuts, which has led to higher costs.

> *"Due to power cuts, we have had no choice but to work extra-shifts to complete the contracts. Due to this problem we have had to pay higher wages."*
> Manager at a garment firm with 850 workers, Dong Nai
>
> *"The electricity burden is highest when the power is cut because then we have to use our generators and the cost of petroleum is high."*
> Manager at a fishery-processing firm with 600 workers, An Giang

The situation is very different for households, where the impacts of the electricity price increase vary among different groups. Non-progressive increases are expected along with the assumption that those who use less electricity have to bear the greatest portion of the increase. Well-off households have had the highest increases in some places but not at others (see Table 9). In the rural North it is the poor households that have experienced higher increases. However, that has not been observed in the South or in remotes.

**Table 9 – An increase in the cost of electricity**

| | | Well-off households | Middle income households | Poor households |
|---|---|---|---|---|
| Rural survey sites | | | | |
| Thanh Hoa | Before | 70 - 80 | 40 - 55 | 16 - 20 |
| | After | 90 - 130 | 50 -70 | 25 - 30 |
| | Increase of | 20% - **53%** | 25% - 40% | 30% - **56%** |
| Hai Duong | Before | 100 - 110 | 60 -70 | 30 - 40 |
| | After | 130 -150 | 100 - 120 | 40 - 60 |
| | Increase of | 30% - 46% | 27 - **71%** | 33% - **50%** |
| Nam Dinh | Before | 170-180 | 80 -100 | 40 - 55 |
| | After | 200 - 250 | 100 - 130 | 50 - 70 |
| | Increase of | 18% - 49% | 25% - **60%** | 25% - 50% |
| An Giang | Before | 100-130 | 50-80 | 18-25 |
| | After | 180-200 | 80-100 | 25-45 |
| | Increase of | **50-70%** | 15-25% | 20-30% |
| Mountainous survey site | | | | |
| Sơn La | Before | 75-100 | 40-55 | 15-25 |
| | After | 120-1 0 | 70-80 | 20-30 |
| | Increase of | 25-**60%** | 18-**40%** | 14 2 % |
| Gia Lai | Before | 80-100 | 5 -70 | 2 -40 |
| | After | 100-120 | 70-80 | 30-50 |
| | Increase of | **50-60%** | 25-**50%** | 25-50% |

*Source: RIM 2011. Increase in the cost of electricity after the price increase in March 2011.*
*Note: High increases are in bold and red.*

In the mountainous areas where ethnic minorities live, the electricity price increase has not had much impact due to low electricity usage. In remote mountainous areas, people use electricity generated by water power locally. It is a little bit weak, but they only use it for a few purposes. This helps them to save on electricity bills. Small increases in electricity bills are not one of their concerns.

> *"My electricity bill increased from 15 to 25,000 per month. I do not receive an electricity subsidy because I am not considered poor by the commune. About half the people in the village are in the same situation as me: We are neither rich nor poor. An increase of 10,000 in the electricity bill is not of much concern. What is a worrying are the increases in meat prices and agricultural crops."*
> Ethnic Muong farmer, Region 3, Son La

> *"We spend only 15,000 per month on electricity, so, the cost increase does not affect us. We get an electricity subsidy of 120,000 for 4 months of the year, and we spend it it on MSG, spices, and tobacco."*
> *Poor ethnic Muong farmer with 1,000 $m^2$ of cultivatable land and no loans due to risk aversion, Region 2, Son La*

Wage earners relying on social assistance have been affected the most because social assistance is not indexed to

Wage earners relying on social assistance have been affected the most. Evidence shows that the current basic social assistance of 180,000 VND a month is too low. It is only enough to cover about 50% of the cost of food and drink (based on a minimum level of consumption in rural areas) and does not cover other expenses (such as medicine, social activities, and electricity) (see Table 10). However, beneficiaries of social assistance also receive other benefits (health insurance inflation.

and a school fees exemption), and they are given high priority when charity funds and support from social groups, ministries and branches are available. Households which benefit from regular assistance also have a greater chance of receiving contingency assistance and other kinds of support. In June 2001, for example, support for households suffering from extreme hunger consisted of: 200,000 VND, 1 package of MSG, 1 kg of sugar, and 1 bottle of oil[23].

**Table 10 – The usefulness of social assistance in rural survey sites**

| Beneficiaries | Spending features of low-income households | Usefulness of support |
|---|---|---|
| Poor households with elderly people raising young children<br>Single elderly households<br>Poor households with elderly or disabled people unable to work (2-3 people per household) | • Farmers rent land to grow rice and grow about 200 kg a year on 720 $m^2$ of land. They usually suffer a dearth, particularly between crops, due to low productivity.<br>• Food expenses are 240-300,000 VND per person per month. Meals are not very nutritious.<br>• Medical expenses are 250-300,000 VND per sick person per month.<br>• Electricity costs 40-80,000 VND per month.<br>• People sometimes receive money from their children, just enough for all expenses.<br>• Total monthly expenses are 2 million VND a month. | • Low-income disabled people are given an allowance of 180,000 VND a month. That covers 50-70% of their food costs, for those cases who have no expense for medicines and low spending for food.<br>• An allowance for orphans is given quarterly, and it is just enough for school fees. |
| Single parent households with young children (2-3 people per household) | • Kindergarten is expensive. School fees are around 600-900,000 VND per term.<br>• Secondary school students get a 50% reduction in tuition fees. However, there are other expenses, so the cost of education is still a burden.[24]<br>• The cost of food is kept at the same amount, around 450,000 VND per person per month (with 2 meals a day). This amount of money buys less food.<br>• Most work (manual labor mostly) does not pay well, so, income has risen only a little while the price of rice has increased very fast.[25] | • An allowance is given quarterly, and it is just enough for school fees. |
| Poor households receiving Agent Orange allowance | | • Recipients are given 1.9-2.9 million month, which is enough for living expenses. |

*Source: RIM 2011*

[23] An Son, Hai Duong.

[24] Hai Duong, Thanh Hoa: School fees for grade 9 are 170,000 VND a month. Total cost of school fees, other contributions, and extra classes is around 1-1.5 million VND per school year per secondary student.

[25] Hai Duong: Means of subsistence for a single female with no resources is usually buying scrap. Therefore, income has increased very little, from 30-40,000 VND a day to 50,000 VND a day.

Though current support remains limited, beneficiaries at all survey sites have confirmed that their standard of living, and especially their mood, has improved due to social assistance. The support received is used to make debt payments and pay for food, healthcare expenses and other things.

Low-skilled migrants are most vulnerable to the impacts of inflation. They are double hit by low increases in wages and high increases in living expenses.

Because they receive no social assistance, low-skilled workers in urban areas have suffered from high prices due to low nominal income increases. Most migrants have confirmed that even when their income increases, they cannot save money because the cost of living for a whole family in a city is expensive. The increase in wages is never enough to cover the increases in the cost of rent, electricity, water, transport and food. Couples whose children live in their hometown can save a bit, around 2-3 million a month. Single migrants can save from 700,000 to about 1 million a month. However, those who are saving money to build a house in the future have complained that they cannot save as much as they used to due to an increase in the cost of living and a devaluation of the currency. (With a million VND they cannot buy as much gold as before.)

> *"My wife and I were able to save 2 million a month last year, but now we cannot, even though I got a wage increase of 700,000 a* month (from 2.5 to 3.2 million a month). *My wife cannot earn much because she has to look after our baby. Our combined income is 4.7 million a month, just enough to live on because of high inflation. My rent increased from 430 to 700,000 a month due to increases in the cost of electricity and water. My wage increase was just enough to cover the increase in rent, about 300,000, and the increase in the cost of food, 13,000, but you can see that as prices increase, a mere 13,000 is not enough to provide balanced and nutritious meals for a family with a one-year-old child. We have had to cut back on food."*
> Married worker in the electricity sector, Binh Duong
>
> *"Two of us share a rental room, the cost of which increased from 350 [last year] to 480,000 a month. The owner of the house explained to us that he had to increase the rent due to inflation. Including the increase in the cost of electricity and water, what we pay him has risen from 450 to 570,000 a month. Although we try to save money on food, the cost has risen from 35,000 a day* (last year) *to 55,000. Normally we buy meat, tofu and vegetables. Cheap items like these cost us at least 1.5 million a month. In addition, we buy 25 kilos of rice per month [300,000 a month]. In total, basic necessities cost one at least 3 million a month if one has a few parties with friends. About 20-30% of all workers, those who don't participate in social events, can save 2 million a month thanks to working overtime, and most of us can only save less than 1 million a month."*
> Single worker in the electricity sector, Binh Duong
>
> *"In the past I could save 1 to 2 maces of gold per month, but now I cannot even save half a mace of gold. If a couple both work overtime and live together without children, they can earn about 8 million a month working for a good enterprise, or about 6.5 million a month otherwise, which is usually the case. Living expenses cost a couple about 3 to 3.5 million a month, and together they can save up to 1 mace a month."*
> Single worker at a garment factory, Binh Duong

| | |
|---|---|
| Ethnic people in mountainous areas have been hit hardest by the high interest rate of delayed payments and the burden of school expenses. | In mountainous areas, ethnic minority households have been hit hardest by the high interest rates of delayed payments. Those who are well-off have noticed a decrease in savings. In addition, secondary school expenses are the biggest burden in remote areas. |

> *"Thanks to agricultural output prices, our household income has increased from about 40-50 million in 2010 to 50-60 million in 2011. However, the cost of everything else has also increased. My household expenditures have doubled in the past year, from 1.5 to over 3 million a month. After expenses, I made about 30 million last year, but with the inflation this year, I might make only 10 to 20 million."*
> Middle-class Muong farmer with 3,000 $m^2$ rice, 6,000 $m^2$ maize, 1 ha cassava, 6 buffalos, and 6 pigs, Region 3, Son La

> *"My income after expenses, between 30 to 50 million per rice crop, has remained the same in recent years*. (Income after expenses is normally 15 million per rice harvest). *However, my real income decreased greatly when the price of gold went up."*
> Farmer with 15 côngs of rice land and a fertilizer business in a remote area, An Giang

> *"We catch small crabs and snails and sell them at the market for about 20,000 a day. And we spend only 5,000 on meals of dried fish. We have not noticed much impact as we do not have land. We only do waged labor. In my household we do not eat much, and everyone eats the same amount - even my pregnant sister."*
> Poor ethnic Khome farmer with no production land[26] in a remote area, An Giang

> *"We stay at the boarding house throughout the week. We go back to our families on the weekend. Every month each of us has to pay 60,000 VND for accommodation. Every week each of us has to spend 75,000 VND on rice, 60,000 VND on other food, 20,000 VND on transportation, and about 50,000 VND on other things. In total, my parents have to spend about 900,000 VND per month on my education."*
> Muong pupil at a secondary school boarding house 17 km away from home, Son La

| | |
|---|---|
| Cumulative impact: greater price burden has led to higher financial leverage and lower borrowing capacity, including informal borrowing capacity. | The cumulative impacts of 3 years of continuing difficulties due to the crisis (2008-2009) and high inflation (2010-2011) makes one wonder about the decreased resilience of most of the rural population due to financial leverage and informal credit. After 3 rounds of RIM, in 2011 there has been no observed decrease in household resilience due to financial leverage and informal credit. Only 2 sites in one rural commune in the North and one mountainous site in Son La have reported a decreasing ability to repay informal debts. |

> *"Last year people were able to repay me about 80 to 85% of the informal debts they owed, but this year most paid 60% and some only 40%. It seems that their incomes after expenses have decreased, so they have to borrow more than before. People have asked me to lend them more. Some households have asked for up to 10 or 15 million, double the usual amount, but I dare not let them borrow more. I have rejected 15 requests this year."*
> Lender in a rural area, Nam Dinh

[26] Of the 534 households in the village, 20 to 30 households had no production land in 2010, and that number decreased to about 10 in 2011.

Poor people in the mountainous area of Son La in the North, who have the least amount of land and, therefore, low production and low income, usually buy things on credit. The combination of price increases and bad harvests has decreased their ability to buy things on credit and to pay back debts. The poor are unable to borrow even though they are most in need of funds.

> *"Last year stores here accepted delayed payments of up to 3 to 4 million per poor household, but now the limit is only 2.5 million."*
> Manager at a grocery store, Region 2, Son La
>
> *"Last year I got 9 million for my maize. 5 million went to pay back the loan for fertilizer and the remaining 4 million was used to pay back what I owed at groceries stores where I buy food, soap and other things. Right after paying off my debt, I bought 500,000 worth of goods on credit. Last year I usually bought about 200,000 worth of food on credit each month. However, due to inflation I now buy 300,000 worth of food on credit each month, but the quantity of food has not changed. Because I buy on credit, I have to pay a higher price, for example 95,000 instead of 90,00 for a kilo of meat. They* (the stores) *limit the amount of credit they offer poor households. Life is more difficult now because I have more debts due to inflation and I cannot borrow as much as last year. I have no way to earn more cash. The money I earn from maize each year, my only income, is not enough to repay my increasing debts."*
> *Poor ethnic Muong farmer withh 1,200 m$^2$ of rice for self consumption and 12 kg of maize seeds, Son La*
>
> *"Due to this difficult situation, 20 to 30% of all households have not been able to clear their delayed payments for rice. They are poor and facing landlessness like me. In October, when others can repay debts with the maize harvest, I will have to pay debts for fertilizers first and my child's education. There will be no money left to pay back what I owe for rice."*
> Poor ethnic Muong farmer with 1,000 m$^2$ of cultivatable land, Region 2, Son La

## *2.4. Ways of coping with inflation*

**Firms**

| | |
|---|---|
| Remain stable. Do not expand production capacity. | Formal enterprises' production capacities in labor-intensive export-oriented sectors have been kept at stable levels, mainly due to the pressure of greatly increased input costs and salaries for workers. Large-scale enterprises have outsourced additional orders to satellite enterprises and accepted lower profits. Annex 5 shows the many difficulties that have exerted great pressure upon key export industries in the three years post crisis.<br><br>*"In the garment industry, salary costs are 50-80% of total expenditures. The additional pressure of the salary increase this October will raise the cost per product by 1%. Transportation costs have gone up 20% and water treatment costs have increased 30%. Total input costs have risen about 20%."*<br>Manager at a garment enterprise |
| The myth of high recruitment | Difficulties posed by the "quality" (type, contract conditions, etc.) of orders have led to the continuation of the illusion that there is a shortage of labor in the South. Even enterprises that have advertised a need for recruitment have tended to transfer orders to small satellite units instead of hiring more workers due to the pressure of low outsourcing prices and low profits.<br><br>Real recruitment has mainly addressed the labor turnover among enterprises and among industries. When factories have moved from expensive areas (Ho Chi Minh City) to less expensive areas, there have been recruitment demands in the new areas Recruitment needs increased mostly in the footwear industry due to positive signs in prices and quantity owing to the transfer of the international share from China to Viet Nam. The expansion of production, workshops and workers has been significant at a small number of enterprises that produce branded products. However, the advantages experienced by this industry have not led to expansion due to the pressure of increased costs, especially the cost of labor (including insurance and management). This has caused some enterprises to transfer orders to satellite processing units instead of expand their production. |
| Save on production costs | Firms save on the cost of electricity and fuel whenever possible.<br><br>*"We have stable contracts thanks to having no competitors in Viet Nam, but because the cost of electricity has increased by more than 40%, we have had to reduce production costs. We have to save on electricity and water."*<br>Manager at an electronics firm with 4,000 workers, Ho Chi Minh City<br><br>*"Right after the tariff increase in March, we applied some initiatives. First, we removed the neon lamps on the ceiling, because they were not so effective, and put a lip lamp on each sewing machine. Second, we replaced all the light bulbs with LED bulbs. We studied lighting systems in China in order to save on electricity as much as possible. Thanks to those changes, we have saved 20% on our electricity bill."*<br>Manager at a garment firm with 1,000 workers, Hai Duong |

*"We have tried to substitute electricity with other sources of energy. Fuel costs account for 20% of the total cost, so the company has tried to reduce the use of petrol since the petrol price increased. The company uses wood from provinces the Southeast as a substitute for petrol on the production line."*
Manager at a laundry service company with 600 workers, Ho Chi Minh

Increase productivity

Following increases in the official minimum wage, electricity and petroleum prices, firms have raised wages for workers in order to maintain stable production. Firms which chose not to raise wages in response to inflation experienced strikes. They then had to approve wage increases for their workers.

Wage increases for workers also means higher production costs. To compensate for these costs, firms have tried to increase revenue by increasing the production volume within the 8-hour work day. Firms have also reallocated workers to reduce the number of workers on the production line. This has been most evident in the electronics sector because there have been no big changes in terms of output designs and contracts like in the garment and wood processing sectors. Workers from all sites have confirmed more pressure to achieve the requested higher volume.

*"My production line has 25 workers. Our director raised our basic wage from 1.8 to 2.2 million a month. However, he also increased the requested volume from 3,000 to 3,800 motors a day. We feel more pressure at work. We have to work extra hours in order to finish our workload."*
Electronics worker, Ha Noi

*"My basic wage was increased from 2 to 2.3 million a month, and line productivity increased from 400 to 430 items a day in June. We have to work 45 minutes longer to be that productive. We used to have 15 or 20 minutes worth of breaks during the shift, but now we cannot even take a one-minute break."*
Electronics worker, Ha Noi

*"There used to be 2 workers on my automated production line. We were responsible for checking electronic components. After the wage increases, my line was allocated only 1 worker. My colleague was moved to another line."*
Electronics worker, Ho Chi Minh City

As a measure to increase productivity, enterprises have changed the way they calculate income.

Although enterprises have increased the basic salary, as well as the product price, their workers' income has not increased at the same pace. This is because the way enterprises calculate income has changed from shift-based to product-based, and the level of productivity which workers are asked to achieve has increased (see Table 11). This has led many workers to complain that although their basic salary and the price of the product has increased, their income has increased only a little bit.

**Table 11 - An increase in the requested output using the product-based payment method**

| Industry | Units of requested output | 2010 *Shift – based* | 2011 *Product -based* | Survey site |
|---|---|---|---|---|
| Footwear | Products per shift per day | 2,350 | 2,500 | Ho Chi Minh City, Hai Duong |
| Electronics: Assembly | Products per shift per day | 4,500 | 6,000 | Binh Duong North Thang Long |
| Electronics: Product checking | Products per hour | 300-400 | 500-600 | Binh Duong North Thang Long |

*Source: RIM 2011. A summary of interviews with people at Labour Departments; managers at industrial parks and enterprises; and workers at nine industrial parks in five provinces: Ho Chi Minh City, Binh Duong, Dong Nai, Ha Noi, and Hai Duong.*

Move into other production and business areas.

Interviews at SMEs have confirmed good resilience so far thanks to their small size and business flexibility. They have engaged some seasonal laborers in other temporary activities. Moreover, these enterprises usually use the product-based payment method. Therefore, they have only had a salary burden with a small number of contracted skilled workers. Because they are small, it has been easy for them to move into other business areas.

Pass on the costs to consumers through output price increases.

The market distribution system has passed on the costs of inflation to laborers and consumers. Looking at the retail prices of some products, there have been no negative impacts on retailers (see Table 12). Similar evidence has been found at all survey sites.

**Table 12 - Retail prices**

| The 3 things that have increased in price most | Per month at the end of 2010 | | | Per month currently | | |
|---|---|---|---|---|---|---|
| | Unit price | | Quantity | Unit price | | Quantity |
| | Input | Output | | Input | Output | |
| Drink | 8,000 | 9,000 | 96 bottles | 10,000 | 11,000 | 48 bottles |
| Washing powder | 14,500 | 15,000 | 30 packs | 16,500 | 17,000 | 15 packs |
| Cooking oil | 19,000 | 20,000 | 25 bottles | 20,000 | 21,000 | 20 bottles |
| Total monthly income | 200 to 300,000 VND | | | 400 to 500,000 VND | | |

*Source: RIM 2011. Small grocery store, Region 2, Son La.*

It seems that 3 retailers in the village center have a higher standard of living than farmers. While most farmers have reported a decrease in the number of meals with meat (from 4-5 to 2-3 times a month), which is a clear indicator of change in the standard of living, households with additional income from grocery stores have confirmed an increase from 2-3 to 5-6 meals with meat per month.

| **Households** | |
|---|---|
| To save on livings expenses. | At all sites people have tried to save as much as possible on daily meals and on electricity. People have either reduced what they spend on food or they spend the same amount but get less for their money than before. One solution has been to buy cheaper food. High inflation at markets has led to a change in what people eat. In poor areas like rural villages and mountainous areas, people have decreased their consumption of high-priced items like beef and pork.<br><br>*"We do not buy pork anymore. Last year when the price was 50 to 60,000 per kilo, people from surrounding villages bought 2 to 3 pigs a day at the commune's central market, but this year with the price at over 110,000, it takes 2 or 3 days to sell just 1 pig at the market. Now, we eat what we raise, and grow, things like chickens and vegetables."*<br>*Village head in a village that is 90% Muong and 6% Thai, Region 3, 17 km away from the district center, Son La*<br><br>The clearest change in behavior has been the saving of electricity, especially in rural and migrant areas.<br><br>*"We have changed to energy saving lamps. They are a little bit expensive, but they can help us to save in the long- term."*<br>Migrant, Ha Noi<br><br>*"We use only 1 lamp. We replaced the 40w bulb with a 25w one. Only during harvesting do we use 2 lamps."*<br>Farmer, Thanh Hoa<br><br>*"I do not turn on the television very often. In the past it was on for 5 hours a day, but now we only watch our favorite shows. "*<br>Farmer, Nam Dinh<br><br>*"We only use electricity for 1 or 2 hours at noon. We stop using using electricity by 9 PM. We used to use 2 fans, but now we use only 1. 2 fans are used only when visitors come over. We have begun to use firewood again, instead of the electric cooker."*<br>Farmer, Hai Duong<br><br>*"We no longer use the 4 neon lamps in the pig barn. Those lamps were to feed the pigs in the evening. Now we feed the pigs earlier and take advantage of the sunlight."*<br>Pig farmer with 25 pigs, Region 2, Son La<br><br>Education remains the highest priority when it comes to budgeting expenses, even in the inflation context. Even so there has been a continuing trend for junior high school students in An Giang to drop out of school due to poverty pressure and to not continue their education due to low education requirements at industrial parks at some rural sites. Lower educational achievement in remote ethnic minority areas has existed for a long time, and increased inflation has not had any immediately apparent impact on this. However, increased inflation has impacted the opportunity cost of earnings, especially for grades 8 and 9, as well as upper-secondary education expenses. |

*"I earn 2.9 million a month and my husband makes 2.4 million. Our combined income has increased by 1.6 million, but that is not enough to match the rise in inflation. I have had to save on daily expenses and not buy health insurance for myself in order to pay for my children's education, including extra classes and lunch at school."*
Female ceramics worker, age 27, with 2 children in primary school, Hung Yen

*"My 5-year-old daughter goes to kindergarten. I spend about 500,000 per month on her school expenses, which are 100,000 more than last year. All the children here are sent to school as no one can look after them at home."*
Farmer with 15 congs of rice land in a remote area, An giang

*"In my 9th grade class there were 38 pupils, but only 8 moved on to 10th grade. Those who dropped out of school, including me, did so to contribute to household earnings. School expenses, including 10,000 per month for school fees, a school contribution of 200,000 per school year, and about 70,000 per school year for other class expenses, were not much, and we did not have to take extra classes. However, my family needs me to work in the fields and take care of the animals. Some of my friends quit school in 8th or 9th grade partly because they had no money to continue."*
16-year-old ethnic Muong girl, Region 3, 17km away from the district center, Son La

Increases in input prices have led to landlessness and a negative change in investment. There is evidence of poor households whose production has been lower as a result.

Most poor households in mountainous ethnic minority areas have chosen to lower their fertilizer investment when faced with input price increases, which has led to an increase of purchases on credit and a fear of being denied further purchases on credit.

*"Fertilizer prices have increased a lot. We do not have cash to pay for fertilizers for rice production. We buy on credit. The prices are very high and we are afraid that we would not be able to pay back what we owed after the harvest. Hence, we just bought a little fertilizer, only 2 kilos of nitrogenous fertilizer per sào,[27] which is lower than the last investment of 4 to 5 kilos. I expect lower productivity, about 140 kilos per sào. Farmers who are better-off can get 200 to 230 kilos per sào."*
Poor farmer, Region 3, Son La

*"Last year I bought a bag of fertilizer for 400,00. Now a bag costs 500,000. I cannot afford a whole bag at that price, so I bought a little bit less than 1 bag. I know that the productivity will be lower, but I cannot afford more due to inflation."*
Poor coffee farmer, Gia Lai

Inflation and the difficulties of compounded debts, market access, and production assurance have expanded the landlessness situation of vulnerable groups when they sell production land.

*"In April* (2011) *I had to sell some of my production land, 2,500 m² for 15 million, to pay back the 12 million I had borrowed for fertilizer, rice and small pigs. I cannot expect a very bright near future because the pigs died due to diseases, the crops failed due to bad weather, and I owe a lot of money due to very high prices for agricultural inputs and a very high interest rate. I expect a higher interest rate and higher prices in the future, and then I want to clear my*

[27] Local land unit: 1 sào = 360 m²

*debts. Another 1 million was spent on fertilizers for the current rice crop. The other 2 million were for living expenses. I am sad to have lost production land, but I had no other option. I am poor and I do not want to live with high debts."*
Poor farmer, Region 3, Son La.

Migrant workers spend less on food for themselves in order to maintain remittances that pay for their children's food and education.

Although they earn a higher income in nominal terms, migrant workers in cities have felt no increase in the standard of living. They have confirmed that their wages have increased, but so has the cost of living in general due to inflation. They all try to save as much as possible on food.

*"I changed what I eat for breakfast from delicious noodles with meat or shrimp to a bowl of steamed rice, which costs 3,000. Most migrants in my hostel have stopped buying meat or fish every day. We eat tofu, vegetables, eggs, and cheap dried fish throughout the week. Sometimes, two or three times a week, a few people in the hostel contribute money to buy meat or fish."*
Garment worker, Binh Duong

"*I was shocked by the increase in the price of pork, from 60 to 110,000 per kilo. I stopped buying beef and shrimp, which cost more than 150,000 per kilo. I only buy small fish for 30,000 a kilo, and I only get half a kilo for 2 meals."*
Wood-processing worker, Dong Nai

*"I only want to spend 30,000 on a meal that includes a tenth of a kilo of pork, some vegetables, and 2 pieces of tofu. However, they do not want to sell a tenth of a kilo of pork because it's too little. Normally I buy small fish and eggs, and sometimes I buy about 1.2 kilos of meat."*
Footwear worker, Ho Chi Minh City

*"Most of the local people are poor, so they don't usually buy milk for their kids, just some rice and fish sauce. I still spend 12,000 a day on milk for my daughter because I earn cash from my small grocery shop. We have tried to save on other expenses. I spent only 5,000 on small fish and about 4,000 on vegetables for lunch today, and 6,000 for 2 eggs and some vegetables for dinner. I do not buy meat because it is too expensive. If I bought meat, it would cost at least 20,000 dong and it would not be enough for a proper meal."*
Young couple with 2 children in a remote area, An Giang

Migrant workers in cities, those who have left their children with grandparents in rural villages, try to save a lot in order to maintain remittances to their families. A couple that earns a lot by working overtime and minimizes what they spend on food can save about 2 million a month, but most people can only save about 1 million a month. Remittances are used to pay for their children's food and education. Those are the first priorities. No evidence has been found that inflation has led to a lack of money for food and education for children in rural areas. People simply buy cheaper brands now. There has been no change in the pattern of sending children from migrating households back to rural areas.

*"I save about 1 million a month to send back to my parents to raise my child. He is only 3 years old. It costs about 400,000 a month to buy milk every day. My parents have to pay another 400,000 a month for his meals at kindergarten. His kindergarten fees are 1.2 million a year. That's a big increase of 300,000 a month because those things used to cost only 250, 300, and 800,000 respectively. My remittances are just enough to cover my*

*child's main expenses. I cannot help my parents with other things. We prefer to save on other things, but not on milk and kindergarten expenses for my child."*
Garment worker from Thanh Hoa at a factory in Binh Duong

To maintain remittances, migrant workers have had to borrow informally from friends or colleagues in cities. Some use unemployment benefits to pay back debts if they cannot save enough money from their monthly income.

When migrant workers in cities do not work overtime or are in bad health, the cost of milk and education fees for their children back home will be paid for by taking out an informal loan, incurring debts up to 1 to 2 million or more. Owners of small shops at the rural sites have confirmed that they give informal credit at no interest to families that receive regular remittances from migrant workers. In cities, migrants save or take out informal loans from friends or colleagues to send remittances to their children back home. There is some evidence that workers have registered for unemployment benefits in order to repay debts.

*"My mom has to buy 5 900-gram cans of brand H. powdered milk every month for my 15-month-old daughter. Each can costs 215,000. That is 15,000 more than 6 months ago. I try to save as much as possible so that I can send at least 1 million every month and at least cover the cost of milk. My mom tried buying brand D. milk, like others in the village, because it only costs 165,000 per can. Unfortunately my daughter won't drink brand D. milk, so my mom buys milk on credit. I have tried to save to repay our debts, but we cannot pay it all back due to high inflation, the high cost of living in the city, and the high cost of agricultural inputs in the village. We can only pay the interest. I plan to use unemployment benefits to pay the principal later."*
Electronics worker, Ho Chi Minh City

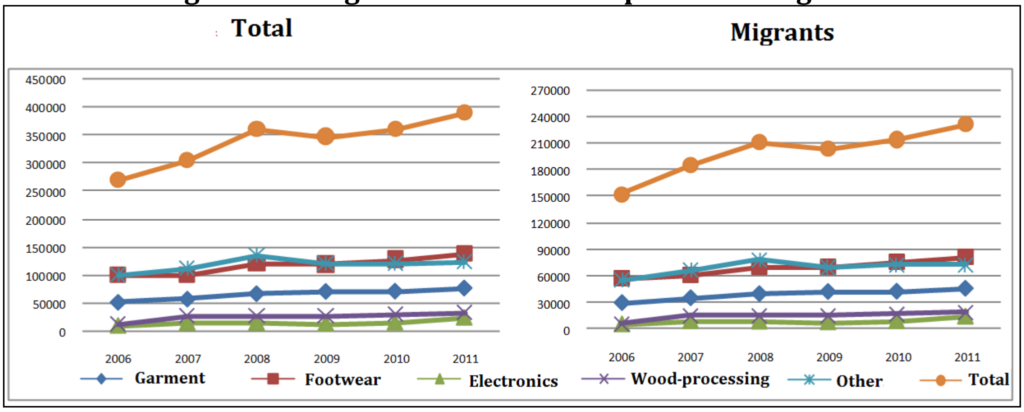
*"I have two kids in my hometown in Tay Ninh province. Every month I try to send at least 2.5 million to my husband because my children drink milk and kindergarten for my older child costs 450,000. I spend only 5,000 on steamed rice for breakfast and I have lunch at work, which consists of only a small Huong fish split into 2 pieces, each the size of a finger, a bowl of vegetable soup (but it is hard to find vegetables in the soup), and 2 small pieces of tofu. I feel hungry until the dinner, which is mainly vegetables, at the hostel. I don't eat meat because I want to spend only 700,000 a month on meals. My husband takes care of the crops in the village."*
Electronics worker, Binh Duong

Most migrants continue to move to urban areas.

A high demand for labor and salary increases in the export-oriented labor-intensive sector in the South continue to make it an attractive destination for migrant workers, and the industrial parks in the North have been expanding. The migration information collected about the rural labor market in the North in the first 3 quarters of 2011 matches the information collected about migration destinations in the South, particularly in Ho Chi Minh City, Dong Nai and Binh Duong.

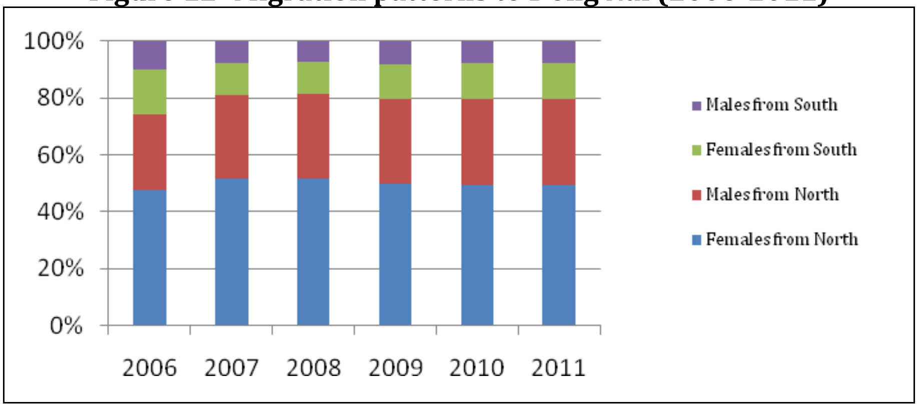
Work-related migration declined in 2009, but then it began to increase again and has continued to do so. (This is reflected clearly in industrial zones in Dong Nai – see Figure 11). Migration patterns have been stable, like they were before the crisis. In Dong Nai, for example, the migrant workers, 60-64% of which have always been female, have come mostly from the North, and it has been like that for the past six years (see Figure 12).

**Figure 11 - Migration to industrial parks in Dong Nai**




*Source : RIM 2011. Calculations based on data provided by managers at industrial parks in Dong Nai (August 2011). In 2011 data was calculated for the first 8 months.*

**Figure 12- Migration patterns to Dong Nai (2006-2011)**




*Source : RIM 2011. Calculations based on data provided by managers at industrial parks in Dong Nai (August 2011). In 2011 data was calculated for the first 8 months.*

Due to the pressure of higher prices in the areas around industrial parks in low-cost regions,[28] some local workers have left the formal sector and begun to work in the informal sector in another urban area to earn a higher income. Leaving the formal sector results in a loss of access to social welfare (health insurance, social insurance and unemployment insurance), which they state they do not value. Local workers have been replaced with workers from nearby areas such as neighboring communes or provinces. Therefore, from the point of view of enterprises, they do not very much suffer when their workers quit.

In the inflation context, workers moved from the formal to informal labor market segments, such as civil construction, informal wood processing, retail and services, have been able to protect their expected income.

[28] Hai Duong and Nam Dinh

# 3. The impact of Resolution 11

*Contractionary policies in Resolution 11 together with communication of policy to the public have facilitated a positive change in the social perception of a more effective and productive economy.*

*There is no clear evidence of impacts that Resolution 11 has had on the decreasing lending interest rates and on income and employment driven by contractionary policies.*

*Resolution 11 aims to provide targeted support to the vulnerable sectors of agriculture, SMEs, and social protection beneficiaries. However, in reality there are inherent weaknesses in implementation. There is still a lack of evidence of discernible improvement for the most vulnerable groups.*

**Perception**

Positive change in social consensus on a more effective and productive economy.

The tightening of regular expenditures in the public system and a reduction of public investments have been observed at all sites. Cumulative impacts that almost exceed acceptable limits have created pressure to cut down on expenses and to generate more productive ideas. Furthermore, the effective communication of Resolution 11 to the public has helped to increase social awareness of cost-saving efforts and careful financial appraisal. This has led to several changes in the behavior of firms and households, resulting in a reduction of expenses. (e.g. The price of electricity has increased, but some firms use less electricity than before because they have switched to energy-saving light bulbs.)

**Box 2 - A reduction of regular state expenditures by 10% and public investments by over 10% in 2011.**

Regular state expenditures for 2011 are expected to amount to 442,100 billion. 10% of the allocated budget needs to be retained according to Resolution 11 guidelines, although it is not clear when this can be spent. Public investments for this year are also planned to be cut by over 10%.

In 2008 the Ministry of Planning and Investment issued a list of public investment items to be cut. Over 37,000 billion was to be spent extending or stopping more than 3,000 projects in order to reduce the waste of public investment. However, in reality the cut was minimal. The state spent 20% more on development work than it had budgeted for, and inflation in 2008 exceeded 20%.

According to unofficial figures for the first five months of 2011, ministries, departments, localities and state groups have reduced 80,550 billion VND from spending on many projects, put a hold on many new projects (about 9% of total social capital investment). Of these cuts, 7% is borne by ministries, departments and localities' by reducing inefficient projects; 3.4% is accounted for by a cut down of 126 projects using government bonds; 3% is from projects cut down and postponed by ministries; nearly 50% is accounted for by costs cut in the operation of Vietnam Corporations which is a reduction by 10.7% in the planned development investment for 2011.

However, 41% of that reduction is over reported. Projects lacking capital and unfeasible projects are considered a part of the public investment reduction. Up to 8,333 billion VND is actually being transferred between projects in order to speed them up. Also, not exactly a cost cutting measure, 10,000 billion VND is actually the reduced advances of funds for 2012. Another 15,000 billion VND (which is considered as a cut down on government bonds) is actually the difference with the total bonds issued in 2010.

*Source: A summary of the news*

**Producers' behavior**

No evidence found of an impact due to the interest rate policy.

High lending interest rates have been sustained, seriously affecting production and business (see Table 13).

**Table 13 - High lending interest rates have led to losses**

| Types of enterprises | The interest that banks may charge | Profit | Coping measures |
|---|---|---|---|
| Small-scale industry units, trade villages | 20-22% a year | Less than 30% | Produce perfunctorily or stop producing. |
| SMEs | 21-25% a year | Very low profit | Produce perfunctorily or stop producing. |
| Construction enterprises | 21-27% a year | No profit | Maintain projects so that the skilled laborers remain employed.<br>Take out hot loans at an interest of 6-9% a month to pay salaries. |

*Source: RIM 2011. Summary of the views of enterprises and laborers in 7 cities and provinces: Ho Chi Minh City, Binh Duong, Dong Nai, Ha Noi, Hai Duong, Gia Lai and Quang Nam.*

High interest rates and short lending periods have caused difficulties for production units when sales have slowed due to inflation and tightened spending. In fact, the policy for export promotion loans and credit guarantees at branches of the Development Bank of Viet Nam has not yet created a springboard for enterprises. Most enterprises have confirmed that they have had difficulties due to this policy.

Despite the target for SMEs in Resolution 11, they have suffered from unstable production due to difficulties in raising capital, the high increase in inflation and input costs, and the quantity of orders. SMEs that do not make a profit do not benefit from tax reduction under Resolution 11.

**Box 3 - Ranking the difficulties of SMEs**

Currently about 20% of all SMEs have gone bankrupt, 60% have suffered lower sales and have had to reduce their labor force, and the rest have operated with difficulty.

The biggest difficulty for SMEs has been raising capital due to high interest rates and limited loans, especially in cases of medium- and long-term loans. Only about 30% of all SMEs in Quang Binh have been able able to borrow capital from commercial banks. The interest rate is commonly as much as 20% a year. The interest on a long-term loan may be as much as 25% a year.

The second difficulty has been the increase in input costs (electricity, fuel, and construction materials). Enterprises that have been stockpiling and have not had no increase in their output prices are at risk of stagnation.

The third difficulty has been modest production. Some projects have been put on hold due to a lack of capital.

The forth difficulty has been the unstable supply of electricty, which makes production unstable and creates additional costs.

*Source: RIM 2011. Summary of a report by the Association of Small- and Medium-sized Enterprises (July 2011) on the implementation of Resolution 11.*

Lending interest rates decreased only slightly in the 4th quarter of 2011.

The tightening of monetary policy inevitably leads to higher interest rates. Commercial banks have increased interest rates (see Table 14), which has led to non-transparent banking activities due to the 14% deposit interest rate limit imposed by the State Bank. In its efforts to have a transparent banking system, using this administrative tool the State Bank brought interest rates down to 14% a year in September 2011. However, the capital mobilized through a 3-month deposit at 16-18% interest will not be fully absorbed until the beginning of 2012. Therefore, lending interest rates will decrease only slightly in the fourth quarter of 2011.

**Table 14 - Commercial bank interest rates**

| | 2010 | 2011 |
|---|---|---|
| Small banks | | |
| Deposit interest rate | 10-15%<br>Usually 12% | 14-19%<br>Usually18% |
| Lending interest rate | 16-22%<br>Usually 20% | 21-27%<br>Usually25.5% |
| Large banks | | |
| Deposit interest rate | | 14-17.5%<br>Usually16% |
| Lending interest rate | | 17-24%<br>Usually22% |

*Source: RIM 2011. Banks in Ha Noi: 4 large banks and 6 small banks.*

**Household behavior**

| | |
|---|---|
| There has been no evidence of any effective agricultural support to change the liability burden, which has led to a reduced capacity to pay off debts and reinvest on a large scale. | Many farmers have had to borrow informally to purchase inputs as prices have gone up. Formal lending interest rate variations (Table 14) have not had a direct impact on vulnerable groups due to the fact that the majority of vulnerable groups only have access to loans for poor households, or informal credit, which is mainly based on social capital, which is flexible, less time-consuming, simple and mutually beneficial. The interest rate on an informal loan depends on the duration of the loan and the amount borrowed. The interest rates for daily informal credit are higher. The informal interest rate in rural areas is often 2-5% a month except in Son La, where it is up to 7% for purchases on credit (see Table 8) and 10% for loans taken out from loan sharks in cities.[29]<br><br>Unlike previous rounds of the survey, where people complained about the limit of how much money they could borrow, now people only complain about the interest rates. Of course people like fishery farmers in An Giang and those who have not been able to access formal credit have not been taken into account. |
| | No clear evidence has been found that monetary policy has had an impact on employment and income. Some construction companies have mentioned that the halting of construction in urban areas is due to the tightening of monetary policy. Consequently, there has been a decrease in demand for construction workers, who have migrated from the rural areas. However, the on-going construction projects have absorbed those laborers.[30] No evidence has been found from the rural areas that workers have been laid-off due to the halting of construction in urban areas.[31] |
| Impact of fiscal policy. | There are no statistical figures available showing the impact these measures have had on employment and the income of workers. No conclusive evidence that vulnerable groups have been impacted has been found. The people who worked at construction projects that have been halted are mainly migrant workers who receive a wage on a daily basis, and they have managed to find work elsewhere thanks to the increasing demand for services and private construction work, but in some cases they have had to accept a decrease in terms of the number of hours worked and income.<br><br>Only in the mountainous areas in the North, where stopped projects have mobilized local workers, we observed a slight decrease in employment and income among poor households. There have been no great variations in terms of living conditions. This is due to the low level of income, people have voluntarily chosen not to work. |
| A targeting approach cannot help to significantly | The Ministry of Labor, Invalids and Social Affairs has developed a number of measures to ensure social security in the new context. They are part of the comprehensive package of solutions in Resolution 11.[32] The Department of Labor, Invalids and Social Affairs has instructed local officials to review and |

[29] The interest rate for formal credit in Ha Noi is normally 10% a month.
[30] This has been confirmed by construction enterprises.
[31] 12 sites in Hai Duong, Thanh Hoa, and Nam Dinh (quarterly monitoring funded by the Ford Foundation).
[32] A list of solutions for social security enhancement (under the framework of Resolution 11) was presented by the Ministry of Labour, Invalids and Social Affairs. For details, please consult the report *"Coverage, Accessibility and Effectiveness of Social Security Policies: Viet Nam 2011 – Rapid Impact Assessment of Workers and Households"* (Annex 11, page 68).

| | |
|---|---|
| strengthen social protection in the context of high inflation. | update the list of poor and low-income households and those affected by unemployment and adverse shocks.<br><br>However, many weaknesses remain in the current social security system (see Annex 10). In terms of coverage, vulnerable and at-risk individuals are unprotected by the social safety net. In terms of the accessibility, there are barriers to information, costs, procedures, and officers' executive ability. In terms of effectiveness, policies have not been very effective due to the low level of social assistance and the necessity of informal payments to access loan support. The situation has not improved much since the previous round of the survey at any of the survey sites.<br><br>Almost no new national solutions have been implemented in 2011. The current strategy has been to implement old social assistance policies. Despite an increase in the budget for social assistance in 2010, which was due to an increase in the basic allowance and the expansion of targets, no new policies have been implemented with the exception of two initiatives: electricity subsidies for poor households (which went into effect in 2011) and contingency assistance for low-income individuals (poor households and low-paid state workers) due to inflation (in 2008). |
| *Electricity subsidies for poor households* | According to the new retail electricity price schedule (2011),[33] poor households[34] are entitled to an electricity subsidy of 30,000 VND a month and pay a lower price for the first 50 kWh each month.[35] The Government has received positive feedback on the policy from poor households. The amount of assistance is not large, but it eases the financial burden on poor households. In informal residential quarters in urban areas where migrants live, it is obvious that this policy has not been implemented.[36] In rural areas, the amount might just cover the household electricity bill (see Table 15). In mountainous areas, where poor ethnic minorities live, this assistance sometimes exceeds the household electricity bill.[37] |

[33] Decision no. 268/QĐ-TTg, implemented in March 2011

[34] According to Decision no. 09/2011/QĐ-TTg on January 30, 2011 issued by the Prime Minister on the poverty line for the 2011 – 2015 period

[35] 993 VND per kWh. The normal price is 1,242 VND per kWh.

[36] Such policies cannot be applied in the informal sector.

[37] Implementation electricity support for poor households in survey sites. For details about coverage, execution and effectiveness, please consult the report *"Coverage, Accessibility and Effectiveness of Social Security Policies: Viet Nam 2011 – Rapid Impact Assessment of Workers and Households"*.

**Table 15 - Electricity bills of the poorest groups**

| Site | The most vulnerable/poorest groups in the community | |
|---|---|---|
| | Monthly bill | Some characteristics |
| Urban survey sites (where migrants live) | | |
| Ha Noi | 70,000–100,000 | • They live in hostels that cluster around industrial parks.<br>• Migrant workers normally work the late shift.<br>• 12 $m^2$ room, 1 lamp, 1 fan, 1 electric cooker, 1 television |
| Ha Noi | 30,000-50,000 | • They live in slums.<br>• Electricity price: 3,000 per kWh.[38]<br>• The poorest live a 6-8 $m^2$ room and have 1 lamp, 1 fan.<br>• The poor live 3-4 people in a 16-17 $m^2$ room, and have 1 lamp, 1 fan, 1 electric cooker. |
| H.C.M.C. | 90,000–150,000 | • They live in hostels that cluster around industrial parks.<br>• Migrant workers normally work the late shift.<br>• 12$m^2$ rooms with 1 lamp, 1 fan, 1 electric cooker, 1 television. |
| H.C.M.C. | 160,000-200,000 | • They live in informal migrant neighborhoods.<br>• Electricity price: 3,500 per kWh.<br>• 3-4 people in a 20 $m^2$ room, 1 lamp, 1 fan, 1 electric cooker. |
| Rural survey sites | | |
| Hai Duong | 40,000-80,000 | • Poor farmer with less than 3 sàos of production land.<br>• Elderly household with no income.<br>• 1 television, no refrigerator.<br>• Uses electricity for lamp and fan. |
| Thanh Hoa | 25,000-30,000 | • Poor farmer with 4-5 sàos of production land.<br>• Elderly household with no income.<br>• 1 television, no refrigerator.<br>• Uses electricity for lamp and fan. |
| Nam Định | 50,000-70, 00 | • Poor farmer with less than 3 sàos of production land.<br>• Elderly household with no income.<br>• 1 television, no refrigerator.<br>• Uses electricity for lamp and fan. |
| An Giang | 30,000-50,000 | • Landless farmer.<br>• 1 television, no refrigerator.<br>• Uses electricity for lamp and fan. |
| Mountainous survey sites | | |
| Son La | 20,000-30,000 | • New household cultivating parents' production land.<br>• Poor farmer with a small amount of production land (low productivity, less than 10 tons of maize per ha a year).<br>• 1 small television, no refrigerator. |
| Quang Nam | No electricity grid yet (but coming soon) | |
| Gia Lai | 60,000-70,000 | • New household cultivating parents' production land.<br>• Poor farmer with a small amount of production land.<br>• 1 small television, no refrigerator. |
| An Giang | 30.000–40.000 | • Poor farmer with a small amount of production land.<br>• 1 small television, no refrigerator. |

*Source: RIM 2011*

38 The electricity price for the poor is 993 dong per kWh. The normal price is 1,242 dong per kWh.

Guidance regarding the initial implementation offered by two central government institutions (the Ministry of Labor, Invalids and Social Affairs and Viet Nam Electricity Corporation) has been unclear, but in reality the policy has been quickly implemented at the local level. All survey sites have reported that this policy began in June (see Table 16).

**Table 16 - Timely implementation of the electricity support policy**

| Date the decision was made | Date instruction document was received at the local level | Date people started receiving support | Survey site |
|---|---|---|---|
| • 23 Feb: decision issued by the Prime Minister<br>• 6 April: circular issued by MOLISA | 15 April | June | Nam Dinh |
| | 29 April | June | Thanh Hoa |
| | | June | Son La |
| | | June | Gia Lai |
| | | June | An Giang |
| | | June | Hai Duong |

*Source: RIM 2011*

In rural areas the support has been distributed in different ways:

- Some localities have acted as instructed, i.e. they disbursed payment for 4 months in the 2nd quarter of 2011 (120,000 VND per household), while some localities only paid for 3 months (90,000 VND per household).
- "Register to use less than 50 kWh a month" has been understand differently among localities:
  - It does not matter if you use electricity or not, or how much you use. You just have to be poor to get the allowance from local officials. There is nothing to check or approve. The procedure is simple and has been well-received by poor people.;
  - You must "go to a committee officer to register to use less than 50 kWh per month". People consider the procedure to get the allowance of 30,000 VND a month to be simple and acceptable, and they register because their electricity consumption is very low;
  - You will be penalized if you do not commit to "using less than 50 kWh a month." People who do not register to use less than 50 kWh a month lose the right to pay the preferential price. People are afraid they will be penalized and that the 30,000 VND a month will be taken back if they use more than 50 kWh a month.

*Contingency assistance support for low income individuals due to inflation.*

How it is determined which HHs qualify as poor HHs and should be on the list of HHs that receive contingency assistance support due to inflation varies because although there is a standard method used to identify targets (determined by MOLISA), in practice a variety of methods are used (see Annex 11). There has been no problem with the implementation because the guidelines are very clear and the budget is based on real expenditures.

The support has not been very effective because:

- The amount offered is insufficient, especially in the context of inflation.
- It is very hard for the local staff to explain and distribute support. Local staff members are under heavy pressure every time they distribute emergency relief and they have even proposed not offering emergency relief. When the list of poor HHs was draw up, many poor people did not

care whether or not they were on the list, but when they realized that there were benefits to be had by being on the list, they began to complain that they were not on it.

Social assistance support in the context of inflation is insufficient.

Social assistance support in the context of inflation has been problematic, both in terms of design and implementation. Regarding the design, the system does not take into consideration certain features of the informal sector and labor mobility. Evidence of vulnerable groups that are entitled to social assistance but do not receive it has been found among informal migrants in urban areas (in Ha Noi and Ho Chi Minh City). There are two main reasons for this:

*Migrants and informal laborers are highly vulnerable groups but they do not receive support.*

Beneficiaries have to be administratively registered at the commune/ward level. For migrants in big cities it is difficult to register as a long-term resident and receive support where they live. It is also difficult for them to receive support in their hometown due to distance, low frequency of travel, the high cost of transportation, and a lack of income while away.

> *"We do not control those who move away for more than 6 months. If you register for temporary leave of over 6 months, how can we control you?"*
> A local officer in a rural area, the departure point of migrants
>
> *"Migrants here rent houses and it's very difficult for them to register as permanent residents. We cannot control them, especially the people that make a living and rent a house on a daily basis. Once a year, on September 2nd, we ask landlords about the number of temporary tenants they have. The migrants are poor, very poor compared to others in this area, but they are not registered and thus cannot be listed as poor households."*
> A local officer in an urban area, the destination of migrants

The level of capacity and understanding among local officials has led to some misunderstandings and skewed percerptions (on the part of the officals) as to who should receive social assistance benefits and who should not. They do not always understand that eligibility criteria for receiving benefits (part of Decree 67) need not necessarily include poverty. This has led to cases of eligbile households (those which are not poor but still entitled to receive benefits) not receiving benefits. In addition, quota/budget constraints have resulted in skewed percerptions that migrants should be on the list of poor households in rural areas in the North. It is illogical to think those who can move far away to work cannot be poor.[39] They have little or no land (perhaps 1 or 2 small pieces of land), so they have to leave and find work elsewhere. Often they are unable to find a good job, and income after expenses is not always higher than back home.

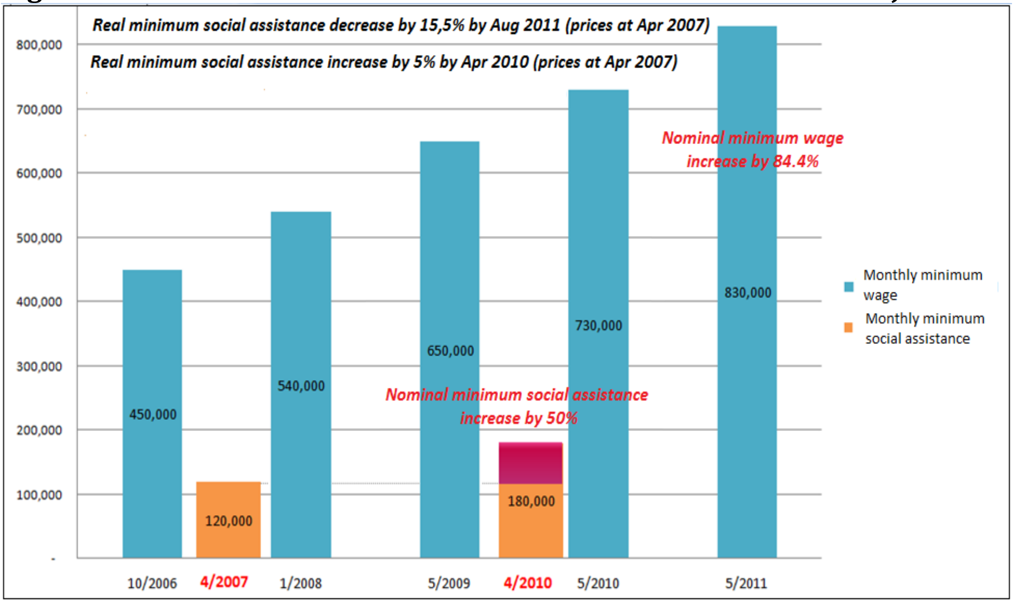
*The system was not designed to be an automatic stabilizer. Wage earners relying on social assistance have been hit hard by the extremely high inflation.*

Wage earners relying on social assistance have been hit hard by the extremely high inflation. While the minimum wage has been raised twice, the minimum social assistance has been increased only once (see Figure 13). After adjusting for inflation, the minimum social assistance decreased in real terms (15.5% by August 2011), and hence continues to decrease in comparison to the minimum wage (see Annex 13). It appears that only indexing the social assistance level to inflation (which creates an automatic stabilizer) is a viable solution to protect vulnerable groups from high levels of inflation.

[39] Workers from Thanh Hoa and Nam Dinh have the choice between moving away for work and agriculture. It is different in the South in places like An Giang and Gia Lai, where the ethnic minorities are poor and have little or no land. They cannot make a living at home and have to go far away to work. They have no choice.

However, when adjusting the minimum social assistance level, budget constraints require careful consideration of different levels of benefits and coverage through (technical) simulation.

**Figure 13 - Minimum social assistance decreased after inflation adjustment**




*Source: RIM 2011. Summary of decree documents.*

In order to target the most vulnerable migrant group, some wards in Ho Chi Minh City have offered a tax reduction to hostels on the condition that they do not increase the rent. However, this has not really helped because hostel owners would not benefit much, and therefore have little incentive to take advantage of this tax reduction, and there has been no awareness-building campaign. Most workers have confirmed that rent has increased.

> *"Migrant workers face many difficulties, so I do not want to raise their rent or the price I charge them for electricity and water. I signed the commitment to not increase the rent for migrant workers in order to receive a tax reduction, and my taxes were reduction from 300 to 250,000 a month. This policy is being led by the People's Committee in my district, the first district to respond to Resolution 11 in Ho Chi Minh City."*
> Owner of a hostel with 32 rooms, Ho Chi Minh City

Market price stabilization support has not benefited consumers at local markets, who are mostly poor.

Under Resolution 11, in addition to social protection policies there are other policies, such as those related to agricultural development and the implementation of price stabilization funds (see Annex 12), that target the vulnerable groups of laborers. In theory, local people may benefit from vocational training programs and price stabilization funds. However, many existing barriers do not allow them to benefit from these supporting policies.

- Vocational training programs have been largely promoted in rural areas (under Decree No.1956), enhancing vocational training for workers in rural areas. Poor and vulnerable households have access to vocational training courses. However, the programs' effectiveness in terms of employment outcome has not been determined at any survey site.
- Price stabilization funds have not really had an impact on general prices due to the limited scale. Mainly high-quality products sold in supermarkets and urban areas have been affected. There has been very little implementation in rural areas and at industrial parks. Therefore,

they have had almost no impact on the rural population, industrial park workers and low-income consumers.

# 4. Looking forward

*Unpredictability of the market demands more careful monitoring of the situation.*

Things have actually changed extremely fast. It is suspected that because of these rapid changes, it is very difficult to predict well what will happen next based on thesurvey observations.

Firms are worried about the stability of the market. In the export area, contracts were a sign of investment and production expansion opportunities about 5 years ago, but now they are only a way to keep workers employed for the time being.

> *"We cannot invest into new equipment. In the past, new contracts allowed us to buy more machines, but now, we the situation is not stable and we do not dare to invest. The recent contracts have not been a sign of stability."*
> Manager at a furniture firm with 400 workers, Ho Chi Minh City

> *"The contracts are quite good at the moment, but there are less and less of them. We keep hiring employees because we expect to get new contracts."*
> Manager at a garment firm with 120 workers, Ho Chi Minh City

As firms have made low profit recently, high inflation has led to worries about bankruptcy in 2012. Some firms (footware and garment) have contracts until early 2012. Firms that have contracts with Japan are worried about earthquakes.

> *"We increased wages in July. Last year, wages accounted for 16% of total cost. Now, wages account for 22% of total cost, which has led to a fall from profit to loss. Unfortunately, we expect another increase soon, which would result in wages accounting for up to 28% of total cost, and near bankruptcy in 2012."*
> *Manager at a furniture firm with 400 workers, Ho Chi Minh City*

The market is unpredictable. The signs of early halt on a year-over-year basis predict the coming of a difficult time.

Interviews at firms in August found workers to be very confident that there would be orders for the end of the year and an increase in demand (China is expected to be an important source of demand because it is moving some subsidiaries to Viet Nam), but shortly thereafter orders for garments stopped.

> *"We have one new customer, Nokia, this year (2011), and we expect iPhone next year (2012)."*
> Manager at an electronics firm with 4,000 workers, Ho Chi Minh City

The situation is not optimistic. The stability of orders was at most only for 3-4 months (until early 2012) (see Annex 5). That is less than the 6-month stability of orders reported during the last survey on a year-over-year basis. The signs of early halt on a year-over-year basis predict the coming of a difficult time.

> *"Export orders for the coming winter and spring (from November 2011 to April 2012) decreased significantly, by 50-60%. The prices have considerably decreased as well, by 5-10%, for processed products."*
> Viet Nam Textile and Garment Association, Ha Noi

> *"30-35% of all enterprises have temporarily halted operations. Enterprises facing many difficulties will not be able to survive in 2012."*
> Manager at a wood-processing enterprise, Dong Nai

In addition, enterprises foresee difficulties in October, due to the annual increase in the basic wage that is required by law, and at the beginning of the year, which is when enterprises usual raise wages, in 2012. The two wage increases combined, one shortly after the other, will be a serious burden on enterprises in 2012. At the very least there will be an insurance expense burden.

The current social protection system lacks an active prevention mechanism.

The social protection system needs to be examined in order to (1) improve the effectiveness of current solutions, (2) enhance the safety net of newly emerged vulnerable groups and diminish emerging risks/damage in any new context, and (3) to enhance the safety net of potentially vulnerable groups which might arise if the situation worsens. While there has been no great change in the current system,[40] there are urgent questions which remain.

As for newly emerged vulnerable groups/risks/damage, assessment at survey sites has revealed the following issues:

- The majority of informal migrant workers in large urban areas (mainly in residential quarters where poor migrants live in Ha Noi and Ho Chi Minh City) face increasing pressures due to an increase in the cost of living. Some are entitled to receive social assistance, but they do not have access to this support.

- The majority of farming households and workers have not benefited from agricultural output price increases. In addition, they have to bear the increasing cost of production inputs coupled with the rising cost of living. Most farmers have not had to access to policy supports. Only poor households have benefited from contingency assistance and, in 2011, electricity subsidies.

In the near future, with continued tightening of public investment and economic reforms, and unemployment and underemployment due to economic shocks and the shrinking of public works, the question will be how to ensure income for unskilled workers, those at greatest risk of falling into the most vulnerable group. What is worth mentioning in this context is that the current system lacks an active prevention mechanism.

- Unemployment insurance only covers a limited part of the formal sector. It is not yet a safety net for informal/short term laborers and public officers.
- Vocational training policies in rural areas have barely delivered any short-term outcomes are not a reliable safety net in the context of an economy-wide shock.
- Public works have mobilized a large quantity of informal local workers, but their income remains very low. Therefore, most local people refuse to do public works, requiring companies to use heavy machinery.
- It is not recommended for the State to hand over social responsibility (the ensuring of a minimum level of social security) to firms in difficulty. Decision 30,[41] implemented in 2009, has not been implemented at any of the RIM 2009 survey sites. Firms in difficulty have not implemented it because they have not wanted to be burdened with this responsibility.[42]

[40] There have been only two new ad-hoc supports: (1) electricity subsidies for poor households and (2) support for low-income individuals (poor households and low-income officers) due to rising prices.
[41] Decision no. 30/2009/QD-TTg: Loan interest rate support to help firms that are facing difficulties due to economic downturn pay unemployment benefits and insurance.
[42] Firms prefer to take out unofficial loans that bear higher interest rates than to report their difficult situation. Firms are not interested in taking out loans from the State. Policies lack detailed regulations.

## 5. Policy recommendations

**Continue contractionary fiscal and tight monetary policies.**

The labor market is strong enough for the continuation of contractionary fiscal and monetary policies until inflation expectations fall.

- Have a consistent monetary policy.
- Continue the contractionary fiscal policy to keep down public investments so as to reduce budget deficits as well as pressures on the capital market.

**Restore public confidence.**

Public confidence has to be taken into account in macroeconomic management (policy review, research and database management). Inflation expectation serves as the driving force behind increasing prices. Thus, public policies should be designed to:

- Build up confidence in public policy regulation by encouraging:
    - Consistent coordination among public policy actions
    - Commitment to policy measures from design to implementation;
- Speed up market structure improvements with the aim to reduce production input costs; and
- Reflect public confidence.

**Concrete support**

Supports for SMEs, agricultural development and social protection should be concrete. Long-term policies need to consider the following issues:

- Take into consideration the informal and mobile aspects of the labor market. Modify the registration and beneficiary system so that one's place of temporary residence is irrelevant in order to remove barriers for individuals migrating from rural to urban areas. The solution needs to evaluate the option of using technology in issuing a mobile series following the subject beneficiary.

- The long-term plan needs to focus on the design of automatic stabilizer mechanisms to handle potential shocks. There should be an effective index scheme to automatically adjust social assistance benefits in line with the rising costs of living. This will require early identification of CPI and an appropriate consumption basket for particular groups of the population such as migrant and informal unskilled workers.

- A broad-based approach with pro-active prevention is needed.

    - Improve policies promoting agriculture in order to best serve farmers. Most farmers cannot benefit from agricultural price increases due to debts incurred when purchasing of inputs and rising living costs. Therefore, it is important to carefully evaluate the removal of ad-hoc policy support; improve access to loans; to provide input assistance to farmers, and to help them connect with agricultural markets.

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Regarding runaway firms, it is easy for provinces to use the State budget to provide assistance to workers, but who will be responsible for selling the company's assets? Most runaway firms rent factories, machinery and equipment, and it is left behind in the factories, but it difficult to liquidate because banks are involved. The assets could be confiscated, but then guards would have to be hired protect those assets, and who would pay them? Assets left for too long lose their value and cannot be sold. (from RIM 2009 Synthesis Report)

- Improve the social security system with pro-active prevention to
    - Enhance the unemployment safety net by eliminating the requirement that an enterprise must employ at least 10 workers and that those workers must have a contract for at least 12 months. In addition, contributions should be based on total net income.[43]
    - Enhance vocational training by teaching skills which are currently needed in the job market and include a job placement program.
    - Conduct more researches on public works.

- Part of the budget savings from the reduction of public investment should be used to solve the issues of unemployment and labor shortage in order to prevent social shocks in a period of tightening fiscal policy and strong economic restructuring.

[43] These should be carefully researched in terms of the financial sustainability of the unemployment fund.

# ANNEXES

## *Annex 1 - RIM in brief*

**The RIM initiative**

The Rapid Impact Monitoring of the Global Economic Crisis (RIM) emerged in response to a request from senior policy makers to assess the impacts of the global economic crisis which broke out in the last quarter of 2008 and then quickly spread throughout the whole world. Since 2008, the global economic crisis has taken a toll on the Vietnamese economy through two main channels: exports (including the export of goods and labor and inbound tourist services) and foreign direct investment, not to mention overseas remittances and indirect foreign investment. All sectors and segments of the population have been hit, though to varying degrees. In response, the Government of Viet Nam swiftly implemented a stimulus package, which included loose monetary policy and expansionary fiscal policy. However, in the context of large budget and current account deficits as well as high inflation in Viet Nam over the last couple years, special care should be taken to ensure that recovery is fast, but also sustainable.

To design of the right type of government response it is necessary that the Government of Viet Nam has sufficient information on actual transmission mechanisms and the magnitude of the impact of the global economic crisis on enterprises, workers and households in Viet Nam, their resilience and coping mechanisms, the working of formal and informal social safety nets in areas where the impact on the population is felt strongly and so on. Because of a lack of appropriate and high frequency information, particularly on how the affected people respond to shocks, with support from the community of donors and international NGOs, including in particular the World Bank, UNDP, UNICEF, DFID, the Ford Foundation, Oxfam GB, and Action Aid, the Centre for Analysis and Forecasting at the Vietnamese Academy of Social Sciences (CAF/VASS) carried out three rounds of RIM during Mar-May 2009, Aug-Sep 2009, and Aug-Sep 2010 to collect up-to-date information about the impact of the on-going global economic crisis on firms and workers in order to provide timely inputs to policy making processes and to complement, not replace, the data and statistics collected by GSO and MOLISA.

**Objectives**

The immediate objective of the Rapid Impact Monitoring (RIM) exercises is to provide timely and relevant information to all stakeholders for informed decision making and enhanced policies to mitigate the impact of the new policy issues on vulnerable people in Viet Nam.

**Principles**

(i) RIM findings are to be timely, reliable and accessible;
(ii) They should supplement the best current information sources; and
(iii) They should be flexible for rapid changes of the situation and requirements by policy makers.

**Scope**

RIM has a macro approach. In addition to reviews on existing findings from available surveys, RIM conducted field work at specific locations to capture micro evidence through interviews at the level of firms, households, and laborers.

At the macro level RIM focuses on the global economy, especially changes in major partners; impacts on Viet Nam through channels of import and investment (FDI, FII, ODA); and variables such as growth, inflation, budget balance, and exchange rate to define impacts on employment and poverty reduction.

At the micro level it considers production and business practices of companies and their coping mechanisms, and especially labor policy decisions and factors constraining appropriate adjustments.

At the HH and labor level, RIM analyses coping mechanisms of laborers who suffer from strong impacts, especially migrant laborers, and the impacts on their families living in rural areas.

It provides rapid feedback to policy makers about which policies/systems work (or do not work) and therefore need to be maintained (or need to be modified/adjusted) and what is missing.

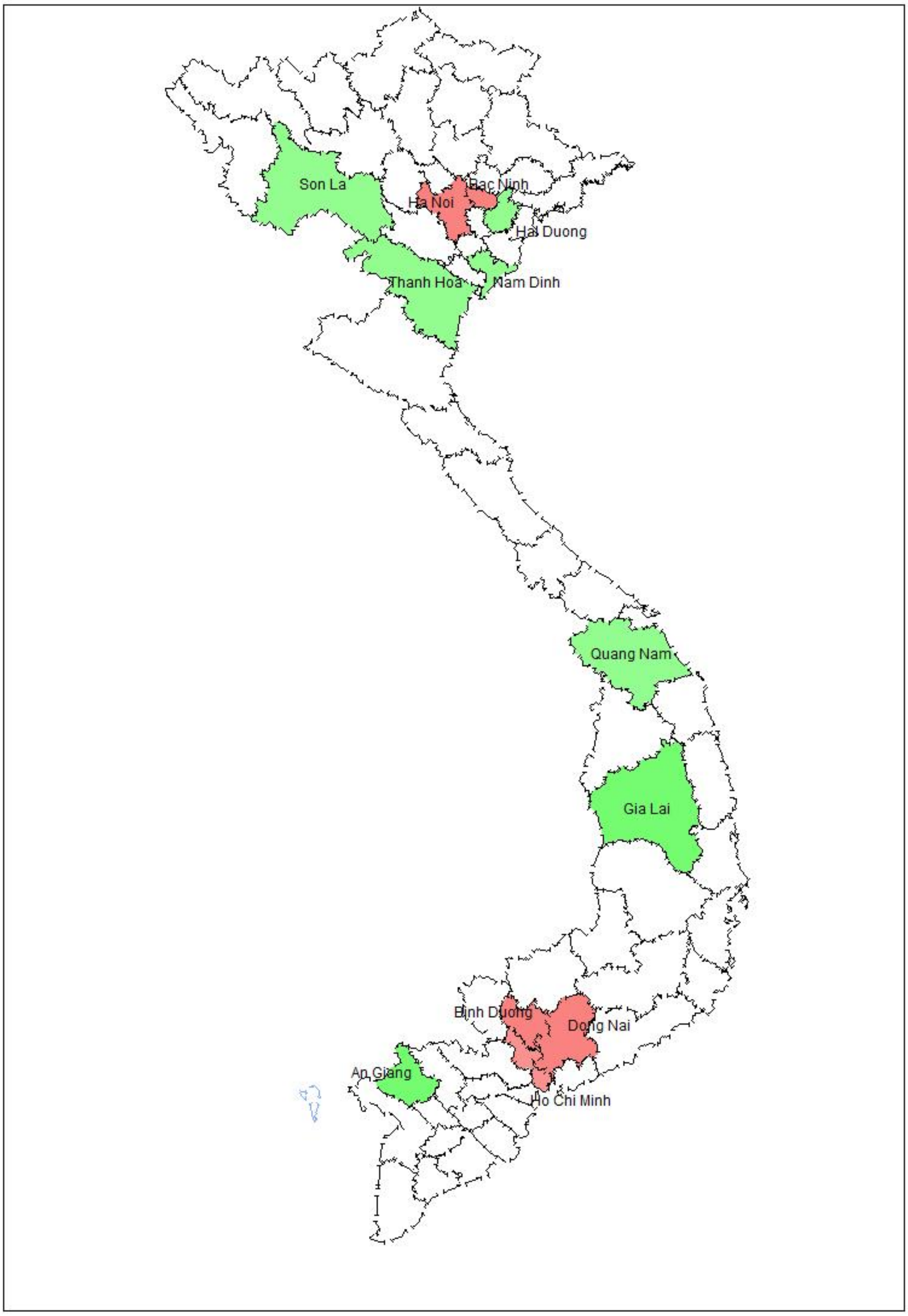
**Implementation**

RIM has been implemented by a number of research institutes and individual researchers in and outside VASS. The VASS Task Force, comprised of senior researchers, has been monitoring the development of the crisis in various parts of the world, as well as its impacts at the macro and sectoral levels, relying mostly on secondary sources of information and data. CAF coordinates field work conducted by researchers from VASS and outside VASS in various provinces across Viet Nam. The RIM team does its best to coordinate with parallel initiatives by Oxfam GB, Action Aid, ISPARD, ILSSA, VCCI and other institutes.

**RIM products**

An analysis done on the basis of RIM-collected information and data has been used for the preparation of numerous policy reports that have been submitted by VASS on an on-going basis to senior policy makers in the Government, the National Assembly and the Party. Key findings of various rounds of RIM have been also used by CAF's researchers in numerous presentations at meetings organized by the Finance and Budget Committee and the Social Affairs Committee of the National Assembly, and they have been integrated into a number of VASS's monthly policy reports to the Government of Viet Nam.

**RIM provinces in 2011**




*Source: RIM 2011*

*Rural & mountainous provinces – agricultural production, EMs*

*Urban provinces – industrial production, enterprises and workers*

**Sentinel sites**

## (1) Firms

### Ha Noi

In Ha Noi, the research team works with migrant workers from companies producing electronic goods in Dong Anh district. In Dong Anh, the research team interviewed workers who rent houses in Bau and Hau Duong (villages in Kim Chung Commune) and Sap Mai (a village in Vong La Commune), where many migrant workers live. Most of them work at North Thang Long Industrial Park. Most workers there are young and single, most have graduated from high school, and most of them are 18 to 22 years old. Although the economic crisis seems to be over and many jobs are available, the workers are now facing the serious problem of price hikes, which have led to a sharp increase in the cost of living. The costs of food, rent, water and electricity have all increased greatly, directly affecting the workers' lives.

Among the surveyees are construction companies which are assumed to be suffering from the contractionary monetary policy and have suspended or canceled some of their construction projects.

### Hai Duong

Hai Duong is a province in the Red River Delta region. Hai Duong City is its administrative center, and it is located 57 km east of Ha Noi. The province contains one city and 11 districts. In 2008, the population of Hai Duong was 1,723,319 people, with a density of 1,044.26 people per square km.

Enterprises at industrial parks have been affected by various impacts of the economy-wide shocks. Of the 10 industrial parks in Hai Duong Province, the research team selected two, Nam Sach and Phuc Dien, where a large number of local and migrant workers work. The team interviewed the managers and the workers.

**Phuc Dien Industrial Park** is located in Cam Giang District on National Road 5 near Nam Sach Industrial Park. It is close to large economic centers like Ha Noi, Hai Phong, Quang Ninh, Noi Bai International Airport, Lang Son (on the border with China) and international seaports. It is very conveniently located for the export and import of goods. Phuc Dien Industrial Park has an area of 87 ha and is fully occupied by 20 foreign and domestic investors in total. Major Japanese investors include Brother Corporation, Nissei, Sansei, and Miruho Corporation, and from Taiwan there is Taihan and Edwin. Since Phuc Dien Industrial Park opened, thousands of jobs have been created for local workers, boosting economic growth and increasing revenue for the provincial budget.

**Nam Sach Industrial Park** was established in 2003 in Nam Sach District on National Road 5. It is close to large economic centers like Ha Noi, Hai Phong, Quang Ninh, Noi Bai International Airport, Lang Son (on the border with China) and international seaports. It is very conveniently located for the export and import of goods. Due to effective investment attraction policies, after 7 years in operation, Nam Sach industrial park is fully occupied by 19 foreign and domestic investors in total, icluding, companies such as Toyo Denso and Okamoto from Japan, Ever Glory from Hong Kong, Chyun Jaan from Taiwan, and Nam Tien, Hong Gia, and Kien Hung from Viet Nam. Since the industrial park opened, thousands of jobs have been created for local workers and workers in the surrounding regions, boosting economic growth and increasing revenue for the local provincial budget. Currently there are about 12,000 workers employed at the industrial park, 40% of whom are local and 60% are migrants. (The Management Board of Nam Sach industrial park was interviewed.)

In addition, people at FDI enterprises, which recently established factories in low-cost areas such as Thanh Ha, Kim Thanh and Kinh Mon Districts, were also interviewed.

**Ho Chi Minh City**

According to statistics from the Ho Chi Minh City Labor Union, HEPZA, over 90% of the workers live in houses built by local people, and most are in poor condition and do not meet the basic standards. Most of the houses that workers live in were built by private households and individuals. They account for 94.4% of the housing and provide accommodation for 414,272 people. Only 5.6% of the housing was built by enterprises, providing accommodation for 16,018 workers inside and outside the industrial export processing zone.

Economy-wide shocks have impacted enterprises at industrial parks. Through previous surveys in Ho Chi Minh City, the research team selected Linh Trung Industrial Park I, Tan Thuan Export Processing Zone, and Vinh Loc Industrial Park to conduct a quick survey. At these three industrial and export processing zones a large number of enterprises have invested and rented premises, which has attracted a lot of workers.

**Linh Trung Export Processing Zone 1** is located in Thu Duc District, Ho Chi Minh City (16 km away from the city center). It has an area of 62 ha, it came into operation in 2008, and currently 35 enterprises rent premises. 100% of the area in the zone is occupied.

**Tan Thuan Export Processing Zone** is in District 7, Ho Chi Minh City (4km away from the city center). It has a total area of 300 ha and 95% of the area is occupied.

**Vinh Loc Industrial Park** has a total area of 207 ha, including 3 administrative units: Binh Hung Hoa, Ward B, Binh Tan District (113,226 ha); Vinh Loc A Commune, Binh Chanh District (84,590 ha); and Ba Diem Commune, Hoc Mon District (9,183 ha). The industrial park has attracted over 100 enterprises, and nearly 100% of the area has been rented. Most of the enterprises are in the electronic, mechanic, garment and food-processing industries.

**SMEs in Binh Tan District**
Binh Tan is an urban district in Ho Chi Minh City, and it is known as a migrant-worker district. It was established under Decree 130/NĐ-CP (05/11/2003) by the Government, and it includes 10 wards. It is now urbanizing very quickly and there is almost no agricultural land. The SMEs surveyed in this district are in the garment, footwear and plastics industries.

**Dong Nai**

Dong Nai is the industrial park capital of Viet Nam. There is a traditional crafts industrial park and 32 other industrial parks in operation. On average 70-95% of the area is occupied. Economy-wide shocks have had an impact on the enterprises in Dong Nai. After consulting line agencies in Dong Nai, the research team conducted a quick survey at Bien Hoa II and Tam Phuoc Industrial Parks, where most of the enterprises and a large number of local and migrant workers are concentrated. A few enterprises, mostly wood-processing enterprises, were selected randomly at the three industrial parks.

**Bien Hoa II Industrial Park** is located in Long Binh Tan Ward and An Binh Ward, Bien Hoa, Dong Nai. It has a total area of 365 ha and is currently 100% occupied by 127 factories. Major industries there include: precise mechanics, electronics, textile, garment, pharmaceutical, food, and construction materials (e.g. light bricks, aluminium windows, insulated materials, construction polymer, wallpaper, and roofing materials).

**Tam Phuoc Industrial Park** is located in the economic focal zone in the South. It has comprehensive infrastructure and an area of 323.18 ha. After only after 2 years of operation, Tam Phuoc Industrial Park has attracted 50 investors from many countries that rent land for their factories and do business, and 100% of the area is occupied. It is located along National Road 51, not far from the industrial parks in Vung Tau, Bien Hoa and Ho Chi Minh City (60 km, 15 km and 30 km respectively). This is a very convenient location, and it is easy to get to both by water and by land. At two industrial parks, Nhon Trach 3 and Tam Phuoc, there are many business activities such as light industry, mechanics, pharmaceuticals, cosmetics, chemicals, electric, electronics, construction materials, textiles and garment, and leather shoes.

In addition to FDI enterprises, SMEs were one of the main target groups to be surveyed. They work in construction, fine-art, wood-processing and the garment sector. Each employs 15 to nearly 200 workers.

**Binh Duong**

In Binh Duong the research team selected three industrial parks which were heavily affected by the 2008 economic crisis in terms of a decrease in orders for exported goods. In the post-crisis situation they continue to face difficulties, in particular a shortage of labor and the implementation of unemployment insurance for workers. The three selected industrial parks are Dong An, Song Than II, and Viet Nam-Singapore.

**Dong An Industrial Park** is located in Binh Hoa Commune, Thuan An District, Binh Duong Province. It has a total area of 133 ha and is 27 km away from Ho Chi Minh City. Currently the industrial park has 46 enterprises and 100% of the area is occupied. There are four Vietnamese enterprises and the rest are FDI companies.

**Song Than II Industrial Park** was established in October 1996 in Tan Dong Hiep Commune, Di An Town, Di An District, Binh Duong Province. It has a total area of 279.27 ha. Currently 98.15% of the area is occupied by 107 enterprises. The major industries are plastic products; toys; cosmetics; packaging; the production and assembly of electronics; machinery; transportation equipment; garment; footwear; leather products; fur clothing; wool; sporting goods; food processing; housewares; wood; bamboo; rattan products; and other processing industries.

**Viet Nam Singapore Industrial Park (VSIP II)** is 500 ha in area and is located on Huu Nghi Boulevard, Thuan An District, Binh Duong Province. VSIP has created jobs for over 60,000 workers, has attracted 1.8 billion USD in investment, and has had a total of 242 projects. VSIP II has completed construction of the infrastructure, filled up the area with 130 projects from over 20 countries (registering funds of more than 800 million USD), and created over 9,000 jobs for workers. To satisfy investors' increasing demand for rental land, VSIP II has expanded the project an additional 1,700 ha and called the new area Urban Industrial Park VSIP Binh Duong. 1,000 ha is for industrial park expansion and 700 ha is for urban area development. VSIP II has attracted 20 investment projects and is ready to hand over the land to investors.

**Bac Ninh**

Bac Ninh is a province in the North of the Red River Delta. Bac Ninh is 31 kilometers away from the center of Ha Noi to the northeast. Bac Ninh consists of one city, one town and six rural districts. According to the 2009 population census, on April 1st 2009 Bac Ninh had a population of 1,024,151 people. It is the home of numerous craft villages such as Dai Bai brass forging village, the carpentry villages of Dong Ky, Mai Dong, and Phu Khe, and Vong Nguyet silk village.

From 2005 to 2010 Bac Ninh attracted 265 FDI projects with a total registered capital of 3.4 million USD. It became the second FDI hub in the North after Ha Noi. It has gradually developed supporting industries with the investment of world famous companies such as Canon and Samsung. In this province, SMEs in the garment, plastic, wood-processing, and construction industries were surveyed.

### (2) Craft Villages

Three traditional handicraft villages were surveyed: Bat Trang (pottery), Ha Thai (lacquer), and Phu Vinh (bamboo and rattan weaving). In these craft villages interviews were conducted with enterprises (large-scale enterprises and direct exporters), small- and medium-sized workshops, satellite households, input suppliers, and craftsmen (both household and migrant workers). The focus was on groups that had changed their craft in the last 2 years.

**Bat Trang Pottery Village**

Bat Trang Commune has two villages: Bat Trang and Giang Cao, which are divided into 10 hamlets with 1,721 households and 7,528 people. 84% of the working-age population is directly involved in pottery production; 15% are involved in trading and services, including the provision of soil and enamel, providing services for tourists, and indirectly promoting traditional crafts; and 1% provide other services, e.g. hairdressers.

The commune has 60 small enterprises (less than 50 workers each) and 2 military enterprises doing business in pottery. About 80% of the production households own shops to sell their products. Manufacturing households have decreased, from 1,200 in 2004 to 970 in 2007, and there were only 800 at the end of 2008. Similarly, total sales in the commune have decreased, from 226 billion VND in 2007 to 175 billion VND in 2008. The average income per capital was between 8.5 and 10 million VND. In 2009 revenue increased considerably, by about 185 billion VND. In the first 8 months of 2010, according to production enterprises, the number of orders increased considerably, the situation became more positive, and revenue was about 200 billion VND. However, input prices have been increasing at a high rate and selling prices have increased at a slow rate, so profits have not been high.

**Ha Thai Lacquer Village**

Ha Thai lacquer village is located in Duyen Thai Commune, Thuong Tin District, Ha Tay Province. For 200 years lacquer products from Ha Thai have been sought after and exported to many countries like England, France, Russia, the USA, Japan, and Korea. Ha Thai has about 780 households and 3,300 people. 85-87% of the households in the village take part in the production of lacquer, and the rest are rice farmers, retailers or are involved in other services.

There are about 29 companies in Ha Thai (with a total funding of over 5 billion VND) that employ 30-50 workers each. Sales decreased by 35-40% in 2008 compared to 2007. Some producers mainly provide medium- and high-quality products to the domestic market.

**Phu Vinh Bamboo and Rattan Weaving Village**

Phu Vinh Village, Phu Nghia Commune, Chuong My District is 25 km away from Ha Noi. It is considered to be the first bamboo and rattan weaving village in the North. In the past, mainly baskets and pannier were produced, but now hundreds of products, including plates, pictures, desks, chairs, beds, wardrobes, and picture frames, are produced for export to many countries around the world. Phu Nghia commune has 2,400 households and over 10,000 people. All of the households have workers involved in bamboo and rattan weaving. 7,800 people earn their living by practicing this craft.

### (3) <u>Urban Migrant Areas</u>

A survey was conducted in the 2 big cities, Ha Noi and Ho Chi Minh City, where a large number of migrant workers find jobs every year.

**Ha Noi**

Surveys were conducted at four sites where workers gathered to wait for job offers: Buoi Market, My Dinh Market, Pham Ngoc Thach Market, and Long Bien Market. In addition, surveys were conducted at a slum and some hostels around Northern Thang Long Industrial Park, where the most vulnerable informal migrants live.

Jobs for casual workers have not changed much, mostly light work for women like cleaning, but they also do some hard work like carrying bricks and sand, and helping with construction work. Men usually work in construction doing things like building and loading materials.

**Ho Chi Minh City**

There are more and more informal laborers heading for Ho Chi Minh City because the demand for manual laborers in the city is huge. Most informal labor migrants start a small business selling goods like vegetables, drinks, lottery tickets and food. They usually gather in newly established districts or suburbs like Binh Tan, Go Vap, Tan Phu, Thu Duc, and District 12. While workers in Ha Noi always gather at fixed labor markets and wait for job offers from people who need laborers, informal laborers in Ho Chi Minh City just go out and look for jobs at construction sites or start a small business. This shows the initiative of the migrants in Ho Chi Minh City, who come mainly from the North and the middle of the country. According to a survey conducted by the Ho Chi Minh City Development Institute, "Migrants are not the poorest people in the place where they came from." Another feature of informal laborers in Ho Chi Minh City is that they tend to bring the whole family to live and work together with them. Generally one person will come first (usually a man) with the help of an acquaintance who is already there. After he finds a job and accommodation, he brings his wife and children to live and work with him.

### (4) <u>Rural Areas</u>

**Thanh Hoa**

A survey (of enterprises and migrant workers) at industrial areas in Thanh Hoa Province revealed that there are areas with purely agricultural production and a strong migration flow. The survey, which was conducted in April and May 2009, clearly shows a strong impact on Thanh Hoa when 9,000 labors returned home due to loss of work during the crisis period. The change of migration flow in Thanh Hoa was the result of the integration process: strong migration from province to province, from the North to the South, as there are many industrial areas in the southern provinces, for example in Ho Chi Minh City, Binh Duong, and Dong Nai.

The districts selected, Nong Cong and Thieu Hoa, have typical features: they are purely agricultural districts with non-agricultural activities. A large number of laborers have migrated to other provinces, especially southern provinces. Nong Cong and Thieu Hoa were identified as the two districts with the largest number of returning laborers in Thanh Hoa. The poverty rate was higher in Nong Cong (15%) than in Thieu Hoa (12.67%), and the migration flow from Nong Cong was larger than Thieu Hoa.

Nong Cong District is located in the southern part of Thanh Hoa Province and has an area of 286 $km^2$. The terrain is mainly flat and 37% is hilly or mountainous. 87.9% of the people are farmers.

Thieu Hoa District is in a convenient location in the center of the lowland district of Thanh Hoa Province. Thieu Hoa is a moderately developed district with 30 communes and 1 town. The poverty rate is 12.67%. (Unlike other provinces, Thanh Hoa submitted for approval a poverty line of 260,000 VND per person per month, which was equal to the poverty line in urban areas in 2006-2010.)

**Hai Duong**

Hai Duong has many industrial areas, and there has been a lot of migration within the province.

Cam Giang District has an area of 109 km$^2$, and in 2008 it had a population of 127,914 people. There are 17 districts and 2 towns: Lai Cach (the district capital) and Cam Giang. Cam Giang is conveniently located and offers good transportation: National Road 5A and the Ha Noi–Hai Phong railway run through it. It is ideal for economic development and has great potential for agricultural development. Many crops are grown there, especially rice, onions, cucumbers, carrots, chili, and tomatoes. The district has three industrial parks, Phuc Dien, Tan Truong, and Dai An, and some large factories like Cam Binh Shoe Company, Ford Car Assembly Factory, Venture Garment Company, and Van Dac Phuc Fruit & Vegetable Processing Company. There are also some traditional crafts: wooden sculpture in Dong Giao and wine in Phu Loc. A larger number of workers from Cam Giang District have migrated to other provinces, as compared to other districts in the province.

Nam Sach District has an area of 109 km$^2$, a population of 111,635 people, 18 communes and 1 town. Nam Sach borders the districts of Chi Linh to the North and Kinh Mon and Kim Thanh to the East, Hai Duong City to the South and the districts of Cam Giang and Gia Binh (Bac Ninh Province) to the West. Regarding agricultural production, the development of household and farm economy and the application of technical and scientific advancements, biological technology and new varieties of seeds and breeds have been encouraged. The surface area of water for aquaculture production of high economic value breeds such as shrimp, unsexed African carp, and white butterfish has been expanded. The target of 2006-2010 was to increase agricultural growth by 7.6–7.8% a year. The total income per hectare of agricultural land in 2010 was 53 million VND in 2010. Nam Sach Industrial Park in Nam Sach District and Dai An Industrial Park in Cam Giang District are two big industrial centers that attract a considerable number of laborers to the province.

**Nam Dinh**

Nam Dinh is a coastal plain district in the southern part of the Red River Delta. It borders Ha Nam Province to the North, Thai Binh Province to the East, the South China Sea to the South and Ninh Binh Province to the Southwest. According to the census published on the 1st of April 2009, the population of Nam Dinh was 1,825,771 people. It has an area of 1,641.32 km$^2$, 9 districts, 1 provincial city and 230 communes and precincts. Nam Dinh City is 90 km southeast of Ha Noi. The economic structure is having a positive change on the industrial, the agricultural service and the service sectors. There has been rapid development of industrial transportation infrastructure, and industrial parks have been completed quickly and started operation in an effective manner.

The districts of Xuan Truong and Nghia Hung were selected for quick survey. Like Thanh Hoa, these districts are purely agricultural. However, there are non-agricultural employment opportunites. Laborers from these districts commonly migrate within the province and out of the province.

Xuan Truong District is located in the southeast part of Nam Dinh Province. It has an area of 112.8 km$^2$, and in 2009 it had a population of 18,000 people. There is an abundant source of labor in the district, almost 10,000 people, and about 90% of them work in the agriculture sector. Xuan Truong is a leading district in Nam Dinh and in Viet Nam in regards to rice production. There are five concentrated industrial groups in the district: Xuan Tien Mechanics; forest product processing at Xuan Bac Commune; workshops for the production and repair of waterway vehicles in Xuan Truong Town and Xuan Tan Commune; and a garment industrial group in the district center. Xuan Truong is a fairly developed district. Farmers as well as workers at garment factories, food processing companies and shipbuilding factories were interviewed.

Nghia Hung District is in the southern part of Nam Dinh Province. It borders the districts of Hai Hau and Truc Ninh to the East, Kim Son District (in Ninh Binh Province) to the West, the South China Sea to the South and the districts of Nam Truc and Y Yen to the North. Nghia Hung is between three rivers: the Dao, the Ninh Co to the East, and the Day to the West. It has an area of 250.47 $km^2$, and in 2007 it had a population of 202,281 people. Nghia Hung is located on the coast in the southern part of the Red River Delta. The coast is 12 km long. The area near the Ninh Co River is mosty sandbanks, sand dunes and salt water lagoons. In the eastern part of the area are aquaculture lagoons. There are salt marshes along the Ninh Co River. Outside the main dyke there is an area of flooding which is about 3,500 ha. Because it is an agricultural and coastal district, the conditions in Nghia Hung are suitable for growing rice, potatoes, peanuts, jute and sedge, and for raising ducks and pigs. There is also a potential for economic development in the fishery, sea product-processing, salt production and shipbuilding industries. Thanks to their experience in the fishery industry, many laborers in the district are doing business in shipping to other areas by sea, e.g. to Hai Phong, Nha Trang, and Vung Tau.

**An Giang**

An Giang was selected to represent the Mekong Delta region due to its diversified production structure, the presence of migrant workers, and the large area of aquaculture and agricultural production.

An Giang has the largest population in the Mekong Delta region. Part of An Giang Province is located in Long Xuyen Quadrangle. It has a total area of 353,676 ha, 280,658 ha of which is farming land and 14,724 ha is forest. The population is 2,217,488 people. This province has the largest population in the MeKong River Delta. An Giang has 1 city, 2 towns and 8 districts.

In An Giang Chau Phu District was selected due to its strength in agriculture, fishing and aquaculture.

Chau Phu has an area of 451.01 $km^2$, and it is 20 km from Long Xuyen City to the North and 20 km from Chau Doc Town to the South. The district has 12 communes and 1 town. In 2008 its economic growth rate was 14.6%, and the economic structure is transforming towards an increasing growth of industry and services. Currently, the district's economic strength is agriculture. It is expected that by 2020 the economic structure of this district will be commerce, service, industry, construction and agriculture. Since 33 km of National Road 91 passes through Chau Phu and the Hau River runs through it, there is great potential for aquaculture development.

The survey was conducted in 2 villages, Long Hoa in O Long Vy Commune and My Quy in My Phu Commune. The following groups were interviewed: core workers, large-scale production households (over 5 fish ponds and over 10 ha of rice fields); medium-scale production households (3-5 fish ponds and 5-10 ha of rice fields); and small-scale production households (1-3 fish ponds and 1-5 ha of rice fields); households with an empty pond; input suppliers; animal forage suppliers; fertilizer suppliers; and households with children working far away from home.

### (5) <u>Mountainous and Ethnic Minority Areas</u>

Son La is mountainous province in the Northwest, and it is the third largest province in Viet Nam. It shares a border with the provinces of Yen Bai, Dien Bien, Lai Chau, Hoa Binh, Phu Tho and Thanh Hoa, and for about 250 km with Laos. It has 1 city, 10 districts and 12 ethnic groups. It is 320 km from Ha Noi. It has an area of 14,125 $km^2$ and over 1 million people. Thai, H'Mong, and Muong people account for 80% of the population. Economic development is very difficult due to the poor transportation infrastructure, especially in remote districts and communes. Agriculture accounts for 40% of total production in the province. There is also cattle raising and tea and rubber plantations.

Moc Chau District is in the southeastern part of Son La. It has 2 towns, 27 communes and an area of 2,015.1 $km^2$. The majority of the people in the district are Thai, H'Mong and Viet. The temperate weather on this plateau is suitable for cow milk production, which has become an important livelihood in this area. The main crops are rice, tea, maize and cassava. Beautiful scenery and some of the cultural aspects of the ethnic minorities are focal points for tourism development in the district.

The survey was conducted in Song Khua Commune, a Region 3 commune that is covered by Program 135[44], and Chieng Khoa Commune.

Quang Nam is a central province with 125 km of coastline and it shares a border with Laos. It has 16 districts (8 of which are mountainous) and 2 cities. It has an area of 10,406.83 $km^2$ and a population of 1.5 million, including a number of ethnic minorities: the Cotu, Xo Dăng, Cadong, Ba Noong, Ve, Ta rieng and Co. There are a total of 90,109 poor households, which account for 24.18% of the total population. Most of the people live in rural areas and 67.4% of population rely on agricultural production. The province also suffers a lot from natural calamities such as droughts and floods.

Nam Giang District is in the western part of the province. It has an area of 1,836$km^2$, a population of 19,000, 1 town and 11 communes. Most of the people are ethnic minorities: Ve, Co Tu, and Ta Rieng. They mainly live on agriculture and forestry. The survey was conducted in Dak Pree, Ca Dy and Ta Bhing Communes.

Gia Lai is a province in the Central Highlands. It shares a border with Cambodia for 90 km and has an area of 15,536.92 $km.^2$ It has 1 city, 2 towns and 14 districts. 45% of the population is comprised of various ethnic minorities such as the Gia Rai, Ba Na, Gie Trieng, and Xe Dang. There are crops such as rubber, coffee and cashews, and there is agricultural product processing development. This is also the field that attracts the highest number of workers. 425,530 of the 607,900 people in the province (70%) make up the labor force. The province had 1 industrial zone, 1,172 enterprises and a total of 59,152 workers as of June 2009. 50,414 of them were ethnic Kinh and 8,738 were from ethnic minority groups.

At the district level, Dak Doa District was chosen for this survey. It is located in the northern part of Gia Lai and has an area of 980.41 $km^2$. In 2008 there were 93,073 people, 57% of which were ethnic minorities: Gia Rai, Ba Na, Tay, and E De. There are 17 state-owned enterprises, 5 co-operatives, 48 non-state-owned enterprises, and nearly 1,500 household enterprises in Dak Doa.

At the commune level, Iapet and Tan Binh Communes were chosen for the survey. While Tan Binh has had good development and the rate of poor households quickly declined from 16% in 2006 to 4% in 2011 (thanks to the development of coffee), the situation in Iapet is extremely difficult and is covered by Program 135. 87% of the commune's population belongs to two ethnic minority groups: the Gia Rai (74%) and the Ba Na (13%).

[44] The Program of Socio-economic Development of the Most Vulnerable Communes in Ethnic Minority and Mountainous Areas in Vietnam

| | | | | Son La | Ha Noi | Bac Ninh | Hai Duong | Nam Dinh | Thanh Hoa | An Giang | Binh Duong | Dong Nai | HCM city | Gia Lai | Quang Nam | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Firms | FDI | Garment | | | | | 6 | | | | 1 | | 7 | 1 | 1 | 16 |
| | | Footwear | | | | | 2 | | | | 2 | | 3 | | | 7 |
| | | Electronics | | | | | 1 | | | | 2 | | 1 | | | 4 |
| | | Wood-processing | | | | | | | | | 1 | 2 | | | 1 | 4 |
| | | Paper | | | | | | | | | | | 1 | | | 1 |
| | | Fishery (AG)/Coffee, Rubber (GL) | | | | | | | | 5 | | | | 3 | | 8 |
| | | Construction | | | 3 | | | | | | | | 3 | | | 6 |
| | SMEs | | | | | 12 | 2 | | | 3 | | 6 | 11 | | 1 | 35 |
| | Total | | | | 3 | 12 | 11 | | | 8 | 6 | 8 | 26 | 4 | 3 | 81 |
| Urban areas | Migrant /Labor-intensive workers | Garment | Female | | | | 1 | | | | 4 | 4 | 8 | | | 16 |
| | | | Total | | | | 1 | | | | 5 | 4 | 8 | | | 17 |
| | | Footwear | Female | | | | 1 | | | | 3 | 2 | 7 | | | 12 |
| | | | Total | | | | 1 | | | | 3 | 3 | 10 | | | 16 |
| | | Electronics | Female | | 17 | | 12 | | | | 5 | | 3 | | | 34 |
| | | | Total | | 30 | | 13 | | | | 9 | 1 | 5 | | | 53 |
| | | Wood | Female | | | | | | | | 2 | 7 | | | | 9 |
| | | | Total | | | | | | | | 5 | 11 | 2 | | | 18 |
| | | Fishery | Female | | | | | | | 7 | | | | | | 7 |
| | | | Total | | | | | | | 13 | | | | | | 13 |
| | | Other | Female | | | | | | | | 1 | | | | | 1 |
| | | | Total | | | | | | | | 1 | 2 | | | | 3 |
| | | Total | Female | | 17 | | 14 | | | 7 | 15 | 13 | 18 | | | 84 |
| | | | Total | | 30 | | 15 | | | 13 | 23 | 21 | 25 | | | 127 |
| | Informal labor | Retails | | | | | | | | | | | 5 | | | 5 |
| | | Female | | | 25 | | | | | | | | 8 | | | 33 |
| | | Total | | | 38 | | | | | | | | 17 | | | 55 |
| | Total | Female | | | 42 | | 14 | | | 7 | 15 | 13 | 26 | | | 117 |
| | | Total | | | 68 | | 15 | | | 13 | 23 | 21 | 42 | | | 182 |
| Rural areas | Non-fishery | Labor | Female | 13 | | | 40 | 37 | 39 | 7 | | | | 18 | 18 | 165 |
| | | | Total | 43 | | | 80 | 65 | 70 | 18 | | | | 60 | 30 | 348 |
| | Craft villages – Ha Noi Fishery-An Giang | Production HHs | | | 36 | | | | | 15 | | | | | | 15 |
| | | HHs that changed trade | | | 2 | | | | | 5 | | | | | | 5 |
| | | Input retailer/Trader | | | 5 | | | | | 1 | | | | | | 1 |
| | | Co-operatives/Associations | | | 3 | | | | | 2 | | | | | | 2 |
| | | Labor | Female | | 15 | | | | | 8 | | | | | | 8 |
| | | | Total | | 31 | | | | | 19 | | | | | | 19 |
| | Total | | | 43 | 77 | | 80 | 65 | 70 | 60 | | | | 60 | 30 | 485 |
| Authorities | | Female | | 1 | 0 | | 7 | 6 | 4 | 5 | 3 | 5 | 5 | 6 | 2 | 44 |
| | | Total | | 14 | 3 | | 31 | 20 | 25 | 30 | 12 | 10 | 10 | 27 | 12 | 191 |
| **TOTAL** | | | | **57** | **151** | **12** | **137** | **85** | **95** | **103** | **41** | **39** | **78** | **91** | **45** | **934** |

*Annex 2 - Average income and expenditures of workers at industrial parks, 2010 - 2011*

| | Ho Chi Minh City | Binh Duong – Dong Nai | Ha Noi | Hai Duong |
|---|---|---|---|---|
| **2010** | | | | |
| Monthly Income | • 2.7–3 million VND, including overtime<br>• Basic salary 1.5 million VND<br>• Allowance 400,000 VND,<br>• Overtime 1.1million VND | • 2-2.5 million VND, including overtime<br>• Basic salary 1.2-1.4 million VND<br>• Allowance 300,000 VND,<br>• Overtime 700,000 VND | • 2-2.4 million VND, including overtime<br>• Basic salary 1.2-1.5million VND,<br>• Allowance 400,000 VND<br>• Overtime 500,000 VND | • 1.9-2.2 million VND, including overtime<br>• Basic salary 1.2 million VND<br>• Allowance 200,000 VND<br>• Overtime 500,000 VND |
| Monthly rent (including costs of electricity, water) | • 300-350,000 VND | • 200-250,000 VND | • 200-250,000 VND | • Most local workers stay with their family and travel daily from their home to work to save money. |
| Monthly cost of living and savings | • Meals cost 450-600,000 VND<br>• Total cost of living 1.2-1.5 million VND<br>• Savings up to 1.2 million VND | • Meals cost 450-500,000 VND<br>• Total cost of living is about 1 million VND<br>• Savings up to 1.2 million VND | • Total cost of living 1.2-1.5 million VND<br>• Savings from 800,000 VND to over 1 million VND | • Single workers who live with their family often spend 500,000 VND on personal items. The rest of their income is given to their parents.<br>• Married workers often do extra work such as farming and raising animals to earn more money. |
| **2011** | | | | |
| Monthly Income | • About 3–3.9 million VND, including overtime<br>• Basic salary 1.7 -2.5 million VND<br>• Allowance 400,000 VND<br>• Overtime 1.2 million VND | • About 2.8–3.4 million VND, including overtime<br>• Basic salary 1.8-2.2 million VND<br>• Allowance 500,000 VND | • About 3–3.7 million VND<br>• Basic salary 1.8-2.3 million VND<br>• Allowance 500,000 VND | • About 2.6-3.4 million VND<br>• Basic salary 1.45 -1.8 million VND<br>• Allowance 800,000 VND |
| Monthly rent (including the cost of electricity and water) | • 350–400,000 VND | • 200-250,000 VND for 2 people | • 450,000 VND for 2 people | • 350,000 VND for 2 people |
| Monthly cost of living and savings | • About 1.5-2 million VND<br>• Savings 1-2 million VND | • About 1.5-2 million VND<br>• Savings 0.5–1.6 million VND | • About 1.5-2 million VND<br>• Savings 1 million VND | • About 1.5-2 million VND for 4 people<br>• No savings |

*Source: RIM 2011. Interviews with migrant workers at 9 IPs in August 2011. Cost of accommodation has not increased much thanks to electricity subsidies and more people sharing a room.*

## *Annex 3 - Nominal income*

| Employees at Industrial parks | Income | | | | |
|---|---|---|---|---|---|
| | **2008 Pre-crisis** | **2008-2009* Crisis bottom** | **August 2009** | **August 2010** | **August 2011** |
| Ha Noi – Thang Long | • 1.5-1.6 million VND<br>• Basic salary 1.1-1.3 million VND<br>• Allowance 200-500,000 VND | • 900,000-1,300,000 VND | • 1.6-1.7 million VND<br>• Basic salary 1.1-1.3 million VND<br>• Allowance 200-500,000 VND | • 2-2 million VND<br>• Basic salary 1.2-1.5 million VND<br>• Allowance 400,000 VND | • 3-3,7 million VND<br>• Basic salary 1.8-2.3 million VND<br>• Allowance 500,000 VND |
| HCM City | • 1.7-2.1 million VND | • 1-1.2 million VND<br>• Basic salary 1.2-1.4 million VND<br>• Allowance 400,000 | • 1,5-2.1 million VND | • 2.7-3 million VND<br>• Basic salary 1.5-1.7 VND<br>• Allowance 400,000 VND | • 3-3.9 million VND<br>• Basic salary 1.7-2.5 million VND<br>• Allowance 400,000 VND |
| Dong Nai | • 1.7-2.6 million VND<br>• Basic salary 1.1-1,2 million VND | • 1.1-1.2 million VND<br>• Basic salary 1.2 million VND | • 2.2-2.5 million VND<br>• Basic salary 1.2-1.3 million VND<br>• Allowance 300-400,000 VND | • 2.4-2.7 million VND<br>• Basic salary 1.3-1.4 million VND<br>• Allowance 400,000 | • 2.8-3.4 million VND<br>• Basic salary 1.8-2 million VND<br>• Allowance 500 - 600,000 VND |
| Binh Duong | • 2-2.5 million VND<br>• Basic salary 1.1 million VND<br>• Allowance 100,000 VND | • 1.1-1.2 million VND<br>• Basic salary 1.2 million VND | • 1.5-2 million VND<br>• | • 2.4-2.7 million VND<br>• Basic salary 1.3-1.4 million VND | • 2.8-3,4 million VND<br>• Basic salary 1.8-2.2 million VND<br>• Allowance 550,000 VND<br>• |

*Note*: Lowest income was in late 2008/early 2009. Workers had 2-3 working days off a week and were paid 70-75% of their usual salaries for those days. Many workers were laid off voluntarily in order to receive a one-off unemployment payment.*
*Source: RIM (2009-2011). Interviews with average-income skilled workers who had been employed for 1-2 years.*

## *Annex 4 - Real income of formal workers at IPs (adjusted for inflation)*

| Formal workers at industrial parks | Income (000 VND/person/month) | | | | |
|---|---|---|---|---|---|
| | **2008 Pre-crisis** | **2008-2009 Crisis bottom** | **August 2009** | **August 2010** | **August 2011** |
| **Nominal income** | | | | | |
| Ha Noi - Bac Thang Long | 1,500 - 1,700 | 900 - 1,300 | 1,600 - 1,700 | 2,000 - 2,400 | 3,000 - 3,700 |
| Ho Chi Minh City | 1,700 - 2,100 | 1,000 - 1200 | 1,500 - 2100 | 2,700 - 3000 | 3,000 - 3900 |
| Dong Nai | 1,700 - 2,600 | 1,100 - 1200 | 2,200 - 2400 | 2,400 - 2800 | 2,800 - 3400 |
| Binh Duong | 2,000 - 2,500 | 1,100 - 1200 | 1,500 - 2000 | 2,400 - 2800 | 2,800 - 3400 |
| CPI increase % (Source: GSO) | June 2008 | December 2008 | August 2009 | August 2010 | August 2011 |
| | Viet Nam | 1.22 | 3.47 | 8.18 | 23.02 |
| | Ha Noi | 3.96 | 2.85 | 8.62 | 22.68 |
| | Ho Chi Minh City | 1.37 | 4.54 | 8.20 | 19.00 |
| | Dong Nai | 1.18 | 3.01 | 7.58 | 18.76 |
| | Binh Duong | -0.21 | 4.48 | 6.73 | 16.50 |
| Assumption 1: price increase is 10% higher than common increase | Ha Noi | 4.36 | 3.14 | 9.48 | 24.95 |
| | Ho Chi Minh City | 1.51 | 4.99 | 9.02 | 20.90 |
| | Dong Nai | 1.30 | 3.31 | 8.34 | 20.64 |
| | Binh Duong | -0.23 | 4.93 | 7.40 | 18.15 |
| **Real income (income deflated by CPI growth - GSO data- at June 2008 prices)** | | | | | |
| Ha Noi - Bac Thang Long | 1,500 - 1,700 | 866 - 1,250 | 1,556 - 1,653 | 1,841 - 2,210 | 2,445 - 3,016 |
| Ho Chi Minh City | 1,700 - 2,100 | 986 - 1,184 | 1,435 - 2,009 | 2,495 - 2,773 | 2,521 - 3,277 |
| Dong Nai | 1,700 - 2,600 | 1,087 - 1,186 | 2,136 - 2,330 | 2,231 - 2,603 | 2,358 - 2,863 |
| Binh Duong | 2,000 - 2,500 | 1,102 - 1,203 | 1,436 - 1,914 | 2,249 - 2,623 | 2,403 - 2,918 |
| **Real income (income deflated by assumption 1 - at June 2008 prices)** | | | | | |
| Ha Noi - Bac Thang Long | 1,500 - 1,700 | 862 - 1,246 | 1,551 - 1,648 | 1,827 - 2,192 | 2,401 - 2,961 |
| Ho Chi Minh City | 1,700 - 2,100 | 985 - 1,182 | 1,429 - 2,000 | 2,477 - 2,752 | 2,481 - 3,226 |
| Dong Nai | 1,700 - 2,600 | 1,086 - 1,185 | 2,129 - 2,323 | 2,215 - 2,585 | 2,321 - 2,818 |
| Binh Duong | 2,000 - 2,500 | 1,103 - 1,203 | 1,430 - 1,906 | 2,235 - 2,607 | 2,370 - 2,878 |
| Assumption 1: price increase is 15% higher than common increase | Ha Noi | 4.55 | 3.28 | 9.91 | 26.08 |
| | Ho Chi Minh City | 1.58 | 5.22 | 9.43 | 21.85 |
| | Dong Nai | 1.36 | 3.46 | 8.72 | 21.57 |
| | Binh Duong | -0.24 | 5.15 | 7.74 | 18.98 |
| **Real income (income deflated by assumption 2 - at June 2008 prices)** | | | | | |
| Ha Noi - Bac Thang Long | 1,500 - 1,700 | 861 - 1,243 | 1,549 - 1,646 | 1,820 - 2,184 | 2,379 - 2,935 |
| Ho Chi Minh City | 1,700 - 2,100 | 984 - 1,181 | 1,426 - 1,996 | 2,467 - 2,741 | 2,462 - 3,201 |
| Dong Nai | 1,700 - 2,600 | 1,085 - 1,184 | 2,126 - 2,320 | 2,208 - 2,575 | 2,303 - 2,797 |
| Binh Duong | 2,000 - 2,500 | 1,103 - 1,203 | 1,427 - 1,902 | 2,228 - 2,599 | 2,353 - 2,858 |
| Assumption 3: price increase is 30% higher than common increase | Ha Noi | 5.15 | 3.71 | 11.21 | 29.48 |
| | Ho Chi Minh City | 1.78 | 5.90 | 10.66 | 24.70 |
| | Dong Nai | 1.53 | 3.91 | 9.85 | 24.39 |
| | Binh Duong | -0.27 | 5.82 | 8.75 | 21.45 |
| **Real income (income deflated by assumption 3 - at June 2008 prices)** | | | | | |
| Ha Noi - Bac Thang Long | 1,500 - 1,700 | 856 - 1,236 | 1,543 - 1,639 | 1,798 - 2,158 | 2,317 - 2,857 |
| Ho Chi Minh City | 1,700 - 2,100 | 983 - 1,179 | 1,416 - 1,983 | 2,440 - 2,711 | 2,406 - 3,128 |
| Dong Nai | 1,700 - 2,600 | 1,083 - 1,182 | 2,117 - 2,310 | 2,185 - 2,549 | 2,251 - 2,733 |
| Binh Duong | 2,000 - 2,500 | 1,103 - 1,203 | 1,417 - 1,890 | 2,207 - 2,575 | 2,305 - 2,800 |

*Note: *Lowest income was in late 2008/early 2009. Workers had 2-3 working days off a week and were paid 70-75% their usual salaries for those days. Many workers voluntarily quit to receive a one-time unemployment payment.**Spendings on commodity basket of migrant workers (rent, electricity, water, meals, other costs) have all increased. Thus, it is assumed that the increase in workers' spendings is higher than common increase.*

*Source: RIM (2009-2011). Interviews with average-income skilled workers who had been employed for 1-2 years.*

## *Annex 5 - Changes at enterprises*

| Sector | March 2009 | August 2009 | August 2010 | August 2011 | The coming time |
|---|---|---|---|---|---|
| Wood-processing enterprises | • Huge decrease in high-end furniture orders forced enterprises to stop production, forcing workers to stop working temporarily.<br>• Firms operated at the minimum level to keep their workers and regular customers. | • Recovery thanks to a shift in the market to medium-value furniture.<br>• Labor shortages for both skilled and unskilled laborers.<br>• Focus on the domestic market segment of medium-value wood products.<br>• Attempted to liquidate piled-up inventory in the domestic markets, (high-value furniture for export), but they could not.<br>• Failure to clear the inventory resulted in the stagnation of working capital. | • Demand for high-end furniture had not recovered.<br>• Orders for medium-value furniture.<br>• Enterprises that survived the crisis have abundant orders. Plans to expand factories in less expensive areas. Lower recruitment requirements.<br>• Small-sized enterprises: Stagnant capital due to pile-ups in inventories. All assets had already been mortgaged and enterprises reached credit limit. Lack of working capital to accept direct export orders which only pay advances of up to 20-30% of total value. Necessary to resort to commissioning for large wood-exporting enterprises. Returned to low-value orders. | • Overtime reaches peak. 2 hours overtime every day, but there are some areas without abundant employment or even 30% reduced production compared to 2010.<br>• Estimates by Mr. Vo Truong Thanh (head of Binh Duong Woods Association) show about 30-35% of the 2,000 wood enterprises in the province have suspended production or are at minimum capacity. 45% are breaking even and only 20-25% are making a profit.<br>• In comparison with 2010, the borrowing interest rate increased and the price of wood increased about 25%.<br>• Some special types of wood (those in high demand) are up to 30-35% more expensive due to changes in the exchange rate.<br>• Cost of labor has increased.<br>• Total production costs have increased 30% despite a 5% increase in output price. Companies have stagnated or have modest production. | • Current orders ensure work until end of December 2011.<br>• It will be difficult for companies to continue production in 2012. |
| Mechanics and electronics companies | • Huge decrease in orders forced enterprises to cease operation.<br>• No labor contracts renewed.<br>• Firms moved to less | • Orders until the end of the year.<br>• Inventory overseas ran out or was running out.<br>• Increase in demand and consumption towards the end of the year. | • Low-value products segment:<br>• Stable orders, increasing trend towards the end of the year.<br>• International exports share increased.<br>• Components suppliers received stable orders from electronics | • Negative impacts from the tsunami in March 2011 in Japan.<br>• Less overtime than the same period last year, even no overtime.<br>• No output price increase, but higher import taxes.<br>• Exchange rate changes lead to loss | • Current orders ensure work until end of the year. |

| Sector | March 2009 | August 2009 | August 2010 | August 2011 | The coming time |
|---|---|---|---|---|---|
| | expensive areas. | • Increase in cyclical business.<br>• Advantages in international segmentation which assign low-value products to Viet Nam.<br>• Mother companies increased the production share for firms in Viet Nam.<br>• Focus on domestic distributions.<br>• Price competition via promotions. | enterprises.<br>• Lowered requirements to recruit hundreds of laborers.<br>• Increased automation reduced the number of workers in factories. | (about 70% of materials are imported).<br>• Changes in the exchange rate among USD, JPY and VND.<br>• Production expansion plans suspended due to difficulties related to the Japanese market, materials, and labor. | |
| Garment enterprises | • Orders decreased.<br>• Variety of products within one order increased.<br>• Payment periods were significantly long.<br>• Firms suffered from reduced competitiveness due to increases in anti-dumping taxes.<br>• Lowered production costs as much as possible.<br>• Shared orders among enterprises.<br>• Closed or maintained production despite losses to keep laborers working in case orders returned. | • Orders back since the 2nd quarter of 2009 thanks to pressures on cutting prices to clear inventories and considerable decreases in local production capacities of foreign countries (a decrease of 20% in EU).<br>• Huge pressures due to price competition. Accepted low-value orders. Orders rebounded, which helped boost labor demand significantly. However, serious labor shortage led to lower recruitment requirements and a robust increase in recruitment from distant areas.<br>• In areas of high intra-province migration, thanks to the agricultural buffer, local retrenched workers came back to work easily. Labor | • Orders were sufficient for production. However, only modest orders were accepted due to high inflation rates in input prices, materials prices and labor costs, which were much higher than the rate of increase of output prices.<br>• Orders were secured till the end of the year. Compared to the situation 1 year earlier, compositions of orders had not changed but they had increased in scale. Orders from the EU were usually small-scale. Increase in low-value outsourcing orders due to export shares being transferred over from China.<br>• Price per unit increased but not by much to ensure competitiveness over other outsourcing countries. It was forecast that orders in 2011 would be one and a half times that of 2010.<br>• There were not enough orders to start planning for factory | • Increased orders. There is a slight sign of slackened seasonal production. 1-3 hours overtime some days.<br>• Output prices increased after negotiation following increase of input prices. In general, the output price increase has not been as high as the input price increase.<br>• Labor cost accounts for 50-80% of total cost. The planned wage increase in October 2011 will increase the cost of labor by 30-40%. A 15% increase in the cost of electricity has led to a 1% increase in production unit costs. 20% increase in cost of transportation and 30% for drainage treatment. Total cost increase about 20%.<br>• Electricity savings by replacing light bulbs with compact lights and using automated machines.<br>• Outsourcing orders: In the South enterprises open new factories or outsource to far-away companies in Vung Tau or the southwestern region. | • Current orders ensure work until November or December. Orders for the next 6 months.<br>• The Viet Nam Textile Association reported that export orders for winter and spring (November 2011 to April 2012) have declined by 50-60%. Outsourcing output prices have also gone down 5-10%. |

| Sector | March 2009 | August 2009 | August 2010 | August 2011 | The coming time |
|---|---|---|---|---|---|
| | | shortage pressures were thus less serious.<br>• Continued difficulties with delayed payments for orders, anti-dumping taxes, and the elimination of trade preferences in the EU market.<br>• Continued to cut down costs as much as possible and negotiate to increase output prices in order to pass on part of the burden of input inflation. | expansions. However, expansion plans were expected be in place in 1-2 years.<br>• Ongoing factory movements to less expensive areas.<br>• Recruitment requirements were lowered in the South. Skilled labor supply increased in the North. | In the North there are plans for mid-term and long-term expansion, but they have not been developed due to the current difficulties.<br>• New factories which have been moved from Ho Chi Minh City to low-cost areas such as Binh Phuoc and Tien Giang are beginning to operate. | |
| Footwear companies | | | | • More orders. Overtime (1 or 2 hours).<br>• Higher output prices happen to outsourcing orders to big brands. due to transfer of orders from China. Return of traditional customers after termination of anti-dumping tax levied by EU on Vietnamese leather footwear.<br>• Advantages in the sector both in price and quantity have led to production expansion and higher demand for recruitment.<br>• Outsourcing orders have been moved to distant companies in Vung Tau Province and the Southwest due to the pressure of higher costs, especially the labor cost. Profit has declined from 10% to 8%.<br>• To recruit labor from distant provinces, the recruitment bonus has been raised from 300,000 to 600,000 VND for each recruited worker. | • Current orders ensure work until early 2012. |
| Small and Medium Enterprises (SMEs) | | • SMEs in the construction sector stagnated due to a large increase in raw materials prices in early 2009.<br>• SMEs providing inputs for | • SMEs suffered from extremely high price inflation and weaker consumption demand.<br>• Constructions SMEs expanded by the end of the year.<br>• Agricultural SMEs increased their | • Stagnant production caused by high material input prices.<br>• High interest rate for borrowing. SMEs have taken out high-interest informal credit from money lenders to have working capital. | • The coming time will be difficult. |

| Sector | March 2009 | August 2009 | August 2010 | August 2011 | The coming time |
|---|---|---|---|---|---|
| | | the export sector were affected by the crisis. | prices. Farmers had no choice but to endure this. | • Scaled down/minimized production to avoid large losses. | |
| Fishery processing enterprises | • Demand shifted to low-value products.<br>• Greater impact on labor-intensive primary processing section than on packaging section.<br>• Tendency to move to less expensive areas. | • Orders rebounded. Low intra-province migration.<br>• Production of low-price products continued.<br>• Focus on the domestic market. | • Continued decrease in price of tra fillet, partially due to intense price competition.<br>• Companies without enough resources willing to do outsourcing jobs or increase scope of outwork services for bigger companies.<br>• Companies expanded their own fish production areas for better raw materials provisions. More farms were sold to clear debts.<br>• Higher expenses for frozen storage due to power outages.<br>• More difficulties faced by farmers. Fish producing farmers had high-interest debts and had to sell land to clear those debts. Labor demand at fish ponds decreased dramatically, causing laborers to switch to seasonal migration and informal jobs. Young workers continued to migrate to other provinces, mainly to do informal jobs such as construction. | • Stable production. High production costs. An increase in salaries to compete with newly-opened enterprises for labor.<br>• Input materials satisfy only 70-80% of processing demands.<br>• Continued expansion of farming area to satisfy material demands. | |
| Production units in craft villages that export goods. | • Modest operation at the minimum level.<br>• Focus on the domestic market.<br>• Retained skilled laborers. Shift in livelihood for craft household members. | • Short-term low-value orders rebounded at big companies. No sign of orders peaking at the end of the year as per normal business cycles. Fewer tourists led to a considerable decrease in sales of souvenir craft | • Exporting orders rebounded but there was no increase in unit prices. Input price inflation pressures resulted in turning down orders as enterprises preferred to only accept modest orders.<br>• Accepted outsourcing work from other enterprises which had | • In the South, reduced revenue (50%) and increased input prices (50%) much higher than output price increase (20%).<br>• In the North, high inventories during Tet 2011.<br>• Modest production to avoid high inventories for 3 of the first 8 months | • It will be much more difficult in the coming time. |

| Sector | March 2009 | August 2009 | August 2010 | August 2011 | The coming time |
|---|---|---|---|---|---|
| | • Investment in techniques and designs. | products.<br>• Developed new products and designs.<br>• Increasing trend of shifting to low-price products, mostly products for daily use. Few are for decoration. Values of orders were small. Switched target to local markets.<br>• Increased efforts to expand new partner networks.<br>• Took advantage of cheap construction materials to build factories as well as to restructure production lines. | rebounding orders.<br>• Production at only 50-60% of the pre-crisis level.<br>• The previous focus on the local market during the crisis resulted in an increase in the saturation of the domestic market, which led to more difficulties in domestic competition.<br>• Some evidence of migration flows to surrounding areas but in moderate numbers. | of the year.<br>• Lower output prices and lower profit.<br>• 60-70% less work and income. About 50% less workers at production units. About a 60% reduction in the number of daily migrant workers who commute to craft villages. | |

*Source: RIM 2009-2011. Interviews with enterprises in 12 provinces.*

## *Annex 6 - Current situation of SMEs*

| Group | August 2011 | The coming time |
|---|---|---|
| Satellite units – Garment | ***In the South:***<br><br>• There are still outsourcing orders from big companies. Medium-scale units have gained stable orders and maintained overtime. Small-scale units have had unstable orders and no overtime for 3 months, and last month workers had 4 working days off, for which they received 50% of the basic wage.<br>• The basic wage increased from 1.7 million VND to 1.8 million VND in July 2011 and the allowance increased by about 200,000 VND.<br>• The current monthly income is about 2-2.1 million VND for workers at 50-worker units and about 2.8–4 million VND for workers at 200-300-worker units. | • Current orders ensure work until October 2011.<br>• When the basic salary is increased in October 2011, the newly-raised living allowance will be removed. |
| | ***In the North:***<br><br>• Difficulties with European orders due to price competition with China. Stagnant production has been caused by higher input prices since early in the year.<br>• Input costs have increased a lot, especially coal and water costs (by about 20% for waste water treatment)<br>• It has been necessary to borrow for input costs and sometimes take out high-interest informal credit from money lenders to pay workers' salaries. It can be as difficult as temporarily suspending production and paying the basic salary (about 1.2 million VND per month) to keep skilled workers. Small and medium-scale production has continued. Outsourcing orders are accepted to keep workers, but on a minimum-scale to minimize losses. | |
| Satellite units for big exporters – Leather footwear | • Increase in cost of materials (10-20%) and labor (20%). Reduction of production volume to 40%.<br>• Output price has increased from 0.55 (2010) to 0.65 USD per pair, but customers cannot afford the increased cost. The price should be 0.85 USD a pair just to break even. It is very difficult to avoid a big loss. | • Current orders ensure work for 1 month. |
| Agricultural product processing | • Seasonal production. In the context of higher fuel prices, it has been necessary to refuse purchase orders due to a failure to procure inputs from far away (from the South to the North).<br>• Increase in output price is equal to that of input. Materials price is 15-20% higher, and electricity and labor are more expensive. Drainage treatment costs the most, often more than labor.<br>• Only about ¼ of all laborers have a labor contract. Average monthly income is about 2 million VND. Due to the current absence of purchase orders, only the core labor force is kept working. | • There might be a lack of seasonal workers for the year-end high peak.<br>• Insufficient inputs at the end of the year due to limited long-distance procurement and current high transportation costs. |
| Construction | • Huge increase (20-25%) in material prices (which account for 60% of total construction costs. Steel alone accounts for | • It is expected to be |

| Group | August 2011 | The coming time |
|---|---|---|
| enterprises | 40%); the cost of labor (20-30%); mechanical and fuel expenses (5%); and electricity (3%).<br>• Most construction of high buildings and apartment blocks has been suspended.<br>• Reduced profits (from 13-15% down to 7-10% of total construction value for civil construction and office buildings, and from 5% to breakeven down to a 5-10% loss for high-rise apartment blocks). Payment in advance for materials. Contingency fund of 20%.<br>• Projects funded with a lump sum from the state budget have been halted to avoid loss due to higher material costs. | more difficult at the end of the year.<br>• Many investors have cancelled contracts due to high construction costs. |
| Enterprises that make plastic and pipes for construction | • The cost of materials, which accounts for 70% of production costs, has increased by 25%. Profit has decreased from 12% to 7%.<br>• Due to the suspension of construction projects, production has declined 50% compared to last year. Inventories have increased as a result.<br>• It has been necessary to take out high-interest informal credit (6% a month) from money lenders to pay workers' salaries. | • It will be more difficult. |
| Plastic household goods | • Nominal profit equal to that of last year.<br>• Investment scaled down. (Failure to make a profit has led to the selling of machines, leasing factories and losing about 20% of the investment value.) | |
| Handicraft enterprises in the South | • Reduced revenue (50%) and increased input price (50%), which is much higher than the output price increase (20%).<br>• Scaled down during the first two months of the year, keeping only the main skilled workers. The management staff and contracted workers who were laid off for two months received 70% of their salaries during that time. | |
| Craft villages in the North (ceramics and lacquer in Ha Noi) | • High inventories during Tet 2011. Modest production to avoid high inventories the first three months of 2011.<br>• Lower output prices and lower profit.<br>• 60-70% reduction in work and income. About 50% less workers at production units and about 60% fewer daily migrant laborers. | • It will be very difficult in the coming time. |

*Source: RIM 2011. Interviews with enterprises and workers in Ho Chi Minh City, Binh Duong, Dong Nai, Ha Noi, Hai Duong, Gia Lai and Quang Nam.*

## *Annex 7 - Labor changes at SMEs and household businesses*

| Sector | Labor | Impact on employment in 2011 | Impact on income | | Sites |
|---|---|---|---|---|---|
| | | | 2010 | 2011 | |
| Garment | Monthly-based work | • Medium-scale enterprises: regular employment | • Income 2.1-3.2 million VND a month | • Income 2.7-3.4 million VND a month | Ho Chi Minh City, Dong Nai |
| | | • Small–scale enterprises: normal working hours (no overtime) for 3 months.<br>• Workers who have to take some days off (due to a lack of work) receive 50% of their basic salary. | • Income 2.7-3.0 million VND a month, including overtime.<br>• Cost of meals 500,000 VND a month. Rent 100,000 VND a month | • Income of 2-2.1 million VND a month<br>• Cost of meals 800,000 VND a month. Rent 200,000 VND a month.<br>• Savings 500-800,000 VND a month | Ho Chi Minh City |
| | | • Many workers have left companies due to low income.<br>• Core skilled workers are kept (75% of the workforce). | • Basic salary 1.7 million VND a month. Allowance 800,000 VND<br>• Total income 2.5-3 million VND a month | • Basic salary 2 million VND a month. No allowance.<br>• Total income 2 million VND a month | Hai Duong |
| Footwear | Monthly-based work | • Stable labor. | • About 1 million VND savings a month | • Income 3 million VND a month<br>• Savings about 1.5-1.7 million VND a month | Ho Chi Minh City |
| | | • About 20% less work compared to 2010. | | • Income 3 million VND a month | Ho Chi Minh City |
| Plastics | Monthly-based work | | • Income 2.2 million VND a month | • Income 2.5 million VND a month | Ho Chi Minh City |
| Agricultural product processing | Unskilled workers unemployed after harvest time | • Seasonal production but no decrease in work. | • 40,000 VND a day | • 50,000 VND a day | Hai Duong |
| Construction | Monthly-based work | • Reduced work at apartment block construction and at projects which receive prolonged payment or have reduced their budget. | • Main worker 150-160,000 VND a day<br>• Supporting worker 100-110,000 VND a day | • Main worker 180-200,000 VND a day<br>• Supporting worker 130-140,000 VND a day<br>• | Ho Chi Minh City |
| | Daily and unskilled workers | • Almost no work at apartment block construction and at projects which receive prolonged payment | • Sub-contract for 25.000 VND per m² for the | • Sub-contract for 35,000 VND per m² for the entire group of | Ho Chi Minh City |

| Sector | Labor | Impact on employment in 2011 | Impact on income | | Sites |
|---|---|---|---|---|---|
| | | | 2010 | 2011 | |
| | | or have reduced their budget. | entire group of workers | workers | |
| | Daily and unskilled workers | • Stable work 20-25 days a month. | • Main worker 100-120,000 VND a day<br>• Supporting worker 70-80,000 VND a day | • Main worker 140-180,000 VND a day.<br>• Supporting worker 80–90,000 VND a day | Ha Noi |
| | Monthly-based work | • Reduced work at apartment block construction and at projects which receive prolonged payment or have reduced their budget. | | • Main worker 120-140,000 VND a day<br>• Supporting worker 90–100,000 VND a day | Quang Nam |
| Handicrafts | Monthly-based work | • Stable seasonal work (2-3 months) and orders.<br>• 50% reduction of total work.<br>• Main workers are kept (about 16%). | | • 1.5-2 million VND a month | Dong Nai |
| | Monthly-based work | • Stable work developing new products, orders from tourism units. | | • 2.5-3 million VND a month | Quang Nam |

*Source: RIM exercises 2011. Interviews with enterprises and workers in Ho Chi Minh City, Binh Duong, Dong Nai, Ha Noi, Hai Duong, Gia Lai and Quang Nam.*

## *Annex 8 - Labor changes*

| Group | Mar 2009 | Aug 2009 | Aug 2010 | Aug 2011 |
|---|---|---|---|---|
| Formal migrant workers in urban areas | • Workers were laid off voluntarily and received unemployment benefits. No renewal of labor contracts.<br>• Workers lost jobs and changed their livelihood. Worked in the informal sector. Borrowed to stay in urban areas for 3-4 months.<br>• Retrenched workers returned to rural areas.<br>• Workers studied and got experience to get more stable jobs. | • Due to the crisis, retrenched workers returned to industrial parks in their home provinces.<br>• Reasons for heading back: to save on accommodation costs and to avoid the high living cost in urban areas.<br>• Increase in employment and large-scale labor shortages at industrial parks. Maximum overtime work available due to labor shortage in the garment, electronics, and wood-processing sectors.<br>• Workers returned to their former companies.<br>• High labor mobility as a result of workers constantly searching for better jobs. | • Labor flows to industrial parks increased again after 1 year. Overtime work increased, thus leading to increases in income.<br>• Rapid increases in living costs meant increases in normal incomes were relatively insignificant as compared to the increase in the living cost.<br>• Lower labor recruitment criteria.<br>• Reduced expenditures. Children sent back home. Low-rent accommodation sought. Accepted poor living conditions. | • Overtime due to orders. Partially slackened/stagnant production.<br>• At least two salary increases in the first six months of 2011. However, the daily living cost (especially rent) has increased more.<br>• Try to save as much as possible due to the quickly increasing cost of living.<br>• No increase in labor mobility thanks to the same salaries and allowance among companies within an IP. Mobility is high among new employees due to low wages. |
| Informal migrants in urban areas | • Workers moved from the formal sector to the informal one. Labor supply suddenly increased.<br>• Underemployment.<br>• Lower remittances.<br>• Low labor demand and little work (workers had no jobs about 30% of the time). | • Abundance of jobs, especially in the construction sector.<br>• In some areas labor supply increased due to retrenched migrant workers returning home, but they could not rejoin the formal sector due to difficulties in agriculture.<br>• In constrast, in some other areas the labor supply decreased as laborers moved to other sectors due to underemployment. | • Daily migration flows to Ha Noi included retrenched laborers from the South. The trend of individuals migrating to the North continued. There was a slight increase in number of household migrations to the South.<br>• Informal construction workers in urban areas lived at construction sites.<br>• Jobs found via social networks.<br>• High prices due to inflation. | • Higher numbers at mobile labor markets in Ha Noi. Income increased for monthly-paid workers. No change in income for most daily-paid workers due to high competition, which is due to the higher number of workers. A few workers have experienced a decrease in income.<br>• The increase of the migration flow from the North to the South (Ho Chi Minh City) in the informal sector is due to social networks and the guidance of previous migrants.<br>• Continued suffering due to price pressures. |

| Group | Mar 2009 | Aug 2009 | Aug 2010 | Aug 2011 |
|---|---|---|---|---|
| Local formal workers in rural areas | • No overtime work.<br>• Rotating employment.<br>• Received 70% of the normal wage.<br>• Lived on income from agricultural activities. | • Jobs returned.<br>• Worked full-time, but only during regular working hours. Not much overtime. | • Increase in overtime and income.<br>• Work intensity and hardship increased.<br>• Worked on Saturdays and Sundays due to occasional power cuts during the week.<br>• Discipline at work not high.<br>• High labor mobility among new entrants to the labor market. | • A lot of overtime. Higher income.<br>• A larger number of local workers.<br>• Pressure of cost of living has led to an outflow to the urban informal sector. |
| Laborers in craft villages | • Underemployment.<br>• Enterprises only retained high-skilled laborers.<br>• Skilled laborers had modest employment.<br>• Decrease in number of migrant workers. Unskilled seasonal migrants faced the risk of being retrenched. | • Skilled laborers had modest employment.<br>• Unskilled seasonal migrants faced the risk of being retrenched. | • Labor inflow from nearby areas increased.<br>• Income increased. Employment and workload increased slightly. | • Lack of work. 60-70% labor decrease.<br>• Remarkable reduction of laborers from surrounding areas is due to stagnant production. |
| Laborers in rural areas | • Pressure on labor supply increased because retrenched laborers returned to rural areas.<br>• Average daily wage fell. | • Prices of agricultural products dropped.<br>• Serious negative impact: inability to pay back debts for large-scale agricultural invesments in sectors such as fish and shrimp production.<br>• Increase in migration due to: difficulties in rural agricultural areas (high inflation and low output prices); a decrease in remittances; increased labor demand at migration destinations due to rebound in orders; and lower recruitment criteria in response to the labor shortage.<br>• Cut down on social and food expenses due to high price | • Price inflation pressures and income increased.<br>• Increase in seasonal migration in the North and migration to the South, mainly in the informal sector.<br>• Increase in informal labor supply due to increased unemployment for laborers in fish production in the South.<br>• Indebtedness results in landlessness. Students drop out of secondary schools in the South.<br>• Cut down on social and food expenses due to high price inflation. | • Higher income thanks to good harvest and good prices.<br>• Higher cost of living.<br>• Continued outflow away from rural areas.<br>• Reduced remittances.<br>• More construction-related work in rural areas.<br>• On-going difficulties for fishery farmers due to increased input costs. |

| Group | Mar 2009 | Aug 2009 | Aug 2010 | Aug 2011 |
|---|---|---|---|---|
| | | inflation.<br>• Lower recruitment criteria led to decreased learning incentives for young people and children. Students drop out of school at some survey sites in the South. | | |

*Source: RIM 2009-2011. Interviews with enterprises in 12 provinces.*

## *Annex 9 - Changes and coping mechanisms of households*

| | **Changes in livelihoods and spending in poor HHs (4-5 members per HH)** | | | |
|---|---|---|---|---|
| | **Rural survey sites in the North** | **Mountanous survey sites in the Northwest, Commune in Program 135** | **Mountanous survey sites in the Central highlands, Commune in Program 135** | **Ethnic minority survey sites in the Southwest, Commune in Program 135** |
| Middle-income HHs | • Cultivation of 5–6 sàos[45]. Productivity 2.5 quintals per sào. (The October crop in 2010 was only 2 quintals per sào). Additional work (e.g. as a carpenter, scrap iron trader, or construction worker) for 100–120,000 VND a day, 20 days a month. Wages higher than in 2010 (70–90,000 VND a day) for the same amount of work.<br>• Daily cost of food: 100,000 VND. Simple meals: 0.5 kg meat, some vegetables, tofu and internal organs of chickens or pigs.<br>• Cost of electricity 200,000 VND a month, double what it was in 2010.<br>• Wedding present from 50,000 VND per event in 2010 to 100,000 VND per event in 2011.<br>• Payment to rotating savings group about 2 million VND a year.<br>• Cost of primary school and day boarding is 1.5 million VND a year per student. High school students need 15,000 VND for 2 hours of extra lessons<br>• Total expenses are about 3.5-4 million VND a month. | • Higher rice productivity than that of the poor: 4 quintals per 1,000 $m^2$.<br>• Cost of 0.8 kg meat (bought once a week): 100,000 VND. In 2010 people spent 50,000 VND on meat 2-3 times a week (1.6-2.4 kg meat a week). Other food cost 30,000 VND a day (2-3 eggs a meal and 0.3 kg of fish). They grew their own vegetables.<br>• It is necessary to buy rice 4 months a year. Daily consumption is 1 kg per person. Daily cost of food was 75,000 VND in 2011 and 50,000 VND in 2010.<br>• Cost of electricity was 30,000 VND in 2010 and 50,000 VND in 2011.<br>• Annual savings only 2 million in 2011. It was 3-4 million in 2010. | • About 700-800 coffee plants<br>• About 30% higher investments in coffee cultivation. In 2010 invested about 15 million VND and earned 50 million VND from 1,000 plants (1ha).<br>• Available capital for investment: plant seedlings, fertilizers, about 13 million dong, and 1,000 plants.<br>• Self-sufficient or occasionally need to buy rice. Rice consumption: 100 kg a month for 6 people. Cost: about 1.3 million VND (only 960,000 VND in 2010).<br>• Cost of meals about 40-60,000 VND a day.<br>• Cost of electricity 100-200,000 VND a month.<br>• Social expenses about 300,000 VND a month). | • Monthly expenses in 2011 (1.6-2 million VND) were about 1 million VND more than in 2010 (2-3 million VND).<br>• A reduction in savings for couples with no income.<br>• Education expenses (tuition and meals) were about 800,000 VND for the first month and 500,000 VND for the remaining months. In 2010 it cost only 400,000 VND. Cost of lunch: 5,000 VND for a little fish, 2-4,000 VND for vegetables. Cost of dinner: 2 eggs (3,000 VND per egg) and some vegetables. Only 3-4 meals with meat a month because it is expensive. Some meat fried with vegetables costs about 20,000 VND.<br>• A 2-year-old baby needs 3 cartons of milk (4,000 VND a carton). Only well-off HHs can buy milk for children. Other HHs often feed children only rice and fish sauce.<br>• A HH can catch 10kg of fish a day (25,000 VND kg). |

[45] Sào – an area measurement unit, equal to 360 $m^2$ in the North, 500 $m^2$ in the Center, and 1,000 $m^2$ in the Central highlands

| | Changes in livelihoods and spending in poor HHs (4-5 members per HH) | | | |
|---|---|---|---|---|
| | **Rural survey sites in the North** | **Mountanous survey sites in the Northwest, Commune in Program 135** | **Mountanous survey sites in the Central highlands, Commune in Program 135** | **Ethnic minority survey sites in the Southwest, Commune in Program 135** |
| Near poor HHs | • Small amount of production land: about 2 sàos (500 $m^2$ = 1 sào). 1 family member goes away to work and sends a remittance of 1 million VND a month.<br>• Cost of food: 30,000 VND, spent at the market every other day. In total about 500-600,000 VND a month. In 2010 it was 400,000 VND a month.<br>• Education expenses - Junior high school: 1 million VND a year, not including lunch. Day boarding costs 7,000 VND a day for lunch and a nap costs 180,000 VND a year. Extra lessons for math and Vietnamese (6 lessons a week) cost 7,000 VND a lesson. It was only 5,000 VND a lesson in 2010.<br>• Education expenses - Senior high school: An extra lesson (only for math and literature, once a week each) costs 12,000 VND a lesson at the school. Tuition is about 800,000 VND a year. The total cost is about 1.5 million VND a year.<br>• Cost of electricity is 50,000 VND a month. It was only 30,000 VND a month in 2010.<br>• Total monthly expenses are about 2 million VND. | • Lower rice productivity compared to the last crop.<br>• Cost of food: is about 90,000 VND for 6 kg of rice and 30,000 VND for other food a day.<br>• Maximum cost of electricity is 40,000 VND a month.<br>• Higher cost of living has led to more debt. | • Small amount of coffee land (about 300 plants). Sometimes sell vegetables for 70-100,000 a day. Working as a hired laborer a man earns 1.8-2 million VND a month and a woman earns 7-800,000 VND a month.<br>• Cost of food is about 60,000 VND a day.<br>• Cost of living and fertilizer have both increased.<br>• People work harder to make more money due to an increase in the cost of living. Inputs for coffee cultivation bought on credit, which means the harvest must be sold at a cheap price. | • Less work at harvest time due to use of combine harvester.<br>• The cost of labor rose from 70,000 VND a day in 2010 to 100,000 VND a day in 2011.<br>• Cost of meals: 30,000 VND a day when work is good and 20,000 VND a day when out of work. Cheap foodstuffs, fried fish and salted shrimp are bought. Vegetables are now more expensive. Only the price of morning glory has not increased.<br>• 1st grade students are exempt from paying tuition fees. "This year I was asked to submit a photocopy of my family book in order to get 70,000 VND (social assistance) a month. A student from a poor HH can get 120,000 VND a month."<br>• Health insurance and other contributions cost 400-500,000 VND. |
| Poor HHs with lots of children not receiving any social assistance, | • Lots of children, so the expense of education is a burden. Secondary school students get a 50% reduction of tution fees but pay 100% of other | • Small amount of cultivation land. Low rice productivity, only 3.5 quintals per 1,000 $m^2$. Old seeds and little fertilizer used when planting. | • Little or no land for rice and coffee. Only Liberian coffee is grown. 20 plants provide an income of 200,000 VND a year. | • Landless.<br>• Work chopping firewood, gleaning corn (sometimes in Cambodia), or as hired laborers |

| | Changes in livelihoods and spending in poor HHs (4-5 members per HH) | | | |
|---|---|---|---|---|
| | **Rural survey sites in the North** | **Mountanous survey sites in the Northwest, Commune in Program 135** | **Mountanous survey sites in the Central highlands, Commune in Program 135** | **Ethnic minority survey sites in the Southwest, Commune in Program 135** |
| but receiving contingency assistance. | costs. The cost of education is a great burden.[46]<br>• Amount spent on food minimized to about 30,000 VND a day. Mainly vegetables and dried fish, occasionally tofu and eggs, and only one meal with meat every 2 weeks. Meat was cheaper in 2010 and people could afford to buy 0.3 kg once a week.<br>• Social expenses are 100,000 VND per event. Rice is sold to get money to pay for presents.<br>• Cost of electricity is 70,000 VND a month. In 2010 it was only 50,000 VND a month. Assissance of 30,000 VND month is granted to poor HHs.<br>• People unable to migrate for work often cultivate 8-10 sàos ($360m^2$ = 1 sào),[47] including areas borrowed from those who migrate for work.<br>• Entire income comes from selling rice. In general, 50% of the rice is sold at the beginning of the harvest, when price is 50-150,000 VND per quintal less than the best price (550,000 VND per quintal compared to 600–700,000 VND per quintal), to clear debts and invest in inputs. The rest is sold later and the money is | Higher input costs for fertilizer, and higher interest on deferred payments for input costs. 80% of HHs bears a debt for agricultural production inputs. Increased incomes for farmers thanks to higher prices for maize and cassava.<br>• Suffering due to the cold weather. 70% of HHs leave cultivation land fallow. Productivity is 2.5 tons per ha, a 40% decrease in comparison to the same period the previous year.<br>• It is necessary to buy rice 6 months a year. During those months, daily consumption is 0.8 kg a person. The price of rice price was 60,000 VND per kg in 2011 and 40,000 VND in 2010. Rice bought on credit until the maize harvest at an interest rate of 11%.<br>• Cost of food about 15,000 VND a day for dried fish, tofu, and vegetables. Meat is too expensive. Total monthly expenses about 0.8-1 million VND.<br>• Maximum cost of electricity is 20,000 VND a month.<br>• Social expenses increase from 2 million VND in 2010 to 3 million VND in 2011. Due to the higher prices of all commodities, presents | Work selling vegetables for 50-100,000 VND a day; raising pigs (not paid, but allowed to keep the baby pigs); weaving 10-15 papooses a month (the selling price increased slightly from 100-120,000 VND to 120-150,000 VND each); or as a hired laborer.<br>• Consumption the same as previous year.<br>• Cost of food about 40,000 VND a day for rice (about 3.5 kg) and dried fish. People grow their own vegetables (cassava leaves and bamboo).<br>• Cost of electricity about 50,000 VND a month.<br>• People work harder due to the higher cost of living. | from 6 am to 5 pm.<br>• Weeding a cassava field pays 70,000 VND a day.<br>• An 11th grade student spends 50,000 VND a month on extra lessons and 105,000 VND a month on bus tickets.<br>• Try to save the spending. Lunch money given to students who attend semi-boarding school: 15,000 VND a day. Daily cost of meals for 4 people is 35,000 VND for 2 eggs or fish heads (12,000 VND a kg). Many people are in debt.<br>• Assistance worth 320,000 VND for 4 people received early in the year: nearly 10 kg of rice, 2 bottles of fish sauce, 2 packages of seasoning powder, 2 packages of salt, 1 bottle of fish sauce, 1 kg of sugar, 1 package of washing powder and 20,000 VND in cash. It takes a long time to get assistance. |

[46] Hai Duong and Thanh Hoa. Tuition fee for grade 9 is 170,000 VND a month. Tuition fee reduced by 50%, but other contributions and extra lessons cost about 1-2 million VND a year per student.
[47] Nghia Minh (Nam Dinh) and Tra Thon (Nong Cong).

| | Changes in livelihoods and spending in poor HHs (4-5 members per HH) | | | |
|---|---|---|---|---|
| | **Rural survey sites in the North** | **Mountanous survey sites in the Northwest, Commune in Program 135** | **Mountanous survey sites in the Central highlands, Commune in Program 135** | **Ethnic minority survey sites in the Southwest, Commune in Program 135** |
| | used for expenses.<br>• Total monthly expenses are 1.5 million VND. | have changed from in-kind to in-cash.<br>• Maize fields converted to cassava land. People take out high interest rate loans at 5% a month, and do not dare to borrow more than 600-700,000 VND. | | |
| HHs receiving social assistance | • Small-scale cultivation, only 2–3 sàos. Self-sufficient.<br>• Monthly expenses are about 700,000 VND. In 2010 people often bought 0.3 kg of meat a week, but they only bought 0.2 kg a week in 2011.<br>• 50% reduction of tution fees. Clothes, books and notebooks cost 500,000 VND a year.<br>• Cost of electricity was about 30-40,000 VND a month, but it increased to 70-80,000 VND a month.<br>• Social expenses are 250–300,000 VND a month. The normal cost of an event is 50,000 VND. In 2010 it was 30,000 VND per event.<br>• Due to economic difficulties, presents given are often cheaper than those given by well-off HHs (100,000 VND per event.)<br>• Health care expenses are 300,000–400,000 VND a month.<br>• Total monthly expenses are about 1.5 million VND. | • Same changes in income and spending as poor HHs.<br>• 50% reduction of tuition fees. 340,000 VND a year for primary school. Total education expenses are about 400,000 VND.<br>• Health care costs 500,000 VND a year. | • An elderly person living alone consumes 3 bowls of rice a day and has only 2 meals a day.<br>• About 100-200,000 VND is spent on rice and dried fish every month.<br>• Land belonging to ethnic minorities in other districts (about 100 km away) is rented to grow cassava. People work harder due to the higher cost of living.<br>• Children drop out of school to work.<br>• Rice is bought on credit until the cassava harvest. Sometimes they eat maize until the next rice harvest. | • Sold all land to pay for health care. Work as a hired laborers.<br>• No tuition fees for 7th grade students. They only pay for the paper used for exams. No other school-related expenses thanks to schooling at pagodas.<br>• Cost of food is 50,000 VND a day.<br>• Social expenses are 30,000 VND per event, and a wedding costs 100,000–2,000,000 VND.<br>• Assistance given to students is about 1.2 million VND. |

*Source: RIM 2011. Interviews with HHs*

## *Annex 10 - Review of social security solutions at the local levels*

| Policies | Weakness in implementation |
|---|---|
| Social insurance, health insurance, and unemployment insurance in the formal sector | • Awareness of benefits has not improved. Low awareness among labor-intensive workers of the importance of maintaining social and health insurance.<br>• Access to public healthcare is difficult for workers (when using health insurance) due to long waits, expense, and bureaucracy.<br>• A certificate of birth is needed to buy insurance; the quality of medicine is low; and many expenses are not coverd by insurance.<br>• Workers are laid off voluntarily and register for unemployment.<br>• Only workers with a contract for at least 12 months who work at an organization that has at least 10 employees are eligible for unemployment insurance.<br>• Contributions are calculated based on the basic salary as stated in the contract. However, the mechanism remains unclear for public officers and workers. |
| Voluntary health insurance | • In general, the coverage of voluntary health insurance is low. Those who have it are mostly (1) middle-aged, elderly male, and female, (2) small children, (3) well-off people with a high level of awareness, and (4) people anticipating great medical costs.<br>• Health insurance is not a priority due to low awareness of the role of insurance and a lack of money.<br>• High prices have led to a reduction in expenditures in general, especially non-compulsory health care costs like health insurance.<br>• There is a lack of trust concerning health care at the local and the district level. The quality of the doctors and facilities (which are often far away) is questionable, there is a high number of patients, and the costs can be prohibitive.<br>• Competition with commercial life insurance.<br>• Life insurance companies use local people to sell insurance.<br>• The common way of selling insurance (paying premiums once a year) excludes many potential buyers, people who are unable or not used to paying for a whole year at once.<br>• Local core workforces (such as the Women's Association, the Farmers Association, and the Elderly Association) are not taken advantage of. They already collect monthly loan payments for banks. |
| Poverty reduction | • It has become more difficult to escape core poverty.<br>• It is currently very costly to list and rank poor households.<br>• Methods of implementation and targeting vary among localities.<br>• However, the effectiveness of poverty reduction programs is low, and escape from poverty is rare. This is because (1) some people (mostly the chronic and the core poor) are unable (or only with difficulty) to participate in growth, (2) the support quota is insufficient to provide for the total number of households with an income lower than the poverty line, and (3) the poverty line has risen.<br>• The most important issue in poverty reduction remains the identification of poor targets. |
| A positive labor market has been an instrument of job creation and vocational training. | • The employment rate after training is high (70-80%). It is only optimistic in the formal sector. Practice shows that knowledge from training courses on agriculture promotion is not much applied in reality.<br>• Vocational training for rural laborers is not suitable for the professions in the locality, and has not yet improved the outcomes/employment situation. Husbandry and cultivation (around more than 48.4% of total trainees).<br>• In mountainous areas, costs to organize training courses are high and people are not good at Vietnamese. In fact, such implementation has not yet resulted in any changes. |

| Policies | Weakness in implementation |
|---|---|
| | • Due to low effectiveness, vocational training has not yet improved the labor force.<br>• People with low qualifications continue to leave the locality and find jobs as common workers. |
| Positive labor market has been an instrument of labor export | • The support offered to export laborers is enough to cover the costs involved for some countries but not all.<br>• The process of completing a labor export contract is slow.<br>• Therefore, households usually borrow from commercial banks, not the funds for labor export support.<br>• Laborers have no collateral papers. Laborers who wish to borrow have to put up their certificate of land ownership as security, but they usually do not have legal documents.<br>• In poor ethnic minority areas especially, people are only able to work in markets that require simple skills. Most laborers do not meet the requirements, so they earn a low income.<br>• This affects potential laborers when they consider their chances of working abroad. In practice, the only market that poor people may join is the worst one. |
| Regular social assistance | • The coverage of social assistance has been expanded. All the surveyed provinces have witnessed an increase in the number of beneficiaries and demands for funds.<br>• There have been no reports of people who need regular support who were not inclcuded in rural and mountainous areas, but there have been some delays processing paperwork.<br>• Recipients of regular support cannot access this support when they move to the informal sector in large urban areas. |
| Contingency assistance[48] | • In general, contingency assistance has been implemented in a timely manner and has been used for the correct purpose.<br>• Due to budget barriers, the identification of targets and benefit level cannot follow the policy design.<br>• Villages are given a limited amount of support.49 Therefore, it must be determined who receives support and how much.<br>• There are two ways that are often used by localities to determine who is eligible to be on the priority list. The first way is simple, choose the most disadvantaged people: single elderly people; people raising orphans; families with many children in school; the disabled, large families, and so on. The second way is more difficult and controversial: trying to determine the actual damage. This is difficult because the ability to verify claims is low, the cost to carry out verification is high, and it is difficult to determine actual yield after damage.<br>• Contingency assistance packages have generally been timely and served the right purpose. Contingency assistance in between harvests; for bad harvests; and for overcoming the consequences of floods and other natural disasters has been streamlined in terms of procedures and speed of delivery of direct relief to local people. This year contingency assistance packages (offered to low income earners due to high inflation) were a bit slow and were often not delivered according to the plan, but were instead combined and delivered in arrears. |

*Source: RIM 2011.*

[48] Levels of damage, identification of beneficiary subjects, level of allowance, effectiveness of each contingency assistances at survey sites. For details, please consult the report on *"Coverage, Accessibility and Effectiveness of Social Security Policies: Viet Nam 2011, Rapid Impact Assessment of Workers and Households"* (Annex 9 page 63).

[49] A total of 2 tons of rice was distributed to one village, but 1,000 people were suffering from a famine due to a bad harvest, so on average each person only received 2kg. If the 15 kg per person standard had been adhered to, rice could only have been distributed to 133 people.

## *Annex 11 – Methods of identifying poor households vary from area to area*

| | Identification methods | Comments by local people |
|---|---|---|
| Site A | • In the past the village head rated each HH and then the entire village voted.<br>• Now the village head rates each HH and then holds a meeting with the entire village. Then three ordinary people review the village head's decision and make any changes that they feel are necessary. | • Both material and non-material supports are delivered. Economically, for those who suffer losses during the year, even if they are well-off households, are eligible to receive support. In terms of non-material support, those with poor status are prioritized in terms of health insurance. |
| Site B | • A meeting with local people or an internal meeting of the Fatherland Front (17 members). | • The village leader sits at home to grade without coming to the households to collect information. Therefore, he has only subjective adjustment to make households get poor household status. It is arbitrary when usually one questionnaire is used but five others are changed and crossed out.<br>• The final reason is not reasonable when a poor status is given to a household who is able to make an asset investment of 100 million VND. |
| Site C | • The village head rated each HH and then the entire village voted (by ballot). | • It is democratic. There is no argument thanks to voting.<br>• |
| Site D | • Rating is determined through a meeting with key servicemen in the village. Because income levels are largely similar in the village, not all villagers are invited to the meeting in order to avoid any quarrel.<br>• An announcement is made on the radio.<br>• People with questions may ask the village leader for an explanation. | • There is no participation of the entire village in rating.<br>• Suspicious when poverty status is given to a household that could invest 100 million VND for an incubator. |
| Site E | • A meeting of local associations followed by a vote at a village meeting (about 70% of the villagers attend).<br>• A household with two disabled children was voted as a poor household, but they did not want this status because they were not in need or were able to borrow capital. The village leaders had to persuade them by implying that they would stop the allowance of 180,000VND/month for the children with disabilities before the | • Many villagers do not care about voting and judging in a village meeting. Thus, there is no argument.<br>• Results are reasonable in some cases but not in others.<br>• There is lack of democratic process in the voting. The local associations decide on a list of candidates, and local people do not dare to say anything.<br>• The village head calls for a village meeting through radio but it is not effective because local people usually work on the farm whole day. Local farmers can only attend the meeting if |

| | | |
|---|---|---|
| | household agreed to accept the amount for house building support.[50] | someone comes to their home later to remind them. |
| Site F | • A list is drawn up by officers, followed by a ballot vote at a village meeting (attended primarily by members of the cooperative). | • There is low awareness and attention of local people to who is in the poor list. They just know the poor status when supports are delivered to them. |
| Site G | • The village head is informed the maximum number of the beneficiaries by the commune. The village leader draws up the list according to rating, followed by a vote at a village meeting. | • The rating results are not reasonable as they are constrained by the total number of poor households. As a result, some poor households are classified as near-poor households. |

*Source: RIM 2011*

[50] Accepting an allowance to build a house results in an increased loan burden because households usually have to borrow to build a house, and the cost of building a house is much greater than the allowance.

## *Annex 12 - Weaknesses in implementation of supporting policies*

| Policy | Support | Weaknesses |
|---|---|---|
| Export promotion policy | Export production: Tax exemption and reduction. Delayed tax payment. | • Export promotion loans and credit guarantees at branches of the Development Bank of Viet Nam have not been able to create resilience for firms, and most firms have had difficulty accessing this policy.<br>• Most SMEs have been seriously affected by internal factors of the economy that are unrelated to export production.<br>• Many SMEs related to the export sector have operated at the break-even point or at a loss, so they have not benefited from the support of the taxation policy. |
| SMEs development policy | Decree 56/2009/ND-CP on support to SMEs has not yet been implemented. | • The greatest difficulties for SMEs trying to raise capital for production activities have been the high interest rates and a limit on credit, especially for medium- and long-term loans. Only 30% of the SMEs in Quang Binh Province have been able to take out loans from commercial banks. The interest rate is usually 20% a year. The interest on a long-term loan can be to 25% a year.<br>• Another problem has been the increasing production input prices (electricity, fuel, and construction materials). As a result, firms in difficulty risk going out of business due to their inability to increase output prices and the slow consumption of outputs.<br>• A further difficulty has been having only a moderate amount (or the temporary suspension) of construction work due to a lack of funds.<br>• The final difficulty has been the unstable provision of electricity, which has caused unstable production and incurred extra costs. |
| Policy facilitating loans for agricultural and rural development | Decree 41: There is no requirement of loan collateral if the production project is feasible and approved. | • After more than one year of implementation, banks still require collateral from the borrower, especially in case of a cooperative.<br>• Provincial Agriculture Bank only meets 20% of the demand. Social Policy Bank only meets the needs of 1.13% of all working households. Most loans are short-term and small. |
| | 2011 interest rate support policy:<br>• Decision 497/2009/QD-CP: Interest rate support for buying machinery and equipment serving agricultural production and for construction | • Most business households in rural areas do not use the appropriate forms required by the Ministry of Finance.<br>• The agricultural equipment and machinery on the list of things that farmers are allowed to purchase through loan assistance do not meet the quality requirements and they are not appropriate for production.<br>• Obstacles related to Decision no. 497/QD-TTg |

| Policy | Support | Weaknesses |
|---|---|---|
| | materials in rural areas.<br>• Decision 63/2010/QD-TTg: Interest-subsidized loans for purchase of equipment and machinery are entitled to 100% interest rate support for the first two years and 50% from the third year onward. (Implementation guidelines went into effect in July 2011.) | and Decision no. 2213/QD-TTg oblige the borrower to buy equipment and machinery that has been produced domestically, and some of these domestic products are more expensive than imports and only a limited number of models are available.<br>• The requirement that only small means of transportation (which are used for carrying agricultural production inputs and distribution) are entitled to interest rate support has also been difficult to implement. This is due to the fact that agricultural production is only temporary, while rural means of transportation are often used for many purposes.<br>• Rural firms are concerned about the paperwork, procedures for approval, control and inspection, and therefore ask banks for normal loans without the interest rate support.<br>• Banks strictly follow the control of credit growth from their headquarters under the direction of the State Bank. |
| | Industrial Promotion Program to support SMEs and trade villages to develop projects that invest in industrial production and small-scale industry (Provincial People's Committees direct commercial banks). | • Difficult to access credit due to lack of/low-value collateral, low accounting skills, no trade and production planning, and weak financial management.<br>• Most SMEs in rural areas are small-scale household businesses. |
| | Job training program for rural laborers. | • No sustainable job training due to no local job creation.<br>• Most people work in the fields of husbandry and cultivation (more than 70%), small-scale industries (about 20%).<br>• Even laborers who attend a short technical training course cannot meet the minimum requirements of intensive-labor production. Most training is on the job. |
| | Pilot models to build up networks of farmers, producers, bankers, and local authorities (Vertical linkages to input and output guaranteed). | • No help for the catfish farmers in the South because working capital for catfish production is not on the preferential list at the Development Bank of Viet Nam.<br>• Commercial loans are only for 70% of the collateral's official value, which is too low in comparison to the market value. |
| Price Stabilization Fund | Interest-free loans and transportation support for traders:<br><br>• 2010: 921,6 billion VND. | • Market prices are barely influenced by the policy because the amount of support is low.<br>• Consumer spending in Hanoi is estimated at 5,000 billion VND a month and there is only 400 billion VND in the fund.<br>• Number of goods is very limited. Only high- |

| Policy | Support | Weaknesses |
|---|---|---|
| | • June 2011: 319,5 billion VND to 11 enterprises in 10 months in Ha Noi and 84 billion VND a month to 13 enterprises in Dong Nai. | quality consumption goods. No impact on normal goods at the open markets.<br>• Due to trade frauds, the policy has had less impact on medicine.<br>• Only in urban areas and at supermarkets.<br>• Limited service to rural and IP areas (2-4 times a month as in Binh Duong).<br>• Not many companies are allowed to join.<br>• Most are traders.<br>• No benefit to rural residents, industrial workers, and low-income consumers. |
| | Petroleum Price Stabilization Fund:<br><br>• For every liter of petrol sold in 2009, 300 VND went to the fund, and since early 2010, 400 VND has gone to the fund.<br>• Funds are used to support oil traders when the international price increases.<br>• 4,500 billion VND annually. | • Public debate on the efficiency of the fund.<br>• The fund is growing, but it is hard for consumers to see the benefits.<br>• Management of the fund is not transparent. |

*Source: RIM 2011*

## *Annex 13 - Increases in the minimum social assistance, 2007-2011*

| Time | Decree | Rate | Increase | CPI* | CPI** | Increase of minimum wage | Increase of minimum wage | Minimum wage | Date minimum wage went into effect | % of assistance versus minimum wage |
|---|---|---|---|---|---|---|---|---|---|---|
| | NĐ-CP | VND per month | % | | | | | VND per month | | % |
| Apr 2007 | 67/2007 | 120,000 | | | | | | 450,000 | Oct 2006 | 26.7 |
| Apr 2010 | 13/2010 | 180,000 | 50 | | 43.2 | | 62.2 | 730,000 | May 2010 | 24.6 |
| Aug 2011 | | | | 77.5 | 23.97 | 84.4 | 13.7 | 830,000 | May 2011 | 21.7 |

*Source: RIM 2011. Calculation of statistics for assistance and the minimum wage.*
* CPI to Apr 2007; ** CPI to the previous point of time.
CPI in the 12 months to April was 21.42%, 7.98%, 9.23%, 17.51% in 2008, 2009, 2010 and 2011.
CPI in May, June, July and August 2011 to the prior month was 2.21%, 1.09%, 1.17%, and 0.93%.

## *Annex 14 - Quarterly electricity cost assistance for poor HHs in 2011*

| | Coverage | Implementation | Usage |
|---|---|---|---|
| Site A | • 100% (15 poor HHs) get assistance.<br>• Due to better living conditions and more electricity-consuming devices, the limit of 50 kWh a month is lower than normal usage and few HHs register for this kind of assistance.<br>• People think that in order to get assistance they must be a poor HH and register to use less than 50 kWh a month. | • Quarterly payments.<br>• All poor HHs can get assistance of 30,000 VND a month, regardless of how many kWh of electricity are used, without having to register with the electricity managers. People go to the commune office to get assistance when the village head tells them that they can get support. | • To partially cover the cost of electricity. Poor HHs usually spend 40–50,000 VND a month, and sometimes 80–100,000 VND a month. |
| Site B | • 100% (54 poor HHs) get assistance. | • Whether a HH is poor or not, it is possible to register to use under 50 kWh a month and get assistance. | • To partially cover the cost of electricity. Poor HHs spend 50,000 VND a month. |
| Site C | • 100% of the poor HHs get assistance.<br>• Few HHs register for assistance because they worry they might be fined for over-consumption. | • Information broadcast via village loud speakers. Poor HHs instructed to bring their poor HH book to the commune office to get assistance. | • To pay half of the electricity expenses. |
| Site D | • 100% of the poor HHs commit to using less than 50 kWh a month and get assistance. | • Poor HHs that use more than 50 kWh a month for 3 continuous months are removed from the assistance list. | |
| Site E | • 100% of the poor HHs get assistance. | • Quarterly payments. | |
| Site F | • | • Poor HHs go to the commune office to get assistance. | • To cover the HH's electricity expenses (about 26-30 kWh a month). |
| Site G | • 100% of the poor HHs get assistance. | • HHs have received assistance for four months: 120,000 VND. | • Low electricity usage.<br>• Some HHs pay only 6,000 VND a month for electricity and use the remaining 24,000 VND for other expenses. |
| Site H | • 100% of the poor HHs get assistance. | • No HHs have registered. | • Low electricity usage.<br>• Poor HHs only spend |

| | | | |
|---|---|---|---|
| | | • Any HH that uses less than 50 kWh a month can get assistance. | about 15– 20,000 VND a month.<br>• Well-off HHs spend 40-50,000 VND a month. |

*Source: RIM 2011*

Pursuant to Decision 268/QD-TTg, the policy came into effect on the 1st of March 2011. The assistance is in cash and is given directly to poor HHs on a quarterly basis. Every payment is 30,000 VND per HH per month. 3 months = 90,000 VND. The assistance for March was accumulated to the payment for the second quarter of 2011.

The assistance is sourced by the central budget and delivered by the Ministry of Labor, Invalids and Social Affairs, based on the list of poor HHs in each commune.

The Communal People's Committee delivers the assistance in cash to poor HHs on a quarterly basis. When a poor HH cannot come to the commune office, someone with an authorized letter can pick up the payment by signing their full name on the list.

Changes in the number of poor HHs (some leave the province and others move to another district) are to be reported quarterly by the district Department of Labor, Invalids and Social Affairs to the State Treasury in the district so that grants for the district can be adjusted.

Document 581/EVN-KD by Viet Nam Electricity provides guidance to electricity companies to apply new electricity prices in 2011. Poor and low-income HHs had to register with their electricity provider in March 2011 in order to get assistance for the first 50 kWh. The reduced price was applied on the 1st of April 2011. The registration form was provided by the local electricity provider.