Understanding Industrial Relations Transformation in Vietnam: A Multi-dimensional Analysis

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Statement of Originality

This is to certify that to the best of my knowledge, the content of this thesis is my own work. This thesis has not been submitted for any degree or other purposes.

I certify that the intellectual content of this thesis is the product of my own work and that all the assistance received in preparing this thesis and sources have been acknowledged.

Do Quynh Chi
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the real picture of employment relations in their workplaces and many of them kept updating me with the latest developments at their enterprises even after interviews. They were the reason for me to embark on this research and they will continue to be my inspiration throughout my life.
Abstract

Vietnam has been in transition from a command economy to a market economy since the late 1980s but the socialist industrial relations institutions remained largely unchanged until 2005 when workers in the most internationally exposed provinces began to agitate for improved wages and conditions, without the support of the formal trade unions. Labour activism resulted from substantial changes in labour relations at firm level and, at the same time, created pressures on the existing national IR settings for reform. Seeking to understand these momentous events in Vietnam has required a multi-dimensional approach to examining not only the roles of industrial relations actors in this process of change but also how they reacted to each other at different levels in shaping their strategies and influencing the process of transformation of industrial relations in Vietnam.

In order to understand the relationship between the changes in labour-management relations at firm level and the IR institutional reform at the national level, a multi-dimensional approach has required analysis at three levels: firm, regional and national. The research utilised a multi-case method including a foreign-owned electronics firm and a state-owned garment firm in Hanoi. These two firms were selected because they revealed similarities in industrial relations changes, but there were also crucial differences which could be understood when located within wider analysis of the two globalising provinces, Ho Chi Minh City and Hanoi. This process enabled the thesis to compare the provincial governments’ responses to firm-level labour relations changes and their various levels of influence on the national institutional reform. At the national level, the revisions of the Labour Code and related industrial
relations institutions in 2006 and 2009 were examined within the overall political economy context of Vietnam. Hence, the research analysed the forces underlying the recent industrial relations reforms.

The thesis concluded that the adaptation of industrial relations approaches by management and labour at the micro-level was not dependent on institutional changes. Rather, the on-going process of gradual IR transformation has been the outcome of interactions and negotiations between the micro-level and the macro-agencies with the meso-actor. In the case of Vietnam, although labour activism at the firm level has become the most important driving force for reforming national institutional settings, the provincial governments have also played a crucial role in mediating the changes in employment relations at workplace and have influenced the national policy-making process.
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<td>AmCham</td>
<td>American Chamber of Commerce</td>
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<tr>
<td>ACFTU</td>
<td>All China Federation of Trade Unions</td>
</tr>
<tr>
<td>CBA</td>
<td>Collective Bargaining Agreement</td>
</tr>
<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<td>ER</td>
<td>Employment Relations</td>
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<td>EuroCham</td>
<td>European Chamber of Commerce</td>
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<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
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<tr>
<td>FIE</td>
<td>Foreign-Invested Enterprise</td>
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<td>GSO</td>
<td>General Statistics Office (of Vietnam)</td>
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<tr>
<td>HCMC</td>
<td>Ho Chi Minh City</td>
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<tr>
<td>HEPZA</td>
<td>Ho Chi Minh city Economic-Processing Zone Administration</td>
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<tr>
<td>HIDS</td>
<td>Ho Chi Minh City Institute of Development Studies</td>
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<tr>
<td>HIPZA</td>
<td>Hanoi Industrial-Processing Zone Administration</td>
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<tr>
<td>ILO</td>
<td>International Labour Organisation</td>
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<tr>
<td>IPZ</td>
<td>Industrial Processing Zone</td>
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<td>IZ</td>
<td>Industrial Zone</td>
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<td>IR</td>
<td>Industrial Relations</td>
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<td>JBAV</td>
<td>Japanese Business Association Vietnam</td>
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<td>JEV</td>
<td>Japan Electronics Vietnam</td>
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<td>KoCham</td>
<td>Korean Chamber of Commerce</td>
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<td>MOLISA</td>
<td>Ministry of Labour, Invalids and Social Affairs</td>
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MW  Minimum Wage
OECD  Organisation of Economic Cooperation and Development
PMU  Project Management Unit
POE  Private-owned Enterprise
SOE  State-owned Enterprise
TLIP  Thang Long Industrial Park
UBCV  Unified Buddhist Church of Vietnam
VCA  Vietnam Cooperatives Alliance
VCCI  Vietnam Chamber of Commerce and Industry
VCP  Vietnam Communist Party
VGCL  Vietnam General Confederation of Labour
VINATEX  Vietnam National Textile and Garment Group
VND  Vietnamese dong
WTO  World Trade Organisation
CHAPTER 1

Introduction

Understanding the dynamics of change in industrial relations has always been the central theme for researchers in this field of study. Although changes of industrial relations institutions often result from their responses to environmental pressures, the process by which the government, management and labour react to external changes, and interact with one another to adjust their industrial relations strategies, will determine the specific shape of the whole system. This thesis is concerned with such processes of change in the industrial relations system of Vietnam during the period from 2005 to 2009.

A major attempt to explain and diagnose the transformation of industrial relations was the strategic choice approach developed by Kochan, Katz, McKersie and Capelli (Kochan, Katz and Capelli 1984; Kochan, Katz and McKersie 1986) based on the changes in American industrial relations in the 1970s and 1980s. The strategic choice framework has been applied in various countries in Europe and Asia (Rojot 1990; Verma et al. 1995; Leggett 2005; Kitay and Lansbury 1997; Kochan et al. 1997). However, an important dimension that was underplayed by the strategic choice approach was the influence of firm-level activities in the transformation of institutional frameworks at the macro-level. This particularly relates to the role of informal worker agency.
As this thesis will deal with industrial relations at different levels, the term ‘industrial relations’ or ‘employment relations’ will be used in a generic manner to encompass both the labour-management relations at the firm level and the collective industrial relations at the local and national levels. On occasions where it is appropriate, however, the term ‘labour relations’ is used to refer to the various aspects of the particular employment relationship between the employers and workers at the firm level.

This chapter will briefly introduce the strategic choice debate and research objectives before providing a brief overview of the research context and an outline of the thesis chapters.

**The Strategic Choice Debate**

During the 1980s the strategic choice framework built on previous understandings of industrial relations change in America. Kochan, Katz and McKersie (1986) forcefully argued that the system had moved away from the industrial relations arrangement established by the New Deal legislation of the 1930s. The earlier model developed by John Dunlop which placed collective bargaining as central to industrial relations was deemed inadequate to explain the new emerging pattern of workplace and institutional change (Kochan et al. 1984; Kochan et al. 1986). The strategic choice approach combined traditional industrial relations theories with ‘the literature on corporate strategies, structure and decision-making’. It sought to more adequately explain the recent changes in industrial relations and focus attention on the strategic choices made by management (Kochan et al. 1986: 11).
Central to the strategic choice approach is the role of American management as the initiator of change. Kochan, Katz and McKersie (1986: 11–16) argued that American employers initiated the transformation by adjusting employment practices in response to market changes, whereas the union and the government responded passively to management’s more dominant strategic choice. However, some critics claimed that the strategic choice approach appeared to oversimplify the strategy-making process by overlooking the interactions between management and the other actors (Edward 1995; Sisson and Marginson 1995; Wright 2000). Management, they argued, could not make strategies in a vacuum. Instead, the autonomy of employers to initiate changes is restricted by the relationships with other actors. The strategic choices adopted by each actor, therefore, resulted from the continuous process of interaction, negotiation and adaptation. This aspect of the transformation process was later addressed based on the outcomes of an Massachusetts Institute of Technology (MIT)-led project, which used the strategic choice framework to frame the analysis of industrial relations changes in some developed countries and the emerging Asian economies (Locke, Kochan and Piore 1995; Verma, Kochan and Lansbury 1995; Kitay and Lansbury 1997; Kochan, Lansbury and MacDuffie 1997).

The model that emerged from the MIT project has taken the strategic choice approach forward by addressing the interactive relationship among the key actors in order to explain the process of industrial relations transformation more adequately. However, how the changes at the firm-level that underpinned the strategic choice approach led to the transformation of the industrial relations institutions remains insufficiently explained. With the government described as responding
passively to firm-level changes, the strategic choice approach has not provided an adequate exploration of the complexities of the process in which the micro-level pressures are transferred to, interpreted and addressed by the policy-makers. The way a specific government perceives and reacts to the changes from below will result in the specific institutional adjustments. The strategic choice framework set out three levels where the activities of the government, management and labour occur, namely: the workplace, collective bargaining and strategic tiers. However, apart from grouping the activities, the three-tiered framework fails to depict the links across the three levels. Empirical evidence showed that the link between micro- and macro-levels is crucial to understand the specific changes of industrial relations institutions. For example, the Asian case studies edited by Verma, Kochan and Lansbury (1995) showed that the governments of emerging Asian economies reacted differently to similar changes in the workplace. Malaysian and Thai Governments responded to rising wages and workers’ demand for voice by tightening wage controls and suppressing independent unions and collective bargaining. The Government of Singapore, however, linked wages to productivity, invested in skill development, and allowed for more worker participation. In the meantime, other countries combined these two strategies (Verma et al. 1995). Why did different governments diverge in their responses to similar pressures from below? Without an understanding of the process in which firm-level strategies interact with and influence the macro-level policy, industrial relations transformation in Asia is not fully explained and diagnosed.

Although the strategic choice framework is useful in describing, explaining and analysing the changes of industrial relations systems, it
does not adequately address all the dimensions of the transformation process. There is a need to integrate the micro-macro interactive dimension into the model and a case study approach is the most suitable research strategy for examining the complexities of the relationships among different actors at different levels, as well as for making the national variables explicit in the analysis (Yin 2003).

**Research Objectives**

This thesis has two objectives. First, it will build on the strategic choice framework to develop an integrated approach to studying the relationship between the firm-level labour relations adaptation process and national IR institutional reform. As the thesis will argue, the adaptation of the IR approach by management and labour at the micro-level does not pre-suppose institutional changes. In fact, the transformation of the IR has been the outcome of a process of interaction and negotiation between the micro-level and the macro-agencies with the meso-actor, which in the case of Vietnam, are the provincial governments playing the mediation role.

The second objective of the thesis is to describe, explain, analyse and diagnose the transformation of Vietnam’s IR system. Industrial relations in Vietnam remain an under-researched area. Most published accounts on IR developments in Vietnam have focused on comparisons with China, with the emphasis on the latter country (Clarke, Lee and Do 2007). One important reason for the shortage of academic studies on industrial relations in Vietnam is the limited access to sources of empirical data. This research will draw from interviews with industrial relations actors at the firm, provincial and national levels, as well as archival materials to analyse the industrial relations developments in
Vietnam in the period from 2004 to 2008. As such the thesis aspires to contribute fresh empirical evidence to extend knowledge about the country and to enhance future theoretical development about the nature of IR change.

**Research Context: Vietnam after *Doi Moi***

Vietnam is a socialist country with the Vietnam Communist Party (VCP) holding the supreme power over all economic and political spheres. After the collapse of the socialist bloc and in the face of the domestic economic crisis that threatened the legitimacy of the VCP, Vietnam initiated a major economic reform in the early 1990s, often referred to as ‘*Doi Moi*’ (Renovation), to shift away from a command economy to a ‘socialist market economy’\(^1\). *Doi Moi* has been a strategic decision of the VCP to boost economic growth in return for its unchanged political power (McCormick 1998; McCargo 2004).

A pillar of the economic reform was the government’s decision to pursue an export-oriented industrialisation strategy based on Vietnam’s competitive advantages of rich natural resources and an abundant, low-cost labour force. The labour-intensive manufacturing industries played a substantial role in Vietnam’s economic growth. Manufacturing industries such as garment and textile, electronics, footwear and food processing account for over 20 per cent of the total GDP, 50 per cent of total export value, and contribute over 80 per cent of the total production value of the industrial sector (GSO 2006). *Doi Moi* has also shifted from the centrally-planned economy in which

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\(^1\) This term is used officially by the Vietnamese Government to refer to a hybrid model of a market economy with a socialist orientation.
private businesses were outlawed, into a multi-sector market economy, where the private sector has become the engine for growth.

Key to the competitiveness of Vietnam is an abundant and young labour force. With 45 million people of working ages and only 10.7 per cent of the population over 50 years old, Vietnam has attracted a lot of investment from the labour-intensive manufacturing industries. However, with only 15 per cent of the labour force having ever received any occupational training, Vietnam’s labour market seriously lacks skilled labour. Since 2004, employers have found it more difficult to recruit even unskilled labour as the concentration of industrialisation in a few provinces has exhausted the local labour supply. Consequently, employers have to rely increasingly on migrant labour from agricultural provinces of the country. For example the proportion of migrant labour in the labour force of industrial zones in Vietnam was over 60 per cent in 2007 (Institute of Workers and Trade Unions 2007).

In the political sphere, the economic reform has had subtle but significant impacts. On one hand, the VCP retains its supremacy over all aspects of governance. The Party appoints key personnel in the government, the national assembly and even socio-political organisations, including the trade union. Major plans and strategies of these agencies normally require the Party’s approval before issuance. The party-state also makes rules with little consultation with the public. On the other hand, the party-state has become more responsive to complaints from the society. This attitude of the VCP is reflected in its tolerant reaction to people’s protests, such as the peasants’ demonstrations in Thai Binh and Nam Dinh in the late 1990s,
its refusal to launch a frontal assault against the outlawed Unified Buddhist Church of Vietnam (UBCV, Giao Hoi Phat Giao Viet Nam Thong Nhat), and its concessional responses to unconstitutional labour strikes (Kerkvliet 2001).

The industrial relations system of Vietnam, however, had not experienced significant changes until the early 2000s. Although the new labour and trade union legislations were promulgated in the early 1990s, the industrial relations actors continued to function as they used to before Doi Moi. The Vietnam General Confederation of Labour (VGCL), the only trade union organisation in Vietnam, was still the ‘transmission belt’ of the VCP at the national level and the ‘extended arm’ of management in the workplace. Collective bargaining did not have any practical meaning as the union was too subordinate to management to negotiate, and the collective agreement simply replicated the labour law (Clarke, Lee and Do 2007). Therefore, even though the VGCL claimed a unionisation rate of 60 per cent in the formal sector, even in unionised workplaces, workers were not represented in negotiation with employers. However, since 2005, the IR system has undergone such major changes that one can expect the emergence of a new model. In 2005, the incidence of labour strikes doubled and increased steadily until the time this thesis was being written. In 2006, the labour dispute chapter of the Labour Code was revised. In 2007, the tripartite National Labour Relations Commission was established to oversee IR issues and advise the government on labour policies. In 2008, the Political Bureau of the VCP issued the Resolution on the Working Class, pressing on protection of workers’ rights, collective bargaining, and workplace harmony. At the end of
2008, the VGCL adopted a new union statute and the labour law and the trade union law are to be revised fundamentally in 2010.

In studying the changes of Vietnam’s industrial relations system, this thesis focuses on the five-year period from 2005 to 2009. This was a time when momentous political, economic and social change was taking place in Vietnam. The analysis was focused on the dynamics underlying the transitions taking place within Vietnam’s industrial relations system, but it also considers changes to wider society.

**Outline of the Thesis**

Chapter 2 critically reviews the strategic choice approach in four aspects: the theoretical perspective, collective bargaining, the initiator of change, and ideology perspective. A discussion of the MIT project will follow. A review of the literature on institutional change shows that Streeck and Thelen (2005)’s imperfect reproduction model, which describes incremental institutional changes as resultant from the continuous negotiation and adaptation of the rule-maker and the rule-taker, provides a suitable explanation of the uncovered dimension of the strategic choice approach. The chapter concludes by proposing an integrated model that combines the strategic choice approach and the incremental institutional change theory.

Chapter 3 provides a context for the case study of Vietnam. It starts by discussing the economic reform, *Doi Moi*, and its impacts on state-society relations. The chapter continues with an overview of the industrial relations legislation before presenting an account of the key industrial relations actors, including the national and local
governments, labour and the trade union, and the employers’ organisations.

Chapter 4 discusses the methodology of the research. Research questions are formulated on the basis of the research objectives and the conceptual framework. The chapter then explains why the case study approach is the best research strategy for this study. The final section presents the specific research methods applied in the study and the process of data collection and data analysis.

Chapters 5 and 6 analyse and compare the two case studies. The first is Viet Garment, a state-owned manufacturing firm in Hanoi and the second is a Japanese-owned electronics firm in Hanoi. The purpose of the two cases is to examine the adaptation process of labour relations practices at the micro-level. The emphasis of the two case studies is to explore the relationship between management, enterprise unions, and the rank-and-file workers, so as to analyse the interactions among these actors as well as the impacts on their strategic choices. The second half of Chapter 6 compares the two case studies to point out the important factors that contributed to the firm-level adaptation, as well as the adoption of strategies by each actor.

While the two cases are based in Hanoi, spatial relations were also important as they related to industrial zones and to export markets. Particularly in Vietnam, provincial governments have always settled firm-level labour conflicts and significantly influenced the labour-management relationship, Chapter 7 analyses how different provinces are reacting differently to the firm-level adaptation process by two vignettes: one is Ho Chi Minh City and the other is Hanoi. Each
vignette highlights how the provincial industrial relations approach has changed or not changed before and after a major spate of strikes. The comparison of the two provinces through the vignettes provides an insight into the two cases studied because it highlights the relationship between labour activism in the workplace, foreign capital, and the provincial government’s approach to IR reform.

Chapter 8 explores another role of provincial governments in IR reform in Vietnam — their influence on the national IR policy. The chapter starts by reviewing the factors related to provincial governments in Vietnam that influence the national policy-making process, such as revenue contribution, political power, concentration of foreign capital, among others. The second part of Chapter 8 documents the major provincial initiatives and experiments that have had measurable impacts on the national IR policy. However, the chapter argues that although some provinces may have strong impacts on the national policy, it would be simplistic to assume that other interest groups at the national level do not have influence on the final policy decisions.

In continuity with the note of caution in Chapter 8, Chapter 9 analyses the various forces that support and oppose IR reform at the national level. It starts with an overview of the prospects for further economic growth and political reform within the party-state system, and argues that the outcome of such economic and political struggles tends to overshadow the IR reform. Under the pressure of labour strikes and provincial governments, the national union organisation, VGCL, has undertaken quite a few new initiatives to improve its ability to protect workers’ interests. However, the impacts of these initiatives have been limited. The VGCL, therefore, has tightened its political alliance with
the Communist Party in an attempt to protect its legitimacy, which threatens the prospects for an IR reform. In the meantime, the national government, which has been supported by some committees of the National Assembly, has taken important steps to gradually reform the labour legislation and IR institutions in the workplace. The policy debate over the revision of the Labour Code and Trade Union Law, which is discussed at the end of the chapter, provides important hints about the changes of the policy-makers towards industrial relations and what shape the future IR model may take.

Chapter 10 concludes the thesis by summarising the key findings and arguments. It also specifies the contributions and limitations of the research and makes recommendations for further research.

**Conclusion**

This introductory chapter has briefly reviewed the strategic choice model and argued that the link between the micro- and macro–levels, which explains the influence of micro-level adaptation on institutional changes, was not addressed. The chapter proposed two research objectives for the thesis. The first objective is to build on the strategic choice model and develop an integrated approach that explains all the dimensions of industrial relations transformation. The second objective is to analyse and diagnose the transformation of Vietnam’s industrial relations system. The next chapter will consider the literature on strategic choice and institutional change to develop an integrated framework for the research.
CHAPTER 2

Strategic Choice and Institutional Change: Towards a Multi-dimensional Approach

Introduction
One of the research objectives proposed in the Introduction Chapter is to build on the strategic choice framework so as to adequately explain the dynamics and process of industrial relations changes in Vietnam. To reach this objective, Chapter 2 will review relevant literature to build a theoretical framework for the thesis. First, this chapter critically reviews the literature on the strategic choice approach. Next, a discussion of the theoretical perspectives on institutional change in the political economy provides an explanation of a neglected dimension of the strategic choice approach — the micro-macro linkage. A review of the regional dimensions of industrial relations and central-local relations will follow. It argues that the analysis of negotiations between regional actors in response to workplace changes, as well as between them and the national level, will illuminate the underlying complexities of the adaptation process at different territorial tiers. This chapter concludes with a discussion of the conceptual framework for the thesis.
Strategic Choice Approach

“Organisations do not constantly adjust their strategies and policies to changes in the environment. Often considerable pressures must build up before ... major transformations”

(Kochan, Katz and McKersie 1986: 13)

Kochan, Katz and McKersie (1986) recognised the importance of environmental changes in shaping the context for interactions within and between organisations; yet, the strategies and policies of organisations are not likely to change in tandem with these environmental pressures. Interactions between the environment and organisations lead to pressures that gradually accumulate to such an extent that organisations must adapt. Where the pressures come from, and which organisation initiates such adaptation processes, vary across countries and stages of economic development. In The Transformation of American Industrial Relations, Kochan et al. (1986) argued that it was the employers who initiated the transformation by adapting to labour and product market changes in the post 1960s era; while the other two actors, the unions and government, reacted to new management strategies. The specific emphasis of Kochan et al. (1986) on employers being the catalyst for industrial relations transformation in the United States in the 1980s should not be understood as dictating future applications of the strategic choice approach to solely employer-led transformations; neither did the authors refute the leading roles of unions or the government in different environmental conditions. Kochan, McKersie and Cappelli (1984: 35) emphasised that:

... here we stressed managerial strategies, but under different environmental conditions either union or government strategies could serve as the catalyst for change; the theoretical argument developed here would still apply.
Kochan, McKersie and Cappelli (1984: 36) called for further research, not only on the downward penetration from higher levels of decision-making to the workplace level, but also the implications of shop floor labour-management relations for the strategic levels. Approaching the strategic choice framework in this spirit, this chapter provides an analysis of four aspects: the theoretical perspectives, the nature of collective bargaining, the initiator of change, and the ideological perspective.

**Theoretical Perspectives**

Kochan et al.’s strategic choice approach was intended to be ‘a paradigm shift’ (Leggett 2005: 31) from the framework formulated by John Dunlop (1958). Dunlop’s conceptual framework encompasses three sets of actors: employers, workers, and the state, whose relations are influenced by three external conditions including the technology, market forces and the power relations of the actors. The output of such industrial relations system is the web of rules about pay and working conditions. Although Dunlop’s system approach has been influential among scholars in English-speaking countries, it has been criticised for ignoring the insight into the informal work groups and the role of people rather than just actors in making decisions (Hyman 1975). In particular, Dunlop’s framework explains the industrial relations system as one in which equilibrium is achieved when environmental conditions remain unchanged, which renders the approach unfit to explain changes (Kochan et al. 1986: 7). Therefore, Kochan et al.’s analytical framework is an attempt to explain the transformation of industrial relations systems in changing environmental contexts.
The strategic choice approach encompasses a general framework for analysing industrial relations issues (Figure 2.1) and a three-tiered institutional structure (Table 2.1). Rather than displacing Dunlop’s framework, the strategic choice approach builds on the traditional paradigm to explain change rather than continuity (Leggett 2005: 40-42). Dunlop’s framework describes industrial relations as a system of actors, including managers and supervisors, workers and their representatives, and government and private agencies that interact with one another to establish rules. The three environmental factors that lay the context for the establishment of rules include: the workplace and work community; technology, market or financial constraints; and the balance of power in society. The emphasis of Dunlop’s approach is the static web of rules that result from and govern industrial relations actors (Dunlop 1958: 7–18). Building on the system model like Dunlop, the strategic choice framework places the ‘continuous evolving interaction of environmental pressures and organisational responses’ on the central stage, with more emphasis on how the actors interact and make their strategic choices within the environmental context (Kochan et al. 1986: 12–13). Environmental factors are important but should not be regarded as deterministic in shaping the choices of organisations.

Actors do not respond to external pressures spontaneously. Instead, the tension among actors, and between them and the environment, must mount up to such an extent that an adaptation becomes inevitable (Kochan et al. 1986: 13). Where the tension originates from nature, the perception of each party of the tension and their responding adaptation strategies, if any, determine which actor(s) will lead the transition and how the changes of the industrial relations
system will be effected. In the *Transformation of American Industrial Relations*, Kochan et al. identified the source of tension as arising from the new product market and technologies, as well as demands for greater employee participation in the workplace. While unions and governments were slower in adjusting their strategies to cope with these changes, management was faster in adapting their employment practices in line with the new product market and avoiding unionism (Kochan et al. 1986: 12–15).

**Figure 2.1: General framework for analysing industrial relations issues**

![Diagram of Industrial Relations Framework]

*Source: Kochan et al. (1986: 11)*
The three-tiered institutional framework illustrates the interactions of the three actors — the government, unions and employers — at three levels. The top level, which is labelled the strategic decision-making tier, is where government policies interact with employers’ and unions’ political and economic strategies. The middle level, which is the collective bargaining and personnel policy tier, is where labour regulations interact with the bargaining strategies of the parties. How employment practices are conducted and how they influence workers on a day-to-day basis are addressed at the lowest tier. As Rogot (1990: 161–165) saw it, the three-tiered framework has two dimensions: geographical and interactive. In the geographical dimension, the framework distinguishes the national and the
bargaining levels from the workplace tier, and strategic concerns are present at all three levels. In the second dimension, interactions among actors happen at the same level and vertically within one organisation. Furthermore, the strategies formulated independently at one level tend to influence those at other levels.

In a later elaboration of the strategic choice approach, Kochan, Katz and McKersie (1991) suggested that there is a tendency among industrial relations actors at the three tiers to seek internal consistency. Although strategic choices in businesses are made by the top-tiered managers, they also influence the employment practices and policies at the lower tiers. Managers tend to choose models or practices that fit with their competitive strategy and ‘individual IR policies or practices that deviate from one model without transforming other interdependent policies will be unstable and have a low probability’ (Kochan, Katz and McKersie 1991: 106). In other words, the changes in one aspect of employment relations tend to entail changes in others, and as such, generate transformations (Kitay and Lansbury 1997: 13).

The question of whether the strategic choice framework amounts to an industrial relations paradigm has been raised by some commentators. Chelius and Dworkin (1990: 14–16) answered this question based on Thomas Kuhn’s definition of a paradigm in the natural sciences that it should attract an enduring group of adherents from competing paradigms and be sufficiently open-ended to leave problems for practitioners to address (Kuhn 1962). They rejected both Dunlop’s system approach and Kochan et al.’s strategic choice framework as qualifying as paradigms in industrial relations. Industrial relations have
been more often regarded as a multi-disciplinary field of study than a paradigm-based subject (Kochan 1980: 1). The multi-disciplinary nature of industrial relations was also reflected in the fact that the strategic choice approach was developed from a combination of traditional industrial relations theories with literature from other fields of study, such as corporate strategy, structure and decision-making (Kochan et al. 1986: 11).

However, Kuhn’s (1962) criteria for qualifying a paradigm have been criticised as semantically equivocal and problematic in evaluating a paradigm replacement, especially in a field of research that dwells upon various threads of theory from other disciplines (Chelius and Dworkin 1990: 16; Losee 1980: 203–208). Therefore, though rejecting the strategic choice framework as an industrial relations paradigm, Chelius and Dworkin (1990: 16) recognised its success in explaining changing industrial relations systems — something that Dunlop’s model has not been able to adequately address.

In his contribution to *Reflections on the Transformation of Industrial Relations*, Verma (1990) evaluated whether or not the strategic choice framework would be ‘a good theory’ based on four criteria: the ability to describe comprehensively all aspects of the phenomenon observed; the ability to provide a better understanding of the real world and diagnose potential problems; the ability to model the real world; and the ability to predict outcomes in given contexts. Based on an illustration of evidence from Western countries such as Sweden, Spain and Australia, Verma drew a conclusion which mirrored those of other researchers (e.g. Lewin 1988; Erickson and Kuruvilla 1998) that the strategic choice approach was ‘not a full-fledged theory’ as it failed to
predict outcomes. However, he recognised the framework as a powerful tool for analysing industrial relations systems beyond the United States, as well as a diagnostic tool for identifying directions for policy-making (Verma 1990: 176–177).

From a theoretical perspective, there were three major criticisms of the strategic choice approach. First, the changes in American industrial relations in the 1980s did not qualify as a transformation. Block (1990) and Begin (1990) argued that *Transformation of American Industrial Relations* revealed only an evolutionary response of managers to changes in product markets, not a transformation of the industrial relations system. In their defence, Katz et al. (1990: 189) insisted that the systematic change in American industrial relations should justify its conceptualisation as a transformation. In the search for a definition of transformation in industrial relations, Erickson and Kuruvilla (1998), after reviewing industrial relations transformations in various countries, pointed out that there was no well-accepted definition of ‘transformation’ in industrial relations theory and it was extremely difficult to distinguish ‘transformation’ from ‘non-fundamental changes’. Streeck (2009: 16–17) regarded the debate on whether or not a gradual change is just flexible stability or a transformation as ‘fruitless’, like the debate on ‘whether the glass, whatever it may be, is still half full or already half empty’.

Second, the approach was criticised for over-simplifying the formation process of strategic choices (Edwards 1995; Sisson and Marginson 1995; Wright 2000). The critics argued that strategy formation was far from being straightforward. In fact, it was the most problematic process. Strategies emerged from numerous rounds of consultation,
reassessment and readjustment. In some companies, strategies did not exist at all (Sisson and Marginson 1995: 93). In this process, managers at the top tier, despite their enormous resources and significant control over employees, could hardly make their choice in a vacuum without considering the reactions of other actors especially when, as Hyman (1987) argued, industrial relations strategies were driven by the need to regulate the contradictory relationship between labour and management. By downplaying the politics behind the formation of management’s strategies, the strategic choice approach did not adequately explain the process of interactions among industrial relations actors (Edwards 1995). Kochan and Dyer (1993: 1) recognised this weakness as follows:

The ‘strategic’ human resource management models of the 1980s were too limited ... because they depended so heavily on the values, strategies and support of top executives ... While we see [these] as necessary conditions, we do not see them as sufficient to support the transformational process. A model capable of achieving sustained and transformational change will, therefore, need to incorporate more active roles of other stakeholders in the employment relationship, including government, employees and union representatives as well as line managers.

Third, in the years immediately following the emergence of the strategic choice approach, there were doubts among industrial relations scholars about its applicability in analysing industrial relations systems outside the United States. In fact, the international applicability of the strategic choice approach was a concern of Kochan, Katz and McKersie themselves. In reaction to the academic debate on the Transformation of American Industrial Relations in 1988, they echoed other industrial relations scholars’ concerns:

Will the three tiered framework offered in our book and our other hypotheses be useful in explaining international developments? Our preliminary analysis of events in Europe suggests that the framework does hold, yet clearly this is a
The fact that the strategic choice framework was formulated in the context of American industrial relations in the 1970s and 1980s immensely influenced the focus of the analytical three-tiered framework. For the framework to be able to explain industrial relations in countries other than America, as some later researchers argued, it might require adaptation to reflect the specific national context (Rogot 1990; Leggett 2005). Rogot (1990: 163), after applying the framework to European industrial relations systems, suggested the addition of a fourth tier of industry and/or inter-industry strategic activities because this level of negotiations was particularly significant in Europe. In response, Katz, Kochan and McKersie (1990: 195) agreed with Rogot that the three-tiered framework would have to be modified to account for the national differences in industrial relations, such as those of the European systems. Later, Kochan (1998: 41) echoed this suggestion by emphasising the need for industrial relations researchers to take into account critical national variations such as ‘culture, ideology, and institutional structures that affect how individual actors respond to similar changes in their external environments’. Thus, though the strategic choice approach presents a powerful analytical tool, its explanatory power when applied to different industrial relations systems may need to be adapted to the national variables.

**Collective Bargaining**

Writing from the prime period of centralised collective bargaining, especially in Europe (from 1945 to the late 1970s), Clegg (1976) argues that collective bargaining determines the union density and behavior. While Dunlop (1958) sees the industrial relations system be
influenced by environmental conditions, Clegg holds that dimensions of collective bargaining are mainly formulated by management structures and employers’ organisations. In fact, during this period, employment issues which used to be subject to management prerogative were drawn into bargaining process (Bamber, Lansbury and Wailes 2004). In America, as defined by the New Deal legislation, collective bargaining at the functional/enterprise level had played a central role as the rule-making institution in the American industrial relations system since the 1930s. The middle level of collective bargaining and personnel policy became the focus of industrial relations research.

By the 1980s, however, unions gradually lost power while employers demanded for the deregulation of labour markets. To capture the changes of American IR during this period, Kochan, Katz and McKersie (1986) argued that the strategic and workplace levels should be studied in addition to the traditional collective bargaining level. The reason was that the strategic choice of the top-tiered American managers to shift away from the New Deal arrangement had made collective bargaining less of a central rule-making institution than it used to be.

The significance of collective bargaining and the level(s) at which it takes place vary from country to country (Dunlop 1958: 94–95; Leggett 2005: 43; Martin and Bamber 2004: 204). The Government of Singapore, for instance, stringently regulated the collective bargaining process in the 1960s but later curtailed its scope and substance (Krislov and Leggett 1985). In Russia, despite the promulgation of the 1992 Law on Collective Bargaining, actual bargaining between trade unions and employers did not take place and the collective agreement
remained essentially ‘a formal document’ that reiterated the legal standards or incorporated whatever the employers dictated (Clarke 2005: 8). In many parts of Europe, collective bargaining more often takes place at the industry level than in the factory (Rogot 1990).

The collective bargaining process was classically conceptualised as when ‘a group of workmen concert together and send representatives to conduct the bargaining on behalf of the whole body’ (Webb and Webb 1902: 173–174). In other words, any process that involves a group of workers negotiating (via their authorised representatives) with the employer on working conditions can be regarded as a ‘collective bargaining’ process. In fact, collective bargaining has happened with or without an official union and at varying levels depending on the stage of industrial development and the institutional setting of a particular country. In many European countries, collective bargaining occurs more at the industry level, while in other systems, informal collective bargaining at the shop floor level dominates over, or co-exists with, the formal bargaining arrangement. This was the case in the United Kingdom (UK) in the 1960s and 1970s. As pointed out by the Donovan Report (Donavan 1968), there was a growing volume of bargaining which took place within the factory along with industry-wide collective agreements that set the minimum pay and working conditions for all covered factories. Workplace bargaining, described as ‘largely informal, largely fragmented and largely autonomous’ (Donovan 1968: 18), happened between the shop steward who represented a work group and the factory management, predominantly based on unwritten understandings and on custom and practice.
The Initiator of Change

Traditionally, industrial relations focused on trade unions whereas management were largely neglected or regarded as reactive to trade unions’ strategies. The strategic choice approach reversed this tradition by claiming that management were instrumental to the transformation of American industrial relations in the 1980s by reacting promptly to the changing product markets, while trade unions and the state remained passive, and thereby kept a limited role in shaping the new model (Kochan et al. 1984; Kochan et al. 1986).

The focus on management’s strategic choice as the ‘initiator of change’ (Kochan et al. 1986: 15) drew some criticisms. First, the concept of ‘strategic choice’, which was rooted in the organisational study literature, received mixed reactions from industrial relations researchers. British writers, in adapting the concept in the United Kingdom, expressed a note of caution about the dominant role of management choices in the transformation of employment relations strategies (see, for example, Marchington and Harrison 1991; Whittington 1993). It was the peculiar business culture of the United States, as the critics argued, that enabled management to influence organisational performance; whereas employers’ autonomy was greatly constrained by the institutional settings in European countries (Whittington 1993; Kitay 1997).

Furthermore, despite the decline of union membership and collective bargaining in most Western countries since the 1980s, the state and the trade unions still have an undeniable influence on the evolution of industrial relations (Martin and Bamber 2005: 375). The state’s actions set the boundary for changes in management’s employment relations
strategies at the enterprise level. In the US, the deregulatory policies adopted by the state eroded the commitment to collective bargaining established by the New Deal legislation. In Singapore, the state acted as the ‘strategic driver’ of industrial relations (Leggett 2005: 34). In China, the state’s shift from command- to market-economy determined the new shape of the industrial relations systems (Zhu and Fahey 1999). In other words, the state lays the political conditions for employment practices and as such, influences industrial relations.

It could be misleading to assume that the declining level of union membership signalled the declining significance of the union movement (Martin and Bamber 2005: 380). Leggett (1995) argued that management dictated human resource management (HRM) policies partially in reaction to the union’s threats, and because the existence of an enterprise union made management more likely to adopt an HRM strategy than when there was no union. Second, management is unlikely to enjoy full freedom to initiate changes in HRM practices due to the constraints of the international business structure (Martin and Bamber 2005: 379).

In the early presentation of the strategic choice approach, Kochan, McKersie and Capelli (1984: 35) stressed that the strategic choice framework would still apply not only in the case of managerial strategies but also the unions’ and governments’. Therefore, it is possible to remain open-minded about the relative merits of the strategic choice approach and be aware of the possible emergence of other actors as the initiators of industrial relations transformations in different environmental contexts.
Ideological Perspectives

The discussion of ideology in industrial relations can be traced back at least to the 1960s. Woodward (1965: 225) argued that ideology was so ingrained in each person that it reflected unconsciously through people’s social behaviour. In a contribution to the Donovan Commission’s Report on industrial relations in Britain in the 1960s (Donovan 1968), Fox (1966: 4–5) outlined two frames of ideological reference: unitary and pluralist. A unitary system has a single source of authority and only one focus of loyalty. From this perspective, industrial relations are viewed as naturally or normatively integrated and harmonious. Conflicts are attributed to either technical mistakes or to irrational subversive elements in the labour force. Trade unions are not necessarily confrontational, while management exercises may be prerogative and paternalistic. The pluralistic frame of reference envisons industrial relations and the wider society as comprised of sectional groups with both competing and cooperative interests, who resolve their differences by seeking concessions and consensus. The trade union is expected to participate in decision-making with management and thereby curbs managerial prerogatives. The pluralistic frame of reference views overt expression of conflict as necessary for high morale. The intervention of the third party, the government, is acceptable in order to conciliate or arbitrate conflicts between labour and management.

From a strategic choice perspective, choice and discretion on the part of labour, the state, and employers, play a crucial role in explaining the transition of industrial relations systems. Hence, the ideology or value system of each industrial relations actor is one of the factors that impinge on their choices (Kochan et al. 1986: 13–14). However, in
contrast to the traditional theory that assumed ideology as shared by the actors, the strategic choice approach claimed that ideological differences might exist not only among different actors, but even among different levels of decision-making of each industrial relations party. The staff who negotiated with union officers on a collective agreement might share the same commitment to collective bargaining; yet, the top executives might not (Kochan et al. 1984: 20–21).

Apart from the ideologies of management and labour at the firm-level, which help explain the factory regime, the ideology of the state is important as it influences the role of authority and the extent of intervention in industrial relations. As the regulator of the institutional and political framework, the state has a powerful role to play in constraining or facilitating management and labour to shift from one ideology to another. For instance, the deregulatory policy of successive United States administrations encouraged employers to move away from collective bargaining. In an extreme case, in order to develop and sustain a multi-racial small nation that was vulnerable as a strategic world port made the Singaporean Government, under the leadership of Prime Minister Lee Kuan Yew, choose to dominate industrial relations strategies over management and labour (Levine 1980). In China, Korea and Malaysia, the pressures of international economic competition and the need to maintain institutional legitimacy was cited by governments as justification for forming alliances with employers in a ‘state-employer bipartism’, strictly controlling trade unions and suppressing labour protests (Frenkel and Peetz 1998).
Taking the Strategic Choice Approach Forward: The MIT Project

In 1991, five years after The Transformation of American Industrial Relations, researchers from eleven Organisation for Economic Cooperation and Development (OECD) countries met to discuss ‘the comparative project on industrial relations and human resource management’, which formed part of a global project aimed at building a common analytical framework for examining changes in employment relations in the OECD countries and newly industrialising economies. The project was initiated by researchers at the Sloan School of Management at the Massachusetts Institute of Technology (MIT). Two books by the MIT authors in the mid-1980s aroused attention in the United States and abroad. One was The Transformation of American Industrial Relations by Kochan, Katz and McKersie (1986), and the other was The Second Industrial Divide by Michael Piore and Charles Sabel (1986). The arguments in the two books attracted both supporters and critics, revolving around empirical questions: Were the models proposed in the MIT scholars’ books applicable outside the manufacturing industry and outside a small group of countries? What was happening in the workplace? (Kitay and Lansbury 1997: 4).

The original theoretical framework for this international project proposed by the MIT scholars dwelled upon the strategic choice perspective and focused on the adaptation of firm-level employment practices driven by the pressure resulting from globalisation and technological innovation (Locke et al. 1995: 142). However, European members of the project stressed that the institutional arrangements and the pattern of relations among the key actors — the government, trade unions and employers — structured and influenced the strategies
that employers adopted. Consequently, the project was carried out with both theoretical propositions. Even though the fundamental goal of the MIT project was not to test the strategic choice framework, this was clearly an influence on the framing of the research in both Anglo-Saxon European countries and newly industrialising economies.

The outcomes of the empirical research in six industries throughout eleven OECD and eight Asian economies showed that both theoretical perspectives were important to explain the patterns of transformation and adaptation in employment relations of various countries (Locke, Kochan and Piore 1995; Verma, Kochan and Lansbury 1995; Kitay and Lansbury 1997; Kochan, Lansbury and MacDuffie 1997). National institutions and policies were found to mediate the impacts of market pressure and technological innovation on firm-level employment practices. In countries such as Germany and Italy, where the institutional arrangements were centralised and job control was flexible, the firm-level employment relations experienced incremental adaptation; whereas in decentralised systems (the United States, the United Kingdom, and Australia) where there was a tradition of tight job control, the changes were fundamental. However, micro-level studies of the adaptation and transformation of employment strategies at the firm-level were also crucial as they explained the persistent variations of employment practices among companies and industries. The combination of these two theoretical perspectives was embodied in the findings of the MIT project that under globalisation pressure, national employment relations systems were converging to a few major patterns, while divergences persisted within firms and industries (Katz and Darbishire 1997).
Upon the findings of the international case studies in the automobile industry, Kochan, Lansbury and MacDuffie (1997) proposed a diagram which significantly complemented the original strategic choice approach (Figure 2.2). The diagram emphasised the interactions among the government, employers and unions as the dynamics for the adaptation of each actor’s strategies and the transformation of the industrial relations system. The alignment or non-alignment of the strategies that each party made would determine the speed and returns of the changes for the whole system, as well as for individual firms. When the strategies of the actors were mutually fostered and reached ‘alignment’, conflicts among them would be reduced, changes more fundamental and benefits of new practices more substantial, and vice versa. Also, the more exposure an individual firm and an employment relations system had to international competition and technological innovation, the faster the adaptation process occurred and the more likely the pattern that they targeted converged with those of other countries. Yet, it was cautioned that national, industry and firm variables would continue to nurture variations and prevent the final steady convergence of employment practices.

The 1997 diagram significantly complemented the strategic choice approach by emphasising the process of change apart from the results of change. Yet, an important dimension of the formation of strategic choices and the resultant change of the industrial relations system remained neglected; that is, the vertical dimension of the three-tiered framework, and the interactions across different levels. The two-way interactive and influential process between the micro- and macro-levels leads to incremental changes at the institutional level.
The strategic choice approach and the model that emerged from the international automobile industry research did not envision how the changes at the micro-level impact on state policy and national institutions, which leads to the transformation of the whole system. In fact, the incremental changes at the firm-level will mount up to a point that an institutional or policy change is needed at the macro-level.

In examining the relationship between economic development and employment relations in growing Asian economies, Verma, Kochan and Lansbury (1995) found that at the early phase of industrialisation, many of these countries imposed more or less a low-wage, low-unionisation strategy to attract investment of capital. As investment increased, the initial labour market situation changed. Wages rose and many workers demanded unionisation and collective bargaining. These changes resulted in the adaptation of the firm-level approach into higher job flexibility, more worker participation and training. The pressure from the new labour market situation, and the need to facilitate the adaptation process at the firm-level so as to retain and
improve economic competitiveness, forced the state to adjust their policies. The empirical evidence from the project showed that all Asian economies in the study adapted its policies in response to the pressures from below, even though the extent of adjustment varied. The Malaysian and Thai Governments responded to rising wages and workers’ demands for a voice by tightening wage controls and suppressing independent unions and collective bargaining. Alternatively, the Government of Singapore linked wages to productivity, invested in skill development, and allowed for more worker participation. Most countries, however, combined these two strategies (Verma et al. 1995: 352–354). The state’s responsiveness to the pressure from the firm-level was crucial because the adaptation of individual firms and the upgrade of the economy could be achieved only when the public and private strategies in human resource development complemented each other. On the other hand, supportive state policies furthered the adaptation effort of firms and created new factors of competitive advantage (Verma et al. 1995: 353).

The interactive connection between firm-level strategies, macro-level institutions, and industrialisation policy remains a dimension that has not been addressed fully in the strategic choice approach. The next section will draw from the literature on institutional change in an attempt to complement this dimension.

**Interest and Incremental Institutional Change**

The literature on institutional change emerged in the 1970s and 1980s, a period that witnessed fundamental changes, including a strong wave of worker militancy in many advanced countries in Europe, which embodied a new level of material and social aspirations; the two oil
crises that caused economic turmoil in the industrialised countries; and other social, economic and political changes in the Western world. Institutional settings of the developed economies did change, despite the absence of major disruptions such as wars and revolutions.

There have been two opposing models of the conceptualisation of these political economic developments. The first model, best represented by Hall and Soskice’s *Varieties of Capitalism* (2001), predicts institutional continuity instead of change. Hall and Soskice (2001) proposed a framework that was premised on the classification of market economies into ‘coordinated’ and ‘liberal’, based on the way institutions regulate interactions among actors. In contrast to the popular convergence theory, Hall and Soskice argued that employers in either the coordinated or liberal market economies, who had invested in and developed their strategies around local institutions, would build on, rather than displace these arrangements despite new market pressures. Another proponent of institutional resilience, Pierson (1994), in examining welfare state retrenchment, pointed to the enduring popularity, powerful constituencies and centrality of the existing social policy framework as the reasons for its continuity. However, this emphasis on institutional stability was criticised for oversimplifying all feedback within a system as positive (Kume and Thelen 2002). As a result, it failed to explain the ‘indisputable and important change’ (Streeck and Thelen 2005: 6) observed in the advanced capitalist societies.

Directly at odds with the theory of institutional continuity, other institutional economists, most notably Campbell (2004), Streeck and Thelen (2005) and Crouch (2005), argued that the institutions in the
advanced capitalist countries had continuously experienced changes not in the form of ‘abrupt breakdown or replacement’ but ‘gradual institutional transformation’, which resulted from the accumulation of continuous, subtle adaptations (Streeck and Thelen 2005: 6–9). The debate on what counts as a change in the institutional economy mirrors the similar discussion on what qualifies as a transformation in industrial relations. After reviewing various definitions and empirical evidence of industrial relations transformation in a number of Western countries, Erickson and Kuruvilla (1998: 14) found that ‘gradual or revolutionary change can result in major changes in structures, such as institutions, with the passage of time and the development of practice’. Both Streeck and Thelen (2005: 8) and Erickson and Kuruvilla (1998: 14) emphasised that the process driving these changes should be distinguished from the results of change that have been the focus of previous studies.

**Figure 2.3: The imperfect reproduction model**

![Diagram of the imperfect reproduction model]

*Source: Streeck and Thelen (2005: 13)
In conceptualising incremental institutional change, Streeck and Thelen (2005) proposed the ‘imperfect reproduction’ model (Figure 2.3), which regarded institutions as regimes in which rule-makers and rule-takers interacted within the societal context. The underpinning premise of this model is that the compliance with and enactment of rules are far from perfect. There are always future situations that rule-makers cannot anticipate. Also, when the rules are implemented in different locations, in different environmental conditions, and at different points of time, they can be interpreted in ways that rule-makers have not foreseen. Additionally, the rule-makers, the rule-takers and the society are involved in a continuous course of interaction. The society lays the context for rule-making and rule enactment; however, at the same time, interest groups exert social and political influence on the society and rule-makers to push for new interpretations of the rules. The process where new interpretations of the rules are ‘discovered, invented, suggested, rejected or for the time being, adopted’ (Streeck and Thelen 2005: 16) will redefine the institution without a major disruption.

Though the ‘imperfect reproduction’ model captures the dialogical relationship between the national government as rule-makers and societal actors as rule-takers in reproducing the institutional settings enforced on them, it has some inherent weaknesses. First, the model dwelled on an assumption that the rule-takers have direct feedback to the rule-makers — something possible in a democratic country but may face serious restriction in an authoritarian state. In a less developed society in which the channels for feedback from societal actors to the national government have not been formalised, it is not
clear whether this process of incremental change initiated by rule-takers can be applied or not. Second, the empirical illustration of the model is based entirely on Germany, where corporations enjoy unlimited means and resources to lobby for the institutional change they find convenient (Streeck 2009: 240). A possible question, then, is whether other social actors who possess less favourable resources have the capacity to circumvent and challenge the institutional setting they operate in or not. Third, by drawing a straight line between rule-takers and rule-makers, the model overlooks the intermediary levels of that negotiation process. Depending on the governance structure of each country, the implementation, interpretation, and adjustment of the rules have to go through continuous consultation and negotiation between governmental and non-governmental actors, as well as between the national and sub-national governments (Marks 1993; Bache and Flinders 2004; Laffin 2009).

Despite these weaknesses, Streeck and Thelen’s model of institutional change echoed an emerging integrated political economy approach in industrial relations that emphasises the interactions between interest and institutions (Wailes 2000; Martin and Bamber 2005; Pontusson and Swenson 1996; Murray et al. 2000). Wailes, Lansbury and Ramia (2003) argued that the material interest of employers, apart from the national institutional arrangements and international market pressures, change the domestic labour regimes within the context of globalisation. As economies participate in the global economy in different ways, an industry may have more bargaining power on national policy than others, which consequently changes the national industrial relations institutions in different directions. By taking the interests of the industrial relations actors and their capacity to interact with and
influence the national institutions, this approach was praised as ‘especially helpful for exploring employment relations in newly industrialised economies (NIEs), such as China, India and South Korea, and in transitional former socialist economies (Martin and Bamber 2005: 381).

A review of the latest trends in institutional change theories in institutional economics affirms two arguments. First, the macro-level institutions and interest groups continuously interact with each other within the society context and as such, influence and change the institutional setting in an incremental and cumulative manner. The rules not only enforce the rule-takers but they also adjust in accordance with feedback and pressure from below. Second, the process of change deserves an equal, if not higher position than the static results of change. The process of change involves how the agents interpret and react to the institutional settings and in so doing, challenge and lobby for institutional adaptation. In this sense, the ‘imperfect reproduction’ model presents a complement to the strategic choice framework by establishing the linkage between the firm and the national policy-making level.

However, both the ‘imperfect reproduction’ model and the tradition of interest and institution in industrial relations, do not address the spatial dimension of the process of adaptation and transformation. Consequently, different regions within one nation are assumed to have a certain level of homogeneity. However, as Locke et al. (1995) persuasively illustrated, even within national institutional arrangements, there still exists a range of alternative strategic choices which depend on the sub-national socio-political orders. Therefore, the
way industrial relations actors respond to a similar challenge may vary from region to region depending on local conditions. Also, in the relationship between each sub-national region and the national government, the economic, political and institutional position that a region has, substantially frames the impacts it makes on the national government (Laffin 2009). To illuminate the role and effects of regionalism on the negotiation between the grass root and national levels in industrial relations, the next section will review the literature on the regional dimension in industrial relations and an emerging trend of governance study about central-local government relations, before presenting the conceptual framework for the thesis.

The Spatial Dimension in Industrial Relations and the Central-Local Relations

The 1990s saw the integration of economic geography into the realm of labour studies (McGrath-Champ 2005: 415). Against the aspatial tradition of labour scholarship, proponents of regionalism in industrial relations found space itself ‘a human construct’ rather than a static container, and employers and unions have different ‘subjective and strategic orientations to space’ (Ellem and Shields 1999: 536). Regionalism brings three important notions to industrial relations. First, the levels of bargaining in industrial relations, including national, industry, enterprise, workplace, and individual, have spatial implications (McGrath-Champ 2005). The division of labour among regions, the physical concentration of industries and the extent of union strength highly influence the nature of collective agreements in specific regions (Thompson, Rose and Smith 2003; McGrath-Champ 2005; Dunford and Greco 2006). Second, no matter how centralised a nation is, spatial differences such as regional labour markets, industry
structures, distances from the markets, skill base and labour pool still exist. These differences exert various impacts on the essence of regional industrial relations (McGrath-Champ 2005; Thompson et al. 2003). Third, the categorisation of regions, urban versus rural for instance, results more from political, social and institutional constructions than geographical terms (Smith 1990; Fagan 2001; Herod and Wright 2002). The political, social and institutional features of a particular region are the outcome of its history and particular conditions during the period that its systems emerged. Thompson, Rose and Smith (2003) found that the existence of an active labour party and the extent of the bargaining power of labour at the time the provincial institutions of industrial relations were shaped, to be the root causes of differences among labour movements of Canadian provinces.

The spatial dimension not only implies variation in the nature of industrial relations among regions, but also entails the dissimilar reactions and strategies that each may employ in response to similar challenges. From such an angle, the debate on the regional dimension of industrial relations is closely related to the central-local relations literature in governance study. In this field of study, the regional variants of economic power and political position substantially influence the region’s relationship with the national government, although the extent of such influence depends also on the level of state decentralisation (Goodman 1994; Saward 1997; Davies 2002; Taylor 2000; Bache 2004).

Studies on central-local relations traditionally focused on political and institutional changes at the local level, and the relationship between local and national government. In studying the relationship between
national and local government in the administration of European Union structural funds, Marks (1993: 392) defined this multi-level governance system as a network of ‘continuous negotiation among nested governments at several territorial tiers’. When the power of regional governments grew because of the localisation of economic growth and local geographical advantage in accessing neighbouring markets, Goodman (1994: 15) found in the case of China that central-local relations not only involved negotiation but also ‘hard bargaining’ between national and local leaders. The central authority laid down a broad policy outline, leaving substantial autonomy for provinces to create their own implementation measures. On the other hand, the provinces tried to influence national decision makers by initiating regional experiments or sought alliance with each other to exert a stronger voice for policy changes, which the national leaders did not always welcome. Changes in the state system towards decentralisation, especially in relation to rule enforcement and control of revenues, strongly bolster local government’s role and bargaining power in the policy-making process at the central level (Laffin 2009).

However, emerging literature has drawn attention to the role of non-traditional actors in central-local relations. In an effort to shed light on the growing importance of civil society, Rhodes (1996: 667) argued that the state is made up of inter-organisational networks among governmental and non-governmental actors ‘with no sovereign actor being able to steer or regulate’. In fact, there is a growing interdependence of governments at national and sub-national levels and between governmental and societal actors (Bache and Flinders 2004). Central-local relations in this context, as Laffin (2009) proposed, should be understood as an arena in which governmental
and non-governmental actors form strategies to pursue their objectives in a system made up of various spatial and institutional areas.

Regionalism not only brings to the table the physical differences among geographical locations, it also entails the crucial implications of interactions among actors both within and outside the governmental structure at the regional level, and demonstrates how those regional responses influence negotiation with the national level. However, the specific ways and extent of central-local interactions depend on the region’s social, economic and political position, as well as the level of decentralisation the state engages in.

**The Conceptual Framework of the Thesis**

The key theoretical proposition of this study is to build on Kochan, Katz and McKersie’s strategic choice approach to describe, explain and diagnose industrial relations developments in Vietnam. The objective of the proposed conceptual framework is to capture not only the changes in workplace relations but also the interactions among actors across the micro-, regional- (meso) and macro-levels that inform the industrial relations institutional changes. The approach is presented in schematic form in Figure 2.4.

**Three Dimensions**

The proposed conceptual framework encompasses three dimensions. First, it retains a focus on the strategic choice approach on the impacts of changing environmental factors, especially international competition pressure, technological innovation, characteristics of the labour force and the industrialisation strategy of the government on management’s
approach to industrial relations. As argued by Verma, Kochan and Lansbury (1995: 351–355), the industrialisation strategy and the labour market situation of a particular country exert an important influence on how firms adjust their employment practices to maintain competitive advantage as well as the policy responses from the state.

The second dimension is the continuous interactive relationship among the key actors: management and labour at the firm-level; and employers, unions/workers and the government at strategic levels. As Kochan et al. (1997: 318-322) found from the outcome of the MIT project, each of the industrial relations actors adjusts their strategy based on their continuous interactions with others. If the strategies of management, labour and government are ‘misaligned’, it slows down the movement towards lean production and seriously affects the returns that each earns from their practices. Then, upon realisation of the misalignment, the actors tend to adjust their strategy to align better with others. Consequently, interactions and strategy adjustment are a continued process of all actors toward strategy alignment.

The third dimension is a similar interactive and adjustment process between the micro-, meso- and macro-levels. This dimension was illustrated by the Asian phase of the MIT project (Verma et al. 1995) and schematically envisioned through Streeck and Thelen’s imperfect reproduction model. The impacts of global competition, technology and the changing labour market situation will make firms adapt their employment practices to retain and improve their competitiveness. Yet, whether the adaptation is bolstered or hampered depends on the reactions of labour and the power relations in the firm. As the firm-level adaptation grows on a wider scale and forms patterns, it places
pressure on the existing institutional arrangement and state policy that can no longer facilitate and support the new direction of growth. The pressure from below is subject to interpretation, mediation and negotiation among the authority, employers and unions at the regional level. As the literature on the regional dimension in industrial relations and central-local relations suggests, the specific responses of the regional actors to similar pressure vary, and the consequent proposal and influence each region may exert on national institutions are dissimilar. At the macro-level, the strategies that the state adopts depend on its social and political structures, as well as the influences of different regional and national interest groups. The strategic choice that the state makes upon the pressure from below will, in turn, influence the practices of micro-level actors.

**Three Levels of Analysis**

Due to the centrality of collective bargaining in the regulation of industrial relations in America, the strategic choice framework separated the collective bargaining between management and unions at the enterprise level from workplace activities. The division has two weaknesses. First, while it seems as though the workplace and collective bargaining levels are clearly differentiated, in fact, the boundary line between them in many cases is blurred. Second, the workplace level is seen solely as the implementation area of decisions made at the collective bargaining level, with little impact on the formation of management strategies. A large number of studies of workplace relations and labour politics have revealed that even in the most authoritarian firms, workers and shop stewards at the implementation level are able to mobilise available resources to influence management decisions, though the degree of success varies
(see, for example, Burawoy 1985; Ong 1991; Chan 2001; Clarke and Pringle 2009). The proposed integrated approach, therefore, will consider both workplace and firm-level activities at the same level, so as to bolster the analysis of interactions among the parties during the formation of their strategic choices.

The earlier review of the emerging literature on regionalism in industrial relations and central-local relations showed that the regional/local level has played an important role in the negotiation of industrial relations changes in today’s governance systems. Regionalism adds sophistication to the analysis by drawing attention to spatial differences such as labour markets, local industry structure and labour force. Moreover, regionalism also sheds light on the political and institutional role that both governmental and societal actors at the regional level play in responding to the adaptation process of employment practices at the firm-level, and contributes to the policy debate at the macro-level. Therefore, this thesis proposes the incorporation of the regional level in the analysis, which considers the interactions among the regional authority, employers and unions in response to changes in the workplace and the influences that regional actors exert on the national agencies. The analysis at the regional level will focus on both the spatial and political economic aspects of regionalism.

The macro-level is the arena where various sources of pressure from different regions and interest groups come together. The policy and institutional adjustments that the state makes result from the consideration of all these sources of pressure, and the particular economic and political interests of the state.
The Unrepresented Actor

Industrial relations models produced in the Western world assume workers are represented by unions. Therefore, when naming the actors, they tend to name the unions rather than the workers being represented. The studies of industrial relations in Asian and transitional economies, however, have found that this was not always the case. For example, Leggett (2005) claimed that in the early days of Singapore’s industrial relations development, workers were not adequately represented by the unions. Trade unions in Taiwan, Korea, the Philippines, and other Asian countries were suppressed by the state, and employers had a modest membership base (Deyo 1989). The unions in post-socialist countries such as Russia, China and Vietnam were disqualified as *bona fide* unions by Western union standards (Zhu and Fahey 2000; Clarke and Pringle 2009). These unions were either controlled by the state or possessed an intimate political connection with the ruling party. The union in China, for instance, was more inclined to serve administrative functions assigned by the state than to protect its members’ interests. When the trade unions are not able or refuse to represent workers’ interests, can workers make a difference to the decisions imposed on them? In other words, when trade unions disembody their members, should labour itself be regarded as an actor?

A popular interpretation of labour politics in East Asia in the 1980s is that labour remained largely subordinate to employers and the state was not able to place influence on the institutional settings imposed on them. For example, Deyo (1989) argued that beneath the economic miracle that the East Asian NIEs achieved in the 1980s, its labour voice was suppressed. The state, in partnership with the employers, was
instrumental to economic and industrial relations institutional changes to serve their purposes without being influenced by labour. In examining the recent upsurge of labour protests in the industrialised regions in China, Lee (2004) found that the peasant workers who had migrated from the agricultural provinces of China were able to stage significant resistance to the state and the employers through petitions and demonstrations, without any involvement or support from the unions. Lee argued that even though workers had managed to pressure employers to pay the indebted wages, they failed to exert influence on the labour regime because labour protests were confined to one enterprise, there was no alliance across sectors or industries, and Chinese workers possessed no associational bargaining power (Lee 2004: 5; Lee 2007: 24). Even with the spread of the global Corporate Social Responsibility (CSR) campaign, a voluntary initiative aimed at ensuring respect for labour rights in supplying countries, there had not been any significant progress in workers’ participation (Frenkel 2001).

However, although the Chinese Government continues to suppress the emergence of any independent trade union, recent empirical evidence showed that workers’ protests have left recognisable influence on changes in the labour regime, especially on the reform of the official trade union (Clarke 2005; Chan 2008; Clarke and Pringle 2009). Chan (2008: 367), for instance, proved that Chinese workers had gained stronger ‘marketplace bargaining power’ due to labour shortage and also due to the fact that they had been able to stage a variety of struggles against management. At the macro-level, the challenge from workers’ protests forced the government to improve the legal protection of workers’ rights by issuing a Labour Contract Law in 2007, together with a Dispute Mediation and Arbitration Law, and an
Employment Promotion Law. Clarke and Pringle (2009), in their comparative investigation of the labour movements in post-socialist countries, found that the increasing extent and scale of independent worker activism, combined with the state’s response, had been the key determinant of trade union reforms in these countries. These studies are consistent with the findings of the MIT project in Asia, that despite the state’s suppression of workers’ voice and independent trade unions, labour activism did make these governments adjust their industrial relations policies (Verma et al. 1995: 353–354).

Consequently, in the conceptual framework for this study, workers and unions at the firm-level are identified as ‘labour’ (see Figure 2.4), with the intention of allowing for flexibility in discussing the roles of workers and the trade unions. In cases where the unions truly represent workers’ interests, workers and their trade unions are considered as one actor. However, if the trade unions fail to serve as *bona fide* representatives of their members, the roles of workers can be analysed separately.

**Assumptions**
The proposed integrated approach dwells on a number of assumptions. The centrality of collective bargaining in industrial relations, the high degree of autonomy that employers enjoyed, and their resistance to unionism, were the three key assumptions of the strategic choice approach. As argued in the beginning of this chapter, the level and importance of collective bargaining vary from country to country. When the state is over-powerful and interventionist, employment relations may be, to a large extent, regulated more by the institutional settings than by the two parties in the workplace. Also, collective
bargaining may take different forms, at different levels. The bargaining process can be formal, conducted by the management and labour of one establishment or by the employers and unions at the industry level. The bargaining process can be informal and occur in parallel with formal negotiation, which is not dissimilar in some respects from the case of Britain’s industrial relations in the 1960s and 1970s. Irrespective of the form or level at which collective bargaining takes place, it embodies the conflict, negotiation and adjustment of each party to the process. The proposed framework, therefore, regards all forms and levels of collective bargaining as manifestations of the interaction and adaptation of industrial relations stakeholders.

The assumption that the employer enjoys perfect autonomy to initiate change has been revealed as too simplistic (Storey and Sisson 1989; Guest 1991; Sisson and Marginson 1995; Martin and Bamber 2005). The employer is credited to the degree of choice framed by the institutional arrangement and the state’s policy. The employer’s autonomy also depends on how powerful workers and trade unions are in influencing management decisions. Rather than assuming any actor as having all the autonomy to initiate transformation, the conceptual framework for this thesis regards the degree of choice available to each actor at each level as subject to their interactions and power relations with others within a changing context of their environment. In a certain context, the management can more or less impose their strategy, but when the labour market becomes tighter, labour may enjoy greater bargaining power. At the same time, the state may choose to deeply intervene by regulating employment conditions and labour relations and be influenced more by one interest group over
others, or it may largely leave management and labour to regulate industrial relations.

Ideology is an important perspective of the strategic choice approach. Deep-rooted resistance to unionism was supposed to impinge on the American employers’ choice of employment practices in the 1970s and 1980s. However, not all employers share the same values and not all of them are driven on the same route of strategic change (Sisson and Marginson 1995; Edwards 1995). As the MIT project showed, variations or divergences in industrial relations approaches persisted among firms and industries in the same country (Locke et al. 1995; Kochan et al. 1997; Katz and Darbishire 2000). Therefore, the ideology that an actor embraces, serves as a source of reference to explain their choice. It should not be regarded in a deterministic manner as guiding the direction of all individuals or parties.

Streeck and Thelen’s (2005: 13) imperfect reproduction model is based on the assumption that there are channels and ways for the rule-takers to provide feedback to the rule-makers and influence their decisions. This assumption is crucial because if the state is totally authoritarian and does not allow for feedback of any type, formal or informal, from the civil society, the proposed conceptual framework will cease to be valid.

Conclusion
This chapter has provided a review of the strategic choice approach. This approach has proved to be a useful tool for analysing industrial relations changes; however, it has a number of limitations. The empirical evidence about the transformation of industrial relations in
countries other than the United States has revealed that the strategic choice framework lacks two critical dimensions: first, the interactions among key actors, the government, firms and workers/unions, that influence the strategic choices formed by each; and second, the interconnection between the micro-level adaptation process and the responsive changes in the macro-level institutions. A review of the MIT project found that a model emerged from the findings of empirical studies conducted across various countries from the United States, Europe and Asia that added the inter-actor dimension of the strategic choice approach (Kochan, Lansbury and MacDuffie 1997). An analysis of the institutional change literature pointed to the imperfect reproduction model by Streeck and Thelen (2005) as a promising supplement of the micro-macro interaction dimension to the strategic choice approach. A review of the spatial aspects of industrial relations and central-local relations added other important variables furthering an understanding the process of change between the micro- and macro-levels. The last section of this chapter proposed an integrated approach to studying the process of industrial relations adaptation. The remaining chapters of this thesis will be devoted to applying the proposed conceptual framework to industrial relations in Vietnam, with a focus on the manufacturing industry. The next chapter provides the economic and political context of Vietnam and examines the country’s industrial relations legislation and institutions.
Figure 2.4: A multi-dimensional approach to understanding IR institutional changes
CHAPTER 3

Vietnam after *Doi Moi*

Introduction

*If we stop history at any particular moment, there is no social context at all, only a multitude of unconnected individuals.*

Dawley (1976: 4)

The changes, if any, of industrial relations in Vietnam in the last decade have resulted from, and been influenced by, the economic reform *Doi Moi*, launched in the late 1980s through which the country has shifted from a command to a market economy. Almost three decades after *Doi Moi*, the economic reform has brought about remarkable changes not only in the economic sphere but also in state-society relations. The growing power of local governments in the party-state system and the Communist Party’s increasing openness to public scrutiny have significantly improved the possibility for society to influence the policy advocacy of the national government. These political economy developments have contributed to the need for transformation of industrial relations institutions. However, as this chapter will argue, despite the promulgation of new labour and union legislation, the industrial relations institutions had not experienced any transformational change until the mid-2000s, when the system’s deep structure remained primarily influenced by the principles of a command economy.
Chapter 3 consists of four sections. The first section is dedicated to highlighting the economic and political changes in Vietnam after the launch of economic reform in the late 1980s, particularly the impacts of the economic transition on the characteristics of the labour force and the changing nature of state-society relations. The following two sections provide an account of the legislative framework for industrial relations in Vietnam and an overview of the industrial relations actors. Against the inertia of the industrial relations institutions, the last section points out three key symptoms of structural inadequacy of the old system. These symptoms unveil the intense need for transformational change if the industrial relations institutions are to cope with the changing nature of labour relations in enterprises and the new political economy context.

**Economic Reform and State-Society Relations**

The collapse of the socialist bloc in Russia and Eastern Europe and the domestic economic crisis in the late 1980s, reinforced Vietnam’s determination to initiate a major economic reform, often referred to as ‘*Doi Moi*’ (Renovation), in order to shift from a command economy to a ‘socialist market economy’. *Doi Moi* had been a strategic decision of the Communist Party to boost economic growth, in return for the unchallenged supremacy of the Vietnam Communist Party (McCormick 1999; McCargo 2004). The economic reform has brought about remarkable economic achievements and has unexpectedly led important changes into the political sphere.
Economic Transition: The Bumpy Road since Doi Moi

The economic reform launched by the 6th National Party Congress in 1986 was based on three key pillars. The first one was the emergence of the non-public sector, including indigenous private companies and foreign-owned entities. Second, a sweeping restructuring process was initiated in state-owned companies, resulting in the privatisation of most companies and fundamental management reform in others. An economy based on three sectors subsequently emerged: the state-owned sector, which consisted of corporations that wholly or partially belonged to the state; the foreign-owned sector, which included both companies totally owned by international investors and joint ventures between international corporations and local partners; and the private sector, comprising all firms owned by Vietnamese individuals. Third, the government swiftly moved from an import-substitute to an export-oriented industrialisation strategy in order to replicate the economic miracles of newly industrialised economies (NIEs) in the region. To reach out to overseas markets, Vietnam relied on its two competitive advantages, rich natural resources and cheap labour. Consequently, together with exports of crude oil, minerals and farm products, the export-oriented manufacturing industries such as garment and textile, electronics and footwear have become the engine for growth of the economy in the last three decades. From 1991 to 2000, the average export value tripled the national GDP (Central Party Committee 2001: 1).

Thanks to Doi Moi, Vietnam achieved major economic successes: an average GDP growth rate of eight per cent from 1997 to 2007; and the volume of foreign direct investment (FDI) increased ten times, from USD2.45 billion in 2001 to USD20.3 billion in 2007 (GSO 2008).
However, these economic gains were attributed primarily to the contribution of domestic private and foreign-owned enterprises, which are often referred to collectively as the ‘non-public’ sector. The non-public sector has also become the biggest employer, with 74.5 per cent of total employment being provided by domestic private enterprises and 11.4 per cent by foreign investors in 2007. In 2007, the state-owned enterprises (SOEs) that used to employ most workers prior to Doi Moi provided only 14.1 per cent of jobs (GSO 2008b).

Despite rapid economic growth, the macro-economic institutions of Vietnam have experienced only modest changes over the last two decades. Fearing that a powerful private sector might challenge its supremacy, the party-state of Vietnam continued to grant the SOEs the lion’s share of the valuable resources and financial privileges, while leaving the local private companies thirsty for capital (Beresford 2003). Without appropriate investment in infrastructure and technology, Vietnamese industry remains in its infancy, dealing primarily with assembling and finishing. In the electronics industry, for instance, only 20–30 per cent of the components of the electronic items are manufactured in Vietnam, and this local content comprises packaging and very basic plastic or mechanical parts (Vietnamnet, 26 June 2006). Therefore, domestic producers either have to buy parts from the multinational corporations (MNCs) or import from regional countries. Hence, as simple assemblers of electronic products, they rely on cheap labour costs as their major competitive advantage.

As a result of weak macro-management, Vietnam plunged into economic downturn marked by a hyperinflation rate in late 2007 and 2008. The inflation rate increased from 8.3 per cent in 2006 to 22.63
per cent during 2008. Apart from the internal economic difficulties, the Vietnamese economy was also hit by the adverse impacts of the world recession in 2008, which was most visibly evidenced in shrinking export markets and increased import prices (Vo 2008). The hyperinflation rate raised production costs, including wages; whereas the reduction of production orders from overseas created insurmountable problems for export-oriented companies. Small to medium-sized enterprises were the first to be affected. In late 2008, Diep Thanh Kiet, chairman of the Garment and Textile Association in Ho Chi Minh City, admitted that there had been a growing trend of close-downs among smaller garment companies, domestic and foreign-owned, due to the reduction of orders, increased labour costs, and inaccessibility to bank credits (Vietnamnet, 19 November 2008). Export manufacturers reported an average loss of 50 per cent of overseas production orders in the first quarter of 2009 (VCCI 2009). In 2008, over 22,000 workers lost their jobs due to the economic crisis (Gia dinh, 31 December 2008). By the end of the first quarter of 2009, there were signs of recovery in the export sector. Yet the return of international clients did not result from the global economic recovery but instead, because corporations were trying to reduce the risks of over-concentration of supply in China, the biggest manufacturing exporter. As a result, many international corporations, particularly from the United States, shifted towards Vietnamese suppliers (Interview E3).

**Labour Force**

In 2008, the total population of Vietnam was approximately 86 million, of whom 45 million were engaged in the labour force. Over 70 per cent of the population lived in rural areas and around 54 per cent of the
labour force was employed in agriculture, aquaculture and forestry (GSO 2008b). The population of Vietnam is young, with 53 per cent under 24 years of age and a mere 10.7 per cent over 50 (Qi et al. 2003). Every year, around 1.6 million workers enter the labour market. The urban unemployment rate decreased from over 7 per cent in the early 2000s to 4.6 per cent in 2008. However, the shortage of cultivation land and off-farm livelihoods has resulted in a high underemployment rate in rural areas, which reached 18.2 per cent in 2007 (GSO 2007).

The large pool of labour in rural areas, where there are not enough employment opportunities and where there is growing income disparity between the industrialised and agricultural regions, has resulted in the increasing influx of rural migrants to the cities. It should be noted, however, that this pattern of domestic migration was encouraged by the recent change in the government’s migration policy. Prior to *Doi Moi*, migration was organised by the state, often from urban lowlands to the highlands or mountainous areas, in an attempt to explore and establish new economic zones. After the launch of *Doi Moi*, the government gradually withdrew their administration of domestic migration and loosened the *hộ khẩu* (residence registration) system (Dang et al. 2003). As a result, the movement of migrants started to flow in the opposite direction, from rural agricultural villages to urban industrialising centres. According to the 2004 Migration Survey by the General Statistics Office (GSO), income and employment are the two most significant causes of rural-urban migration (GSO 2006).

The concentration of migrant labour is particularly high in the industrial processing zones, with roughly 70 per cent of the labour force being
non-residents (Institute of Workers and Unions 2007). According to the 2004 Migration Survey (GSO 2006a), one-quarter of female migrants found jobs in foreign-invested companies, which are highly concentrated in labour-intensive industries such as garment and textile, footwear, food processing, and electronics. Among the migrant workers who make up 65 per cent of the labour force in the foreign-owned manufacturing companies, over 80 per cent are female (GSO 2006a).

**Political Change after Doi Moi: Growing Power of Provincial Governments and State-Society Relations**

In contrast to the ‘big-bang’ approach of Russia and Eastern European countries, the two East Asian socialist countries, Vietnam and China, adopted a ‘gradualism’ model. The common goal of the ‘gradualism’ model in both countries was the substitution of economic reform for the unchallenged supremacy of the communist parties. Nonetheless, some commentators argue that at least in Vietnam, the political system has ‘changed beyond recognition since the beginning of the reform process’ (Fforde and Goldstone 1995: 100). Two of the most discernible impacts of Doi Moi on the political front have been the increase in power of provincial governments in the party-state apparatus and the growing trend of democratisation in state-society relations. As shown later, these two changes have been interdependent.

**Party-State and Provincial Governments**

The launch of Doi Moi has not brought about structural changes to the political system of Vietnam, but certain progresses in terms of internal

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2 See Appendix 3 for the Party and Governmental structures at the national and provincial levels
Party democracy have been made. The state apparatus remains dominated by the Party. The Political Bureau, which consists of fewer than 20 top Party officials, used to be the most influential decision-making body. The Central Party Committee, which consists of 160 members including all ministers, provincial Party leaders and chairmen of provincial people’s committees, was supposed to approve all of the decisions passed down from the Political Bureau. But the situation has changed since the 10th National Party Congress in 2006 when the Central Party Committee successfully imposed their own choice of candidates against the suggestions of the Political Bureau. The shift of the locus of power from the Political Bureau to the Central Party Committee implies a subtle increase of democracy within the Communist Party (Koh 2008).

At the provincial level, the local Party Committee holds the highest power, whereas the people’s committees are supposed to administer the daily work and report regularly to the local Party powerhouse. The key personnel of the local governments, departments and socio-political branches, including the local Federation of Labour, are subject to the selection of the Party Committee, even though later elections may be organised to officially approve the Party’s choices (Kerkvliet and Marr 2004). Provincial departments and socio-political branches, therefore, report to both the local Party Committee and their national line agencies in Hanoi.

Despite the continuity of the party-state political structure, the governance system has become highly decentralised since Doi Moi, resulting in growing power of the local administrators (Beresford 1989; Dixon 2004; Thayer 2008). In fact, the local role was enhanced by
released central control over resources, and the generation and retention of surplus funds. The local government collects taxes and transfers it to the central government. Periodically, the central and local governments negotiate for a fixed level of central-to-local allocation, by which the Ministry of Finance will transfer the agreed amount of budget back to the provinces. In this way, the central government redistributes the income from the richer provinces to the poorer ones (Malesky 2004). Apart from the nationally imposed taxes, the local government also raises its own sources of income by imposing fees on employers and residents, or through tolls on vehicles passing through the province (Malesky 2008).

Apart from the decentralisation of resource control, the power of local governments has also grown in parallel with an increasing discrepancy between state rules and the implementation by local administrators. Koh (2001b) suggested three reasons for the gap between state regulations and local implementation. Firstly, public servants are paid too low to commit fully to their job. To make a living, many officials maintain an ‘outer leg’ (a second, unofficial job) which yields income much higher than the official salaries. When bureaucrats lean on the more important outer leg, they inevitably neglect the inner leg. Secondly, there is an absence of checks and balances against local executives who are appointed by the central Party. These officials, therefore, have more room to extend the outer leg. The third reason is non-subordination of local governments to central officials. The upper levels of government are often unable to direct or order the lower levels to do as told, because of the multiple chains of command that the lower officials are able to manipulate to counter orders that bring no gains.
State-Society Relations

In principle, the party-state is the most powerful and pervasive institution that makes rules and decisions, with little consultation of societal actors. The official channel for state-society communication is through mass organisations, which are set up by the Party to mobilise different population groups in support of the state programs and policies, maintain channels of communication between the party-state, and ensure that these population groups are within control (Kerkvliet 2003).

However, the Vietnam Communist Party (VCP) originated from a mass-based, revolutionary party. Its strength was rooted in the population’s support. Though this inter-dependent relationship with the people changed after the Communist Party seized power, the VCP still wishes to be seen as attentive to the people’s complaints, as long as the Party’s supremacy is not questioned (Womack 1987; Dixon 2004). Although the party-state retains its supremacy in rule-making, the people’s voice has been paid more attention to. The attitude of the VCP is reflected in its tolerant reaction to some people’s protests, such as the peasants’ demonstrations in Thai Binh and Nam Dinh in the late 1990s, its refusal to launch a frontal assault against the outlawed Unified Buddhist Church of Vietnam (UBCV, Giao Hoi Phat Giao Viet Nam Thong Nhat), and its concessional responses to labour strikes that were staged before the right to strike was provided (Kerkvliet 2001). Recently, the Central Party Committee even set up the Institute of Public Opinion to investigate the society’s informal and formal feedback on the party-state’s policies (Lao Dong, 28 January 2008). In short, though the party-state is authoritarian in making rules, it has been more responsive to feedback and pressures from below.
Industrial Relations Legislation

The country’s transition ‘from command to market’ has entailed the need to revise the legislative framework for employment relations. Prior to the economic reform, the state played the central role in defining employment conditions through a network of government decrees, ministerial circulars and directives. Management and labour were state employees and hence, they were not supposed to have conflicting interests. The economic reforms in the early 1990s resulted in the formation of a new legislative framework, which included the Labour Code and the Trade Union Law\(^3\) (for a review of labour regulations in Vietnam, see Qi, Taylor and Frost 2003).

The priority of the 1995 Labour Code was to seek to protect and enforce workers’ rights by providing for detailed working standards including minimum wages, working hours and overtime premiums, rest time, benefits for female and young workers, social insurance contributions and benefits. The legislation has been credited by some commentators as more advanced than other regional labour laws for advancing female workers’ interests, including maternity interests and prohibiting over-exploitation of workers (Qi et al. 2003; Clarke et al. 2007). The law also makes it difficult for the employer to impose discipline or dismiss workers by stipulating a limited number of legitimate reasons for such punishments to be imposed. However, the implementation of this law has not been uniform. Violation of labour standards has been pervasive in manufacturing firms (Wang 2002). Variation is facilitated by weak and haphazard enforcement of labour legislation. Common violations include exceeding overtime limits,

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\(^3\) See Appendix 4 for major milestones in IR development in Vietnam since 1986
evasion of social taxes, recruitment without labour contracts, illegitimate fines, and wage reduction (Wang 2002; Wang 2005).

Apart from the provision of minimum labour standards, the Labour Code ideologically recognises the autonomy of employers and workers in regulating their employment relations through labour contracts and collective agreements, while the state withdraws to minimal intervention. The law provides that employers have to consult and secure the consent of enterprise unions for decisions on signing labour contracts, discipline and dismissal, development of internal work regulations, fixation of wages, bonuses and allowances, and work timetables. If the enterprise union initiates the collective bargaining process, the employer has the obligation to accept and participate in the negotiation with good faith. However, the Labour Code provides few supportive mechanisms for union-management negotiation in the workplace. Individual and collective labour disputes are supposed to be settled at the enterprise conciliation council, which consists of an equal representation of management and union. There is no third-party representative in the council, nor are there any independent mediation services available. The law grants workers the right to strike but they have to follow a lengthy and complicated procedure and satisfy a lot of conditions, including having the official trade union as the organiser of the strikes, exhaustion of all legal mediation and arbitration measures, and the approval of a majority of the labour force. These strike provisions make it extremely difficult for workers to practise their right to strike in a lawful way (Chan and Wang 2005; Tran 2007b; Lee 2005).
The Trade Union Law was issued in 1990 to materialise the efforts of the national union organisation at the 1988 Congress to gain a certain level of independence from the party-state and extend its scope of organisation to the non-public sector (Chan and Norlund, 1995). However, even though the union is allowed to raise its own opinions independent of the state and management, the definition of the union’s functions in the Trade Union Law implies that the traditional functions of the trade union in state-owned enterprises be replicated in the private sector with few changes (Clarke et al. 2007). Unlike trade unions in capitalist countries, the Vietnam General Confederation of Labour (VGCL) and its subordinate unions have three major functions, namely protecting the rights and legitimate interests of workers, participating in state administration and firm management, and educating workers about state policies and legislation (1990 Trade Union Law, Article 2). The latter two functions are emphasised by the provision that the union is ‘under the leadership of the Communist Party’ (1990 Trade Union Law, Article 1) and has to ‘liaise with the state in order to increase production, create jobs, and improve the standard of living of workers’ (1990 Trade Union Law, Article 2). The continuity of this traditional approach was reaffirmed by VGCL’s 1993 statute and its 2002 amendment. The statute recognises no tangible difference between employers and employees by allowing all Vietnamese managers, including the top executives, to join the union and places no limit on the state enterprises’ practice of having the deputy director or personnel manager be a union chairperson at the same time.

In a nutshell, the promulgation of the Labour Code and Trade Union Law in the 1990s marked the intention of the Vietnamese Government
to provide a new legislative framework for industrial relations in a new political economy. However, the features of the old industrial relations system inherited from the state socialism era remain strong in both laws. The Labour Code envisions a more pro-active role of unions in negotiating with employers to regulate employment relations in the workplace. Yet the shortage of supportive systems for such negotiation and the unchanged approach of the socialist union, do not seem to facilitate such negotiation in the workplace.

**Industrial Relations Actors**

This section will provide an account of the functions and organisational structure of the trade union organisation, the VGCL, the national and provincial governments, and employer organisations in Vietnam. As reflected in the discussion below, representing their members’ interests in employment relations negotiations has only recently emerged as a function of the industrial relations actors.

**The Trade Unions**

The VGCL is the only trade union organisation officially recognised in Vietnam. The status of the VGCL as a trade union that represents not only its members but the whole working class of the country is provided in Article 10 of the 1992 Constitution. Despite the economic reform, until recently the trade union apparatus had continued to operate as it did prior to *Doi Moi*.

**Trade Union-Communist Party Relations**

The national trade union of Vietnam, VGCL, was established in 1929 by the founders of the Labour Party (the precursor of the Vietnam Communist Party) with the prime purpose of assisting the VCP in
mobilising workers for the revolutionary war. The historical background of the Vietnamese national union organisation and its long-lasting alliance with the ruling party, granted the VGCL a special position in the political regime. It is one of the socio-political organisations subordinate to the Party-controlled ‘Fatherland Front’. The VGCL chairperson has a seat in the powerful Central Party Committee, and each of the key union officials at the national and local levels secures a Party position. The national union reports directly to the Central Party Secretariat (Ban Bi thu) and submits its major plans and strategies to the Party leaders for approval before they are publicised (Clarke et al. 2007). At both the national and local levels, the Party has the determining voice in appointment of key union personnel. As stipulated by the Trade Union Law and Statute, the union is placed under the leadership of the Party, and the union’s interests are supposed to coincide with, or if not, be subordinate to the Party’s interests and goals (Article 1 of 1990 Trade Union Law; Preface to 2009 Union Statute). In the SOEs, the Party still dictates union activities. However, as there are few active Party organisations in the private and foreign-owned sectors, the Party-union relations have been loosened in foreign and domestic private firms.

**VGCL Membership and Structure**

At the end of 2007, the VGCL reported a total membership of six million, which accounted for 13.3 per cent of the total labour force and 48 per cent of the employed population (VGCL 2008). The union membership in the state-owned and civil service sectors was 90 per cent. However, recruitment and organisation of new unions in the private domestic and foreign-owned companies have been difficult.

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4 See Appendix 2 for the VGCL organizational structure
According to the VGCL statistics, the union membership proportions in the foreign-owned and local private sectors are 50 per cent and 30 per cent, respectively (Clarke et al. 2007).

The structure of the VGCL is complex, based on both geographical-based federations of labour and industry unions. Geographically, the trade union is formed at the provincial, district, and in some regions industrial, zone levels. Both industrial zone unions and district unions report to the provincial Federation of Labour. The industry-based unions that are in line with different ministries and state-owned corporations are also divided into central industry unions and their branches at the local level, not to say that there are also provincial industry unions which are subordinate to the local Federation of Labour. Before *Doi Moi*, the industry-based unions dominated because then there were only state-owned companies and therefore, they were all subordinate to a certain ministry and a certain industry union. The geographical-based unions administered only the locally-established enterprises, which accounted a meagre part of the overall economy. However, since the 1990s, the growth of non-public enterprises that did not affiliate with industry-based unions resulted in the resurgence of geographical-based unions. Also, geographical-based unions are physically closer to their members, and thereby provide stronger and more immediate support than the Hanoi-based industry unions.

The union at the enterprise level is the primary unit. The VGCL Statute and Government Decree 96/2006/ND-CP of 14 September 2006, provides that a provisional union must be appointed by the higher-level union, which can be a district or an industrial zone union depending on the firm’s location. The higher-level union also appoints
the members of the provisional union’s executive board. One year after that, the first union election will be organised for members to elect their union leaders. Higher-level unions provide limited support to primary unions after organisation. Primary unions are required to report periodically to the superior union organisation, whereas the former updates the latter on new legal changes or union campaigns.

**Trade Union Functions**

According to Leninist principles, socialist trade unions have a dual role of supporting the management of state enterprises and protecting members’ interests. Yet, this dualism was diminished under the Stalinist approach which blurred the division between the interests of the state, management and workers (Zhu and Fahey 2000: 285). In Vietnam, protection of members’ interests has not necessarily been the most important function of the trade unions. In fact, before *Doi Moi*, emphasis was placed primarily on the union’s participation in state and firm management, mobilisation of workers for the Party, management’s goals, as well as education of workers about state and management policies.

The protection of workers’ interests is primarily carried out by the national union via its participation in the state administration and political system. The VGCL lobbies for workers’ interests by making policy proposals to the government and the Party, participating in the development of new laws and directives, and joining multi-agency taskforces to monitor enforcement at the local and firm-level.

Apart from the union dues of one per cent of members’ salaries, the employers also have to pay two per cent of the payroll (or one per cent for foreign-owned companies) to the union fund. In principle, 30 to 50
per cent of these contributions are transferred to the higher-level union but in practice, primary unions are allowed to keep almost all of it to fund wedding and funeral benefits for members, production emulation campaigns, and cultural and sporting events (Clarke et al. 2007: 554).

In short, the official union structure in Vietnam is closely subordinate to the party-state. With its primary functions as a ‘transmission belt’ of the state, the union can hardly qualify as a genuine union by Western standards.

**The Labour Administration**

The highest body in the government that is responsible for labour policies in Vietnam is the Ministry of Labour, Invalids and Social Affairs (MOLISA). MOLISA was set up in 1987 due to the merger of the Ministry of Labour and the Ministry of Invalids and Social Affairs. MOLISA ‘is the governmental agency in charge of state administration of labour, employment, work safety, vocational training, policies for wounded veterans, fallen soldiers, national devotees, social assistance, and prevention from and combating social evils in the whole country’ (Article 1, Government Decree 29 of 31 March 2003).

Industrial relations were not a significant issue in the pre-*Doi Moi* period when employment relations were regulated by the state. Consequently, within the organisational structure of MOLISA, which was established in the 1980s, there is no department or unit in charge of industrial relations policy or collective bargaining. Recently, after the problem of strikes emerged, MOLISA has assigned a number of departments, including the departments of legal affairs, wage and salary, and labour and employment policy, to share the responsibility
for industrial relations. MOLISA is responsible for drafting labour legislation and implementation guidelines, setting the minimum labour standards including the minimum wage, providing the regulatory framework for a union’s operations in enterprises, and coordinating with social partners in tripartite consultation. At the provincial level, labour offices enforce the programs and regulations that MOLISA issues. Labour officials are also responsible for inspecting local companies, imposing sanctions, registering collective agreements, wage tables, internal regulations, and settling individual and collective disputes between workers and management.

The enforcement of labour legislation at the local level has been largely constrained by the limited number of labour inspectors. In the years between 2004 and 2008, there were a total of 350 labour inspectors in the national and local offices. These inspectors have to monitor the compliance with labour regulations of over 360,000 firms, ensure that 30 million children receive the social benefits they are entitled to, and ensure that 10 million war victims and veterans get state credits. Though the Government Decree 61/1998/ND-CP dated 15 August 1998 stipulates that each enterprise must be inspected once a year, according to the chief labour inspector of MOLISA, the cycle in practice is once every 150 years (Vietnamnet, 7 January 2009). Even when the labour inspector uncovers a violation, the sanctions are not punitive. Exceeding the working hour limit or obstructing union establishment causes a fine of maximum 20 million dong (US$1,265).

**Employers: VCCI, VCA and Business Associations**

In Vietnam, none of the existing employers’ organisations were set up with the original purpose of representing employers in industrial
relations (Nguyen and Stromseth 2002: 15–19). After the promulgation of the 1995 Labour Code, two government-established business associations, the Vietnam Chamber of Commerce and Industry (VCCI) and Vietnam Cooperative Alliance (VCA) were appointed as official employers’ organisations that represent the business community in consultation with the government and the trade union. The membership of the VCA bases mostly in cooperatives and agricultural businesses. The VCCI has a more extensive membership, ranging from major state corporations to private and foreign-owned companies in various industries; yet, its local network is limited to seven provinces, whereas the VCA has branches in all provinces. Between the two employers’ associations, there has long been competition and conflict (Lee 2006: 421). When the government planned to extend the tripartite bodies from the national to the provincial level, the VCCI opposed, in fear of the domination of the VCA in provinces that it does not have branches.

Apart from the VCCI and VCA, there are over 200 business associations in the country. Foreign investors either form nationality-based associations, such as those of Taiwanese, Japanese, Korean, Hong Kong employers; or affiliate with their national chambers of commerce, most notable of which are the American Chamber of Commerce (AmCham) and the European Chamber of Commerce (EuroCham). Few foreign investors’ associations are members of either VCCI or VCA. However, some of these associations have considerable influence over the labour policy of their members. The Japanese business association in Hanoi and Ho Chi Minh City, for instance, meets regularly to set the average wage rate for all member companies. Korean and Taiwanese employers will not adjust their wages without
asking their associations for approval. Foreign investors’ associations are politically supported by their national diplomatic missions.

The relationship between business associations and the two official employers’ organisations, particularly VCCI, is characterised by both rivalry and cooperation (Lee 2006: 422). The Ho Chi Minh City Association of Industries, rather than the VCCI or VCA, secured the seat of employers’ representative in the city’s tripartite arbitration council. However, the head of the Textile and Garment Association was invited to chair VCCI’s industrial relations committee. Furthermore, the relationship between the VCCI and the government gives the organisation a better position in accessing the national government officials and agencies, something that other business associations may hardly compare with. Based on this advantage, the VCCI has made various efforts to ally with business associations, especially those of foreign investors and major export-oriented industries, so as to represent better the employers’ interests.

The VCCI has been more active than the VCA in representing employers’ interests. By law, this function can be carried out in three ways. First, it organises meetings for the business leaders to voice their concerns directly to the Prime Minister and ministers. Second, the VCCI leaders are invited to sit in government meetings and policy discussions. Finally, law-drafting agencies are required to send legislation drafts to the VCCI to get their opinions. During the revision of the Labour Code in 2002, for instance, the VCCI and the Textile and Garment Association succeeded in extending the legal overtime limit of 200 hours to 300 hours per year (Lee 2006: 419). Nonetheless, some ministries are reluctant to consult the VCCI and only send legislation
drafts when there is no more time for change (Nguyen and Stromseth 2002: 33).

The contributions of other business associations tend to be less formal and episodic. Foreign investors’ associations in Ho Chi Minh City organised dialogue between their member employers and labour officials to ask about new regulations or voice their grievances. On an ad hoc basis, AmCham and EuroCham send position letters to the Prime Minister and/or certain ministries to communicate their opinions on a certain policy or legislation. The SOE-dominated industry associations, such as the Footwear and Leather Association, and the Textile and Garment Association, have also been frequently consulted by MOLISA on various labour policy and legislation issues. However, although employers are given opportunities to express their concerns, it does not mean that they can influence the final decisions of the competent authority. As many business informants admit, the decisions had been made before they were consulted by the authority.

In short, the business community in Vietnam remains fragmented and uncoordinated. The VCCI and VCA have the authority to participate in tripartite consultation at the national level; however, at the local level, they can hardly compete with other business associations. The rivalry and competition among employers’ organisations have exacerbated the division among employers, making it difficult to have a concerted influence on the industrial relations institutions.

**Conclusion**

This chapter has provided an overview of the impacts of *Doi Moi* on the economic and political spheres of Vietnam. It has also discussed the
changes in industrial relations legislation, described the structure and operation of the trade union organisation, the national and provincial governments, as well as employers’ organisations in Vietnam. This background information about the political economy of Vietnam will provide the necessary context for the analysis that follows and makes the research on industrial relations more internationally comparable (Hyman 2001).

The economic reform has had more outreaching impacts on various aspects of the political economy of Vietnam than originally prospected by the Communist Party. In the economic sphere, the country has pursued an export-oriented industrialisation strategy with the production of primary products and the supply of manufacturing goods as the pioneering industries. Private and foreign-owned companies have replaced the state-owned sector as the driving force of the economy. *Doi Moi* has also been coupled with the release of domestic migrant labour from the agricultural areas to work for industrial zones.

In the political side, the state-society relations have experienced significant changes. The decentralisation of the state after *Doi Moi*, especially in terms of the collection and management of revenues, has resulted in the growth of power of provincial governments in the political apparatus. Consequently, the local administrators who have to attend to the interests of local people while implementing the rules set by the national government, have played an increasingly active role in negotiating the formation and adjustment of the party-state’s policy. At the same time, the state has become more tolerant of the people’s complaints, as long as the VCP’s supremacy is not challenged. These factors have paved the way for dialogue between the society and the state, especially in rule-making.
Despite the promulgation of new labour and union legislation, the industrial relations institutions have remained largely unchanged. Although the trade union has gained a certain level of independence from the state, it continues to operate as it did before Doi Moi, focusing more on the provision of welfare and education of workers on state policy than representing its members’ interests. The trade union remained fundamentally dependent on management in the workplace, and subordinate to the Party at the national level. Employers’ organisations are uncoordinated, especially at the local level. Up until at least 2004, industrial relations actors largely continued to operate as they did before the economic reform. The next chapter will present the research questions and discuss the methodology used in this study.
CHAPTER 4
Methodology

Introduction
Chapter 4 provides an overview of the research process underpinning this thesis. It reinforces the research objectives outlined in Chapter 1, upon which specific research questions are based. The formation of the research questions have been grounded on the analysis of the literature on the strategic choice approach, institutional change, regionalism, and the proposed conceptual framework outlined in Chapter 2. This chapter includes consideration of the political economy and industrial relations context of Vietnam, as presented in Chapter 3. The chapter also discusses why a case study approach is suitable for this research. In the last section of this chapter, detailed research methods, data collection, and analysis processes are detailed.

From Research Objectives to Research Questions
The research objectives of this study, as outlined in Chapter 1, were twofold: first, it builds on the strategic choice framework and develops an integrated approach to studying the process of industrial relations transformation; and second, it describes, explains and analyses the changes in Vietnam’s industrial relations system between 2004 and 2008. The review of literature on the strategic choice approach showed that the strategic choice framework is a powerful tool for explaining the interactions among the actors in response to changing environmental conditions. However, the strategic choice approach does not adequately address the relationship between industrial relations
adaptation at the firm-level and policy responses at the macro-level. The adaptation of the industrial relations approach by management and labour at the micro-level does not presuppose institutional changes. As the review of literature on institutional change and regionalism indicated, the changes of the industrial relations institutions in Vietnam resulted from a process of interaction and negotiation between the firms, regional and national institutions.

Since the launch of *Doi Moi*, the political economy of Vietnam has experienced fundamental change, particularly with the emergence of the private and foreign-owned sector, the growth in power of provincial governments, and the increasing responsiveness to society by the central party-state. However, the industrial relations institutions of the country have not been transformed to regulate the changing nature of labour relations in a market economy. Most particularly, this thesis has identified the upsurge of unconstitutional strikes since 2005, ineffective collective bargaining mechanisms, and widespread infringement of labour rights by employers, which have posed formidable challenges to the old industrial relations system.

The conceptual framework developed in Chapter 2 generated two sets of research questions. The first set examines the changes in the industrial relations system in Vietnam from 2004 to 2008. The first set of research questions include:

- Which actor initiated the adaptation process of labour relations in the workplace? To what extent did the relationship with other actors influence the formation of strategic choice?
• How did regional governments react to the adaptation process in the workplace? What was the cause of their differences in responding to workplace changes?
• What role did the regional industrial relations actors play in the interaction between changing labour relations in the workplace and institutional transformation?
• To what extent has the pressure from local levels influenced the institutional changes?
• Has the Vietnamese IR system transformed?

The second set of questions focuses on testing theoretical propositions proposed in the conceptual framework for the thesis, namely, addressing the following questions:

• To what extent was the strategic choice adopted by the initiator of change at the firm-level taken up by other actors?
• At which level did collective bargaining happen?
• What is the role of the spatial dimension/differences in shaping the relationship between the firm-level adaptation process and macro-institutional changes?
• Did the process of change in national institutions result from pressures from the micro-level?
• Should the proposed approach be adjusted in any way to improve its explanatory power?

**Research Strategy: A Multi-Level Case Study Design**

Industrial relations may be described as a multi-disciplinary field of study that focuses on problems and issues of contemporary interest (Kochan 1998: 31–33). The problem-centred nature of industrial relations requires a holistic and multi-method approach. The case study has long been a popular research strategy in industrial relations
as it effectively captures the complexities of social phenomena within the wider context. It also enables the researcher to adopt various methods to access the widest possible range of information sources to produce a well-rounded explanation of the problem studied (Kitay and Callus 1998: 101; Yin 2003). The case study is also a good research strategy to test and build theory (Eisenhardt 1989). The strategic choice framework is not a new research area. Yet, earlier attempts at its application suggested that adjustment of the framework may be necessary to improve its explanatory power of industrial relations systems beyond the United States (Rojot 1990; Leggett 2005). The case study approach helps understand the interactions among the industrial relations actors, especially how their strategic choices are formed and influence one another. It also enables the examination of the assumptions underlying the strategic choice approach, such as the nature of collective bargaining, the impacts of the wider political economy context, and the underlying values of the industrial relations system. Hence, the case study approach is an appropriate strategy to address the research questions of this thesis.

While hypothesis-testing theories rely on randomly selected samples from the population, the selection of cases for theory development is not usually randomly made. In fact, extreme cases or those that embody typical features of the population are often selected so as to test and further the theory development (Pettigrew 1988; Eisenhardt 1989). To test the explanatory power of the proposed approach in relation to the transformation of industrial relations requires a multi-level case study approach. Vietnam was the focus of analysis because it represents an extreme case that is different from most, if not all, countries where the strategic choice approach has been applied. First,
Vietnam is a developing economy, in the initial stages of industrialisation. Second, Vietnam’s economy is in transition from a command to a market economy, with its industrial relations institutions heavily influenced by the legacy of the socialist system. Independent unions as recognised in the West are prohibited, whereas the party-controlled union remains largely a ‘transmission belt’ between management and workers. Third, a review of the recent changes in state-society relations in Vietnam in Chapter 3 revealed that although the authoritarian state continues to dominate rule-making, it has become more tolerant and responsive to voices emerging from the wider society. This condition matches the theoretical assumption of the imperfect reproduction model. Fourth, English language analysis and publications on industrial relations in Vietnam remain extremely limited (Clarke et al. 2007). A case study of Vietnam’s industrial relations at the firm, provincial and national levels will provide a significant contribution to theory development and to empirical research in the area. For these reasons, Vietnam presents an excellent case to apply and further the understanding of the viability and utility of the strategic choice approach.

The review of the literature in Chapter 2 resulted in a conceptual framework that combines the strategic choice approach with the institutional change and regionalism literature in an attempt to add a new dimension to the strategic choice framework. This dimension encompasses the process of interaction between the macro-institutions (national level), the regional (provincial) level and the firm-level. The case study is structured over three corresponding levels. First, the firm-level is where the employer and union/workers interact with each other in response to environmental impacts, and through this process,
form their strategies and create new patterns of workplace relations. Second, the regional level is where the provincial governments, unions and employers react to the pressure from the firm-level, as well as interact with the national agencies. Third, the national/macro-level is where the pressure from workplace relations changes and regional institutions are considered within the overall political economy of the national government. Emphasis is placed on examining the links between the three levels.

While a case study cannot be generalised over the sample population or the universe, it is ‘generalisable to theoretical propositions’ (Yin 2003: 10). In examining the theoretical processes, and investigating the underlying factors and dynamics of continuity and change of organisations and relationships, it is possible for case studies to generalise the processes, environmental factors, conditions, and interactive network in which a phenomenon is expected to occur (Hartley 1994; Ragin 1994). One of the prominent strengths of the use of a case study as a research strategy is the intimate connection between empirical evidence and theory. The continuous process of comparing the empirical data with the theoretical framework during the conduct of a case study ensures that the resultant theory will be empirically valid (Eisenhardt 1989). The case study of Vietnam is structured in a three-level framework, which was developed through the literature review in Chapter 2. At each level, the empirical findings will be constantly related back to the theoretical propositions.

**Research Methods and Data Analysis**

An effective case study can be evaluated on a number of factors (Marshall and Gretchen 1999). First, the case study should strike a
balance between the extensiveness of information collected through a variety of methods, and the intensive exploitation of the information (Kitay and Callus 1998). A voluminous collection of information from many sources that have not been exhaustively utilised may produce a broad but insufficiently deep understanding of the phenomenon. On the other hand, the reliance on a limited number of research observations has the inherent risk of providing a biased view (Eisenhardt 1989). Second, the combination of multiple data collection techniques, the ‘triangulation’ method, enables the researcher to view one issue from different angles and thereby improve the reliability and substantiation of constructs and hypotheses. Third, another determinant of a good case study is whether or not the techniques chosen are appropriate to obtain the necessary information that will substantially inform the research. Particular techniques in this study, as explained below, were carefully chosen and combined to ensure that the key information sources were exploited to the point of saturation, where no substantial new information can be added.

Fourth, the reliability of empirical evidence depends on the length and depth of the investigator’s engagement with the case. Intensive and prolonged exposure to the case is of particular importance in a study analysing the process of gradual change. The researcher has been involved in the workings of the industrial relations system in Vietnam since 2001 in different roles, including MOLISA’s labour officer, International Labour Organisation’s (ILO’s) project staff, and as a consultant for the trade union organisation and corporations. Hence, the data for this study were systematically accumulated over a period of five years. In addition, intensive data collection was carried out in 2008 and 2009.
A further advantage of case studies is the large volume of empirical evidence that can be gathered and combined to support the findings. Therefore, thorough descriptions of the case and frequent presentation of raw evidence in this thesis, including quotes from interviews and documents, and tables and figures, will enable readers to closely follow the data analysis and make their own judgements about its soundness.

This study applied three research methods: semi-structured interviewing, document analysis, and non-participant observation, which will be discussed in detail below.

**Interviewing**

The first research method was interviewing. The selection of potential interviewees was meant to cover all necessary perspectives, with special focus on people who had an intimate understanding of the issues to be studied. In total, there were 58 interviews, among which were 36 interviews with managers, union officers and workers in the two firms; 17 with labour officials, unionists, representatives of business associations, and labour reporters in Hanoi and Ho Chi Minh City; and 5 with labour officials, union leaders, representatives of employers’ organisations at the national level, and a specialist of the ILO. Of the 58 interviews, 13 interviews were conducted between April and June 2008, 28 in November and December 2008, and 17 between January and April 2009. Also, 54 interviews were conducted in person, one by telephone, and three by email. As most Vietnamese interviewees were uncomfortable with being recorded, the researcher took notes of verbal interviews and wrote down the important comments in full.
Interviews were undertaken offsite in neutral territory to ensure that the interviewees were not under pressure from their superiors. While managers and interviewees at the provincial and national levels were mostly interviewed at their offices, enterprise union officers and workers preferred to talk to the researcher in local cafés. Interviews would continue until the point of saturation, where few new perspectives and information were obtained (Arksey and Knight 1999; Kitay and Callus 1998; Ragin 1994). For most interviewees, the interviews were carried out once, while key interviewees who possessed special knowledge about a situation were interviewed several times over a period of two years to make sure that new issues were regularly updated. The interviews were between one hour and one hour and a half in duration and were semi-structured. A list of key questions was prepared but the interviewees determined how and how much they wanted to respond to the mainly open-ended questions. The researcher was able to seek clarification and follow up new ideas. By discussing new issues and perspectives, it was the interviewees who helped shape the research (Arksey and Knight 1999). Except for the interviews with non-Vietnamese interviewees, all interviews were conducted in Vietnamese. The quotations from the interviews in this thesis were translated by the researcher into English. Due to the fact that all interviewees were assured that their comments would remain confidential and anonymous, a letter and a number were assigned to each interview to identify it in citations (see Appendix 1 for an interview schedule).
Table 4.1: Interviewee attributes

Gender
Male  27
Female  31

Firm-level (22 women, 14 men)
Japan Electronics Vietnam (JEV)
  Managers  7
  Union officers  5
  Workers  5
Viet Garment
  Managers  6
  Union officers  2
  Workers  11

Provincial level (5 women, 12 men)

  Government  4
  Business associations  5
  Labour press  4
  Unions  4

National level (0 women, 5 men)

  MOLISA  1
  VCCI  1
  VGCL  2
  ILO  1
Total  58

Interviewing was the primary research method at the firm-level. The examination of employment relations at the firm-level was based on two case studies of two manufacturing enterprises. The manufacturing industry was chosen because it played the pioneering role in the industrialisation strategy of Vietnam and as such is exposed more to the pressure of global competition than other industries. The industries that stand on the central stage of economic growth of a country tend to set the pattern of employment practices and industrial relations strategies for the whole system (Kochan et al. 1997). Two firms with different backgrounds were selected. One is a state-owned garment
company (hereinafter referred to as ‘Viet Garment’) that was established almost 50 years ago and was partially privatised in 2005. The other is a subsidiary of a Japanese electronics corporation (hereinafter referred to as ‘Japan Electronics Vietnam’ or ‘JEV’ in short), which started operation in Vietnam in 2003.

The two cases, though based in Hanoi, represent a microcosm of differences between two economic segments and spaces of the Vietnamese economy. JEV is like the green-field sector of the growing export-oriented foreign-owned enterprises which concentrate in Ho Chi Minh City (HCMC) and other southern provinces. On the other hand, Viet Garment captures the characteristics of the old state-owned enterprises, mostly based in Hanoi and northern provinces, which are struggling to transform in line with the new market rules. Different economic spaces were the root of many differences between the two cases. As such, the two cases mirrored the two economic regions, HCMC in the South and Hanoi in the North, which will be discussed later.

The initial access to the two factories was made through colleagues in the ILO Office in Hanoi and the national trade union, VGCL. The first contact at JEV was the general manager, who then introduced the researcher to the human resource manager and union leader. Based upon the selection requirements suggested by the researcher, the human resource manager and the union leader referred the researcher to other potential interviewees. With this technique of ‘snowballing’, 17 interviewees including top managers, supervisors at workshops, members of the union executive board, and workers were recruited for interviews (Table 4.1). At Viet Garment, the first contact was the union chairwoman. She helped arrange interviews with another union officer,
a team leader and a worker. In turn, the latter interviewees helped the researcher recruit other workers and supervisors. In total, 18 interviewees from Viet Garment including managers, union officers and workers were interviewed.

At the provincial level, through former colleagues in MOLISA and the ILO Office in Hanoi, contacts were made with provincial labour and union officials, representatives of business associations, and labour reporters in Hanoi and Ho Chi Minh City. The two provinces were chosen because they are the industrial powerhouses of Vietnam, and their workplace relations changes were potentially more dynamic than in other provinces. More importantly, the two provinces presented interesting spatial differences. HCMC has been exposed to the market economy, foreign investment and industrialization much longer than Hanoi. HCMC is also the biggest receiving province of foreign investment (GSO 2008b). Hanoi, on the other hand, has a longer history of command economy. It has also been the center of major state-owned enterprises whereas the private sector, especially the foreign-owned enterprises still plays a minor role in Hanoi’s economic growth (GSO 2008c).

The selected interviewees included provincial labour and union officials who had the mandate to deal with labour relations issues, including settling labour strikes, registering collective agreements, and overseeing the implementation of labour and union legislation. Interviews were also carried out with four reporters from Lao Dong and Nguoi Lao Dong, the two major labour newspapers in Vietnam. The selected interviewees were experienced reporters who had covered labour and union issues for at least ten years. Representatives from
the employers’ organisation, VCCI in Ho Chi Minh City and a few leaders of foreign business associations were also interviewed. To support the analysis of the role of regional institutions in industrial relations, a couple of informal interviews were undertaken with labour and union officials in other industrialised provinces, including Binh Duong, Dong Nai (in the South) and Da Nang (Central).

Interviews with national officials from MOLISA, VGCL and VCCI were conducted to obtain a comprehensive view of key industrial relations institutions. Unfortunately, the domination of men at the top level of the three organisations made it difficult to obtain a female interviewee at this level. A senior industrial relations expert of the ILO who had worked with the government and social partners since 2002 was also interviewed.

**Documentation Analysis**

Documentation analysis was the second research method. A diverse range of document sources is important to obtain a non-biased view of the organisations and their operations (Bryman 2008). Documentation was of particular importance for analysis at the provincial and national levels. The documents collected included legislation and directives issued by the relevant agencies, public announcements and minutes of meetings, internal reports of provincial and national governments and trade union organisations, communication between provincial governments and the central state, position letters of business associations on industrial relations sent to the Prime Minister and other central authorities, and minutes of meetings and mission reports of ILO specialists. In the last decade, the labour press has been prompt in covering labour strikes, employers’ violations of labour rights, and the
responses from the authority over concerns and demands from workers (Tran 2007a). As such, labour newspapers were a substantial source of information. In particular, the newspapers *Nguoï Lao Dong* and *Lao Dong* covered the policy debates among industrial relations actors over the last few years by reporting meetings and conferences, updating latest developments in industrial relations, and interviewing representatives of various parties. As a result, relevant articles from these two newspapers from December 2005 to December 2009 were collected systematically and classified into different themes.

**Non-Participant Observation**

The third research method was non-participant observation. At the two firms, the researcher spent days over a period of three months in 2008 to observe the different production lines of JEV and Viet Garment, the villages where workers of JEV lived, as well as the residential areas for workers and managers of Viet Garment. Observation at the workplace was strictly limited by management to one hour each time, whereas more time could be spent in the workers’ communities where the researcher talked to a lot of workers and local residents. At the national level, the researcher had the chance to observe two meetings, one among ILO specialists and officials from MOLISA, VGCL and VCCI in May 2008; and the other between the ILO and the VGCL leadership in June 2009. The first meeting was an informal discussion among the tripartite partners on the revision of the Labour Code and the Trade Union Law. The second meeting was a policy debate between the ILO and the VGCL regarding union reform and the revision of the Trade Union Law. The observations from the two meetings provided insight into the interests of each organisation in the revision of the two laws, as well as their own industrial relations strategies.
Data Processing

At each stage of the data collection process, fieldwork reports were written up. Apart from providing a descriptive summary of the information collected, the reports contained insights and analysis of each case. When the data collection was completed, interview transcriptions, documentary materials, and notes from the observations were imported into NVivo 8, a qualitative data analysis software program. NVivo 8 enables researchers to organise and analyse complex non-numerical or unstructured data, as well as examine complex relationships in the data (Richard 1999).

The data of this study was classified by cases and sub-categorised by data sources. Then, major underlying themes were identified after a thorough reading of all the materials. Data that support the same themes were automatically gathered into groups of evidence, or ‘nodes’ as called in NVivo 8 (Table 4.2).

This ‘noding’ process was grounded on the key themes that emerged from the empirical data, as well as that informed by the conceptual framework and research questions (Eisenhardt 1989). This method of data grouping allows for the analysis of single cases, actor-based and cross-level relations, as well as the consideration of different sources of data. When the data are analysed from different angles, it is possible to capture the patterns, themes and relationships that together form answers to the research questions.
Table 4.2: Cases, sources and nodes (developed on the *NVivo 8* software program)

<table>
<thead>
<tr>
<th>Cases and Sources</th>
<th>Nodes</th>
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<tr>
<td><strong>Japan Electronics Vietnam</strong></td>
<td>Firm-level:</td>
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<tr>
<td>o Managers</td>
<td>o Employment practices</td>
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<tr>
<td>o Union officers</td>
<td>o Workers’ community</td>
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<td>o Workers</td>
<td>o Strike organisation</td>
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<td>o Documents</td>
<td>o Labour turnover</td>
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<td>o Observations</td>
<td>o Petitioning</td>
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<tr>
<td>o Workers</td>
<td>o Impacts of worker activism</td>
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<td>o Documents</td>
<td>o Impacts of market pressure</td>
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<td>o Observations</td>
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<tr>
<td><strong>Viet Garment</strong></td>
<td>Meso-level:</td>
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<tr>
<td>o Managers</td>
<td>o Micro-meso relationship</td>
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<tr>
<td>o Union officers</td>
<td>o Perspectives on workplace relations changes</td>
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<td>o Workers</td>
<td>o Strike patterns</td>
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<td>o Documents</td>
<td>o Strike settlement approaches</td>
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<td>o Observations</td>
<td>o Union-party-government relations</td>
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<td><strong>Minimum wage strike wave 2005–2006</strong></td>
<td>o Meso actors’ strategic responses</td>
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<td>o Press articles</td>
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<td>o Governmental documents</td>
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<td>o Interviews</td>
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<td><strong>2008 strike wave in Hanoi</strong></td>
<td>Macro level:</td>
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<td>o Press articles</td>
<td>o Meso-macro relationship</td>
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<td>o Interviews</td>
<td>o Union-party relationship</td>
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<td><strong>Meso-level</strong></td>
<td>o MOLISA-VGCL relationship</td>
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<td>o Labour officials</td>
<td>o Impacts of worker activism</td>
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<td>o Union officials</td>
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<td>o Labour reporters</td>
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Conclusion

This chapter has presented two sets of research questions which correspond with the research objectives outlined in Chapter 1. It has also outlined that the multi-level case study design is the most suitable research strategy for the research. The research methods employed in this study include semi-structured interviewing, documentation analysis and non-participant observation. These research methods were applied, and the data collection process elaborated at three discrete levels: the firm, the provincial and the national level. The analysis of data based on the software program NVivo 8 has also been explained. In doing so, this chapter reinforces the trustworthiness and generalisability of the research methods which will be presented in the following chapters of the thesis. The next chapter will examine the workplace relations changes in two manufacturing firms in Vietnam.
CHAPTER 5

Informal Worker Activism and Changing Labour Relations in the Workplace: The Case of Viet Garment

Introduction

Working conditions have horribly degraded but the most important reason why no strikes have ever happened here is our lack of a leader. Still, the workers have their own ways to express their discontent to the management.

(Interview with a worker at Factory 2, Viet Garment)

The purpose of Chapters 5 and 6 is to examine the labour relations changes in two manufacturing firms in Vietnam: one is Viet Garment, a Vietnamese state-owned garment producer that was partially privatised in 2005; and the other is Japan Electronics Vietnam (JEV), a Japanese-owned electronics company. These two firms were chosen to examine the adaptation of labour relations in the workplace because, first, they were intensively exposed to international competition. While Viet Garment exported 80 per cent of its production, JEV exported all of its products to overseas markets. As Kochan, Lansbury and MacDuffie (1997) asserted, the more exposure an individual firm and an employment relations system had to international competition and technological innovation, the faster the adaptation process occurred and the more likely the pattern that they targeted converged with others in the industry.
Second, these two firms had two distinctive patterns of labour-management relationship. While Viet Garment inherited socialist labour relations institutions, JEV was a green field. Foreign-owned companies have been shown to structure and manage their labour relations differently from local companies (Florida and Kenney 1991). In fact, these two patterns were representative of labour relations in Vietnam, which presented a mixture between established state-owned enterprises and private firms set up after Doi Moi.

Additionally, the two cases represent a microcosm of differences between two major economic spaces of Vietnam. JEV is like the growing export-oriented foreign-owned enterprises which concentrate in Ho Chi Minh City (HCMC) and other southern provinces. On the other hand, Viet Garment captures the characteristics of the old state-owned enterprises, mostly based in Hanoi and northern provinces, which are struggling to transform in line with the new market rules.

Chapter 5 studies the adaptation process of labour relations at Viet Garment. It begins with an overview of the manufacturing industry in Vietnam, its product markets, and the labour market conditions affecting the industry between 2004 and 2008. It also examines the changes in labour relations of Viet Garment before and after its privatisation.

**Manufacturing Industry in Vietnam: An Overview**

The manufacturing industry plays a prominent role in Vietnam’s economy. In 2006, it accounted for 20 per cent of gross domestic product (GDP), 50 per cent of export value, and contributed over 80 per cent of the total value of the industrial sector (GSO 2006b). By
2008, the United States had become the largest export market, especially for garments, footwear, seafood and timber, from Vietnam (GSO 2008b). Other major markets for the manufacturing industry in Vietnam include the Southeast Asian countries, Europe and Japan. Manufacturing has also attracted 50 per cent of foreign direct investment (FDI) to Vietnam between 1988 and 2008, being the largest FDI-receiving sector in the economy (GSO 2008a).

Most Vietnamese manufacturing companies participate in the lowest value-added part of the international production chain, focusing mainly on assembling and packaging. Employing low level technology and unskilled labour, competition in this part of the production chain is based primarily on production costs, especially low wages. Competition in labour costs in manufacturing industries around the world is fierce as profit margins are generally small. According to a worldwide survey of manufacturing industries by the United Nations, labour costs account for an average of 5.8 per cent of total inputs in electronics and 19.1 per cent in clothing production (UNIDO 2004).

Most export-oriented manufacturing firms in Vietnam supply goods to multinational corporations (MNCs). The Vietnamese firms have to import a majority of the materials and components from other countries for assembling and packaging. The electronics industry, for instance, produces a mere 20 per cent of components locally (Dien dan doanh nghiep, 10 October 2009). Reliance on imported materials and components has placed the Vietnamese manufacturers in an unstable and vulnerable situation. Production depends on the delivery of materials and components from other countries, and fluctuations in the world material market often threaten the profits and sustainability of
assembly plants in Vietnam. Reliance on imported materials and components further reduces the profit margin of Vietnamese manufacturers, and exacerbates the pressure on firms to lower labour costs and increase productivity.

Manufacturing is a highly labour-intensive sector, employing 4.8 million workers in 2004 and 6.3 million in 2008 (GSO, 2008b). As firms in this sector rely on an abundant supply of unskilled and low-cost labour, labour market changes have direct impacts on the performance and business strategy of each company. More than a decade after the launch of *Doi Moi*, the rapid growth of the manufacturing industry and its concentration in a few provinces quickly exhausted the local labour supply. Employers have increasingly relied on the supply of migrant labour from the rural areas. Since late 2005, labour shortages have emerged in the industrialised regions, first in the south and then spread to other parts of the country (*VNTrades*, 13 April 2006). The peak of labour shortages in the manufacturing industries coincided with an economic boom between 2005 and 2007. The GDP growth rate reached 8 per cent in 2005, and the flow of FDI quadrupled from USD3.3 billion in 2005 to USD12 billion in 2006 and then almost doubled again to USD20.3 billion in 2007. Additionally, the rapid spread of industrialisation to agricultural provinces has absorbed the surplus labour in the countryside. The growth of the service sector reduced a significant proportion of the supply of migrant workers from agricultural provinces for the industrial sector. All of these factors have resulted in severe shortages of labour, both skilled and unskilled, in the industrialised regions.
As revealed in the cases of Viet Garment and JEV, a highly competitive product market and severe labour shortages have forced the management of both companies to adjust their employment practices in various ways, especially recruitment, training and remuneration. At the same time, tighter market conditions have given some workers more bargaining power in their negotiations with employers.

**Viet Garment**

Viet Garment is one of the biggest state-owned garment producers in the north of Vietnam, specialising in shirts, jackets, and trousers for men. It was established in 1946 by the Ministry of Industry and is located in a suburban district of Hanoi. Along with the establishment of the company, to assist workers and their families, the state also established a vocational training school, a kindergarten, a clinic, and several dormitory buildings for workers, all of which were under the administration of the company. This model of SOE was typical in the north of Vietnam before *Doi Moi*, when lifetime employment was the norm and employers were expected to provide for not only employment but also all other needs of their workers (Rosenthal 2002). In 2005, the company was privatised with 49 per cent of its shares sold to the public, while the state kept a share of 51 per cent to retain majority control.

**The Firm, the Product Market and Employment Practices**

Prior to *Doi Moi*, Viet Garment produced primarily for the domestic market, with only 10 per cent of production exported to socialist countries such as the Soviet Union, Bulgaria and East Germany. In the 1990s, together with the national trend of gradual withdrawal of state subsidies (Collins 2009), Viet Garment had a difficult time searching
for an alternative to their traditional Eastern European markets, which had already collapsed. After the United States lifted its trade embargo in 1995, a number of trade agreements were subsequently signed by Vietnam with developed countries, which opened the door for garment manufacturers in Vietnam to export to Western markets. The company gradually shifted its focus from domestic to overseas markets. The marketing manager of Viet Garment described the company’s switch from the domestic to export markets as ‘a brave decision that saved the enterprise’ (Interview VM2). By 2008, the company exported 70 per cent of its production to the United States, Europe and Japan, raising the total export proportion to 80 per cent.

With a history of over 50 years, Viet Garment has cemented its position in the domestic market but it has not been able to export its own brands. The human resources (HR) manager claimed that Viet Garment had registered its products in the United States, Germany and Japan in order to prepare for selling its own brands. Yet this process had just started when there was a reduction in clothing markets in the United States and Europe as a result of the global economic crisis of 2008 and 2009. Viet Garment has not subsequently made any substantial progress in this direction. Supplying MNCs, thus, has become the major way for the company to access international markets. However, the profit margin in supplying MNCs is small. According to the marketing manager, the average profit proportion of an assembling order ranges from 10 to 13 per cent (Interview VM2). At the same time, the need to reduce production costs is extremely difficult in view of the fierce competition within the region. For example, a senior marketing officer at Viet Garment noted that their closest competitor, China, could produce garment materials at a cost
which is ten times lower than Vietnam, and thereby gave the former an important competitive advantage (Interview VM3). The company needs to maintain the lowest possible wage rate while ensuring that workers are not paid below the legal minimum level.

The company has five factories, each of which specialises in production for certain clients in order to facilitate quality management and production monitoring. Factories 1 and 2 produce for Japanese clients, Factories 3 and 4 specialise in American product lines, and Factory 5 supplies German importers and the domestic market. Each client requires its suppliers to comply with their own codes of conduct for labour and environmental standards as well as quality monitoring procedures. Each factory has nine or ten assembly lines and a technical unit specialised in cutting and ironing. One assembly line is divided into 20 different simple steps, where each is carried out by a single worker or groups of two or three. Each assembly line consists of 38 to 40 workers, while the cutting-ironing unit has 80 workers. Quality is checked at the beginning and at the end of each assembly line by two quality assurance (QA) staff. The management of the assembly line is divided between the team leader and sub-leader. In each factory, under the factory director there are two shift leaders: one is in charge of line-level production, while the other is responsible for material, machinery and technical matters.

Before the launch of *Doi Moi*, the employment practices adopted by Viet Garment pursued the objective of sustaining internal harmony rather than seeking to maximise economic growth. During this period, the state advocated the policy of building an urban proletariat by bringing rural young people to city-based factories (Rosenthal 2002).
To that end, the state also promoted political socialisation within industrial settings to equip workers with political beliefs and the ethics of socialism. In this sense, Viet Garment in the pre-Doi Moi period was similar to what Walder (1986: 2) described as ‘less an economic enterprise than a social institution’, in which management and workers were members of ‘a conflict-free corporate family’. The priority of such economic-social institutions was more to maintain harmony and implement the Communist Party’s policies, than to improve productivity and make profits. The employment practices employed by Viet Garment during this period strongly reflected these objectives.

During this period, the concept of selling and buying in the labour market did not exist because employment was allocated by the state (Bui and Vu 1997). Recruitment priority was given to the children or relatives of the employees and managers of the company in order to ensure that the new workers would be trustworthy and loyal. A worker who joined Viet Garment in the 1980s explained that his mother was a worker at the company so it was natural for him to follow in his mother’s footsteps:

In 1989, when I was 17 years old, I joined Viet Garment right after school. It was a tradition in the old time in this company that the children of its workers would follow their parents’ footsteps to work here. My mother was a worker at Viet Garment so that was a natural career path for me (Interview VW10).

Workers without familial connections with Viet Garment employees had to rely on other social relations to get them jobs. A shift leader who joined the company in the late 1980s recalled:

Getting a job here involved a long and difficult process. My parents were teachers at the University of Agriculture. In 1988, Viet Garment, in a diplomatic gesture to the University, agreed to accept six people from families of the University staff to work in the company as workers. My parents luckily got one so I was
admitted to the Viet Garment training school. Because it was so difficult to get this job, I dared not resist to the supervisors as the young workers now often do (Interview VM4).

Normally, when a worker obtained a job at Viet Garment, he or she would help other family members to join the company. For example, the shift leader mentioned above helped his wife, a sister and a brother get jobs at Viet Garment. In another example, the trade union chairwoman’s father was a manager of the company in the 1960s and, at the time of this research, her husband, a brother and son were all working for Viet Garment (Interview VU1). It is common to find two or three generations of a family working for Viet Garment at different periods of time. This practice of recruitment and selection is common among SOEs because, as Kimoche (2001) explained, ‘long-term commitment’ and ‘trust’ of the candidates, which are preferrably ensured by their familial relationship with existing employees, would guarantee the harmony of the corporate family. Thus, underlying the formal workplace relations in SOEs, a web of familial connections among different members of the company exists, both in management and within the workforce (Rosenthal 2002; Kimoche 2001). In such ‘a corporate family’, the employees were less likely to resist the company’s authority for fear of harming their family members’ prestige and future opportunities.

During this period, wages of workers and managers were regulated by the wage table system issued by the state. Workers were paid on piece rates that varied depending on a worker’s seniority and grade of competency. Salaries for office clerks and managers were set on the basis of seniority, qualifications and managerial ranking. Performance made little difference to their wages. According to some workers, during this time, the only motivation for them to work harder was
political achievement. A worker who started working for Viet Garment in the late 1980s recalled:

If you achieved high productivity, you would receive the ‘Excellent Worker Award’ and you would be considered for Party membership. But it did not mean that your wage would be increased because everyone’s wage was fixed by the government (Interview VW10).

Despite the rigid and usually inferior wages, the workers were entitled to a substantial welfare scheme, which comprised free accommodation for them and their families; free child care at the company’s kindergarten; free annual excursion, birth, wedding and funeral expenses; and a retirement pension. Given light workload and loose discipline, workers found excuses to be absent from work and spent that time on a second job to augment their income. A female worker who started working for Viet Garment in the 1980s found that ‘it was easier in the old days to ask for permission to get out of the factory during working hours because discipline was not as strict as now’ (Interview VW6). She also recalled that almost every worker in her factory had a second job during that period. She herself had a small food stand that served breakfast and supper. Previous studies have shown that workers in state-owned companies were generally satisfied with their jobs (see, for example, Rosenthal 2002; Quang and Dung 1998). This was also the case at Viet Garment. When comparing their living standards before and after privatisation, the older workers felt that in the old days, they were better off because they were allocated generous welfare benefits and had time for a second job to augment their incomes.

The launch of economic reform in the early 1990s resulted in the withdrawal of state subsidies to most SOEs (Collins 2009). The
company’s decision to shift its focus towards export markets instead of the domestic one entailed tremendous pressure on Viet Garment to compete with regional manufacturers. The cost-based competitive strategy means that raising productivity and lowering production costs have become crucial for the company. In fact, Viet Garment has made a number of attempts to raise productivity. One of these attempts was the installation of the G-Pro system in 2005. G-Pro is an electronic productivity monitoring system that allows management to check the productivity of each worker, each assembly line, and the whole factory. The shift leader checks productivity once every hour. Workers or teams that lag behind are criticised through loudspeakers. This system has increased work pressure and tension among workers because a mistake of tardiness may lead to a slow-down of the whole assembly line and no one wishes to be blamed. A female worker, who used to work in Factory 2 and has recently quit, recalled:

Working became extremely tense….Every hour, she [the shift leader] would check the computer and immediately saw who was slowing down. She would call that person’s name on the loudspeakers, blaming her publicly. No one wanted to hear their names on the loudspeakers so we had to work very hard. I often had nightmares in which I heard my name being called on the loudspeakers. Though the company would not dismiss workers for bad performance, a slow worker would be pressured so much that they would have to leave (Interview VW4).

Overtime work has become pervasive. A female worker revealed that her team was often forced to work beyond the legal overtime limit, and the supervisor tried to conceal such violations. She recalled:

Normally I have to work 20 hours of overtime per week...When we get in or out of the factory, we have to swipe attendance cards. Sometimes when we had to work overtime until 1 am, the group leader would take all our cards and swipe at the gate at 11 pm (Interview VW4).
Shop floor discipline has also been tightened. Workers are not allowed to talk or leave their positions during working time. Violations may result in a reduction of wages. A few workers, for example, claimed that their productivity records were reduced by the team leaders as a punishment for their chatting during working hours. Consequently, workers no longer have leisure time during the working day for their second jobs. The female worker who used to own a food stand had to close down her business as she could no longer take time off during working hours (Interview VW6). Another male worker who used to repair electronic devices after work has also given up the additional job as he was often exhausted due to frequent overtime work (Interview VW7).

Workers are still paid on piece rate but the company sets a high daily production target which, as many workers complained, was too difficult to achieve. Workers, therefore, had to work overtime to finish the target without receiving the premium overtime pay. For example, a female worker in Factory 5 of Viet Garment was set a daily target of 700 product items per day; however, within the regular working day, she could only achieve an average of 300 items. As a result, she had to continue working beyond the regular working hours until the target was reached (Interview VW5).

To encourage workers to raise their productivity, the company paid a performance bonus, which ranged from 5 to 15 per cent of wages. Between 2005 and 2006, the average wage of a rank-and-file worker was 800 thousand dong per month. The wage was twice as much as
the domestic minimum wage at that time\textsuperscript{5} but an average migrant worker of Viet Garment would have to spend 100 thousand to 200 thousand dong per month on rent, 500 thousand dong on food, and 100 thousand dong on electricity and water (see, for example, interviews VW1, VW2, VW3, VW4, VW5 and VW7). After these basic expenses, the workers would have little, if not nothing, left for saving.

The management also sought to increase labour productivity by revising the remuneration system for supervisors. In order to create incentives for supervisors to raise the productivity of their units, Viet Garment set the monthly salaries of supervisory staff (shift leaders and sub-leaders) at the factory level based on the productivity of workers and the overall performance of the unit. For each position, a ratio of the total production value of the unit for which they are in charge and their salaries is set by the HR department. Based on this ratio, their salaries increase in tandem with the production value of their unit. For example, if the ratio is 1/100, the supervisor receives 1 per cent of the monthly production value that his/her team produces. This renders the average salary of a team leader to be between 3 and 4 million VND/month, which is at least double the average wage of a rank-and-file worker. For both workers and supervisory staff, the company fixes a lowest wage rate, which equals the minimum wage level. If the actual pay of an employee drops below the lowest rate, the company pays an extra sum of money to ensure that the final pay is not lower than the minimum wage. By these actions, the company refrains from violating the minimum wage regulation in case some workers could not reach the minimum level by their actual work. However, according to the HR manager, there is an unwritten rule that

\textsuperscript{5} The domestic minimum wage was 350 thousand dong per month in 2005 and increased to 450 thousand dong per month in 2006.
if the wage of any employee is compensated for over three consecutive months, he or she will be dismissed (Interview VM1).

Privatisation has also dismantled the tradition of recruiting workers based on their social relations. In order to recruit sufficient workers, Viet Garment had to formalise its recruitment procedures by posting public advertisements and hiring workers based on their merits rather than their personal connections. Lifetime employment has been replaced by the contract system. At the same time, economic reform and privatisation have opened up more employment opportunities for workers. These factors have struck at the heart of the traditional corporate family model. Now, most workers expect their children to find better jobs elsewhere. A middle-aged worker whose mother and wife used to work for Viet Garment stated bluntly:

Now most workers in the company try to invest into education for their kids so as to find better jobs somewhere else, not at Viet Garment. That is the effort to search for a better future beyond this company (Interview VW10).

In brief, the employment practices of Viet Garment have experienced significant changes since privatisation. The company has shifted from a harmony-oriented social institution, into a profit-driven enterprise. The fierce pressure in the international market has forced the company to cut production costs, including wages, and to raise productivity levels. The employment practices recently adopted have largely dismantled the old values of a harmonious corporate family but have not necessarily raised wages or improved the working conditions for workers.
Labour Relations in the Workplace

Labour Relations Prior to Privatisation

The SOE leadership included four pillars: the Party Committee, the management, the union and the youth league; however, the Party leadership was dominant (Truong and Le 2004). At Viet Garment, the Party Committee could approve or disapprove management decisions and monitor the performance of both management and workers. The union vice chairwoman recalled that prior to privatisation, the Party chief was usually a deputy director instead of the top executive, in order to maintain ‘check and balance’ between the Party organisation and management (Interview VU2). Party membership was an obligatory criterion for promotion. It was the Party Committee rather than the executive board that supervised and coordinated management with various social-political organisations within the company, such as the women’s union, youth league, and trade union. The Party could shift people horizontally across different organisations within the company. The union chairwoman of Viet Garment, for instance, used to be the director of Factory 1 but when the preceding union chairperson retired, she was required by the company’s Party organisation to take over the union post, despite her reluctance to do so (Interview VU1). Many supervisors and managers found reporting to the Party even more important than reporting to the executives, as the former would evaluate not only their performance but also their political achievement and decide upon their promotion and benefits (see, for example, Interviews VU1, VU2 and VM4).

Enterprise unions in a command economy were regarded as an extended arm of the management, subordinate to the company Party Committee (Collins 2009; Clarke 2005). By law, the union had four
functions: (1) protecting the interests of workers, which included supervising the allocation of welfare benefits; (2) participating in managing the assets and property assigned to the SOE; (3) encouraging and motivating workers to raise productivity; and (4) educating workers in socialist ideology and awareness by artistic and sporting competitions (Trade Union Law 1990). The law, thereby, allowed the union chairperson of a state-owned company to participate in all decision-making bodies of the company, including the executive board, the discipline committee, and the inspection committee. In the ranking of a state-owned company, a union chairman equalled a deputy director. A senior official of VGCL explained:

The union chairman of an SOE enjoyed the same salary level, the same entitlement to using company facilities and the same office as a deputy director (Interview U5).

Prior to privatisation, the union of Viet Garment existed at three levels: the company, factory and production team. The union officers at the company, factory and shift levels were full-time unionists paid by the company, while at the team level, the union task was assigned to team supervisors or experienced workers. Union membership was an unofficial obligation for all employees. A male worker who has been working for Viet Garment since the late 1980s described how he became a union member as follows:

At first I did not want to join the union because I thought the union did not do anything good for the workers. But then, the union officer of my team wrote an application letter for me and asked me to just sign it. I did not want to but finally I signed it because I thought I should not stand out from the majority (Interview VW10).

Almost all members of the Viet Garment union executive board were full-time union officers. The union chairwoman had her own office with three assistants. The union apparatus spread to factory and production
lines, with full-time union officers heading factory unions and part-time officers at the level of the production line. The union gained significant amounts of funding from the union dues (one per cent of members’ salaries), contributions by the employers (two per cent of the overall payroll) and additional financial support from the management on an ad hoc basis. The regular activities of the Viet Garment union prior to privatisation included providing sickness allowances and benefits for weddings and funerals, organising sports and artistic programs and annual picnics for workers, and cooperating with the employer in personnel management. The union also managed the kindergarten and clinic, which were free of charge to workers.

Central to the operation and power of the union before privatisation was its supervision of the company’s welfare fund. The welfare fund of an SOE might include the extract from the company’s profit, accommodation scheme for employees, and savings from selling waste and unused materials, among others. In the past, some SOEs even allowed the unions to provide certain services to workers, such as selling food and household utilities, the revenue from which was added to the welfare fund (Quang and Dung 1998). Before the 1980s, according to the incumbent union chairwoman of Viet Garment, the welfare fund of the company included ten per cent of the company’s monthly profit, sale of unused materials, and land and real estate assigned to the company.

The trade union in a socialist country such as Vietnam has a directive rather than a representational role (Clarke and Pringle 2009). Protection of member interests, if any, was reflected through the union’s handling of workers’ grievances. But as Pravda (1983) claimed,
the socialist union functioned ‘more as a filter than a mouthpiece’ for workers. The union chairwoman of Viet Garment explained that, in principle, workers’ grievances were given to the shop stewards who would discuss with the supervisor and seek a solution. If the worker was not satisfied with the solution, he or she could ask the shop steward to forward the grievance to higher levels. The highest level for grievance handling was the Discipline Committee (Hội đồng kỷ luật), comprised of the director general, Party chief, union chairman and the head of the personnel department. But in practice, such complaints were rare because, as the union chairwoman asserted, ‘the company took good care of workers’ needs; that is why workers had nothing to complain about’ (Interview VU1). However, according to the workers interviewed, grievances were rare because the workers dared not raise complaints for fear of losing their jobs. A team leader who has worked for the company since the late 1980s recalled:

In the past, we were so afraid of the managers that no one dared make any complaint. They [the managers] were harsh. If they found that someone was opposing them, that person would be kicked out. We were all scared of losing jobs because it was so difficult to find a job at Viet Garment (Interview VM4).

There had been few major disputes with management because ‘at least the company did not have any serious violations of our rights’, a worker said (Interview VW10). Moreover, the work pressure was not intense, the discipline was relatively loose and, as described earlier, workers enjoyed ample time for second jobs to improve their income.

In summary, the labour relations system of Viet Garment prior to privatisation was paternalistic. It was characterised by the domination of the Party organisation in a harmony-oriented corporate family. The trade union performed as an administrative rather than a
representative organisation under the Party leadership. The workers generally accepted such a system because their wages and welfare benefits were guaranteed by the state and the company. They also enjoyed adequate leisure time which enabled them to increase their income via second jobs.

Labour Relations After Privatisation

As described earlier, privatisation has shifted Viet Garment from a social institution that focused on internal harmony, towards an economic enterprise that sought to increase profit by raising productivity and lowering production costs. Such a shift is reflected in the changing employment practices adopted by the company after privatisation. The implications of these changes for the labour relations strategy of Viet Garment is the focus of this section.

Trade Union

On the surface, partial privatisation has brought certain changes to the union organisation of Viet Garment. In order to reduce operational costs, all full-time union officers, except for the union chairwoman, were replaced by part-time officers. The office for the union was retained but the union chairwoman no longer has assistants. At the factory level, the head of the factory union unit is a shift leader while at the team level, a team sub-leader is often assigned the union job.

Privatisation has resulted in the removal of many important welfare benefits for workers. The kindergarten and clinic have also been privatised. The management of the kindergarten and the clinic still receive a modest amount of subsidy from the company, but they largely have to rely on revenues from service fees to survive.
(Interviews VU1 and VM1). This also means that the workers now have to pay for health care and education for their children. By the early 1990s, the company had ceased to allocate accommodation to its employees. Only the managers were allowed to buy land in the company’s neighborhood to build their own houses. A female shift leader who is also the union vice chairwoman recalled:

When I started working here in 1986, the company had run out of land for free allocation. I even had to sign a commitment that I would arrange my own accommodation. When I was promoted to shift leader, I was allowed to buy a small piece of land. I was given 5 m² for free but the rest I had to purchase at the market price. All taken together, I think the overall price was still reasonable (Interview VU2).

Though the union still participates in the decision-making bodies from the workshop to the company level, the fact that almost all of them are managers has blurred the demarcation line between the management and union machinery. Another important impact of privatisation on the trade union was the merger of the Party organisation and the management. Since 2005, the director general has taken over the position as the company’s Party chief. At the factory level, the factory director also acts as the factory Party unit. This merger has drawn the union even closer to the management. In principle, the union reports to the enterprise’s Party Committee, but in fact, the Party is headed by the director general. This means that the union is directly subordinate to the management.

The management has also been one of the major sources of funding for union activities. The union fund relies on two sources: union dues of one per cent and union tax of two per cent of workers’ salaries (paid by the company). However, the union chairwoman admitted that these two sources were insufficient to cover the organisation of various social
campaigns and events, so the union had to count on management for additional financial support. For example, in organising the 50 year anniversary of President Ho Chi Minh’s visit to Viet Garment in 2008, the union received over 100 million dong (USD 6,000) from the company (Interview VU1). Management is willing to fund the union’s organisation of social and political events that nurtures the company’s public image, but not to improve the union’s daily work. For instance, when the shop stewards proposed to the management that they support their travel costs to visit sick workers, the company refused (Interview VW10).

Apart from these changes, the Viet Garment union continues to operate as it did before Doi Moi. According to the union chairwoman, most of her time was devoted to organising social campaigns including HIV/AIDS prevention in the workplace; elimination of smoking in the workplace; traffic safety; and holding company events such as the anniversary of President Ho Chi Minh’s visit to the company, the anniversary of the company’s establishment, and the anniversary of the company’s reception of a labour medal. At the factory and production line levels, union officers are responsible for visiting sick workers to give sickness allowances, collecting union dues, and handling workers’ grievances. However, the shortage of funding for the shop stewards to carry out the union job, such as the travel expenses mentioned earlier, has discouraged them from all union tasks except for the collection of union dues. A worker commented:

The shop stewards only collect union dues. They receive 20 thousand dong per month for union allowance but that is not enough to travel to visit sick workers or attend weddings. The union proposed to the company for additional support but in vain. Now many shop stewards have been discouraged from union tasks. If a worker has a grievance, he/she has to fight for him/herself (Interview VW10).
In short, although the union has lost a substantial part of its influence within the company, it has drifted further towards management. For workers, such change means a loss on both fronts — on one hand, they have lost the generous welfare package; and on the other hand, the union has become even more subservient to the company, leaving them totally unrepresented.

Collective bargaining
Collective bargaining was introduced in Vietnam in 1995 with the promulgation of the Labour Code. Either the enterprise union or the employer can initiate the bargaining process (1995 Labour Code, Article 46). The law encourages employers and unions to negotiate benefits better than the minimum legal standards (1995 Labour Code, Article 44); however, a collective bargaining agreement will still be eligible for registration at the local labour administration if it does not improve upon the law. There is no requirement that a collective bargaining agreement be the outcome of good faith negotiation between labour and management. Therefore, although the national labour movement recorded a high coverage of collective bargaining agreements (70 per cent in state-owned companies, 50 per cent in unionised foreign-owned companies, and 20 per cent in unionised domestic private companies (Clarke et al. 2007: 12), the Ministry of Labour admitted that over 90 per cent of these agreements were simply a replication of the labour legislation rather than the outcome of real negotiations (MOLISA 2007).

The practice of collective bargaining at Viet Garment reflects, to a greater extent, the general situation described above. According to the HR manager and union chairwoman, the company concluded the first
collective bargaining agreement in 2002 and has renewed it every three years. The collective agreement has usually been drafted by the HR department. The union chairwoman believed that the HR department was in a better position to draft the agreement than the union because they knew how to produce ‘a good agreement’. She stated:

The HR department was assigned to draft the collective agreement... We have to be very careful to produce a good agreement because the auditors will pay due attention to it (Interview VU1).

What she meant by ‘a good agreement’ was one that met the corporate social responsibility (CSR) requirements of the international clients rather than regulating the employment relations of the company. Compliance with the CSR code of conduct has been a necessary condition for Viet Garment, like many other export companies in Vietnam, to secure supply contracts with international clients. A senior marketing officer explained:

In order to export to developed markets, our compliance with the CSR requirements of the clients, especially the European ones, is very important. The CSR requirements include labour standards, environmental standards, and control of production process, quality management, and factory security. The client often hires an auditing company to conduct regular monitoring. The auditor’s reports are sent to the clients and shared with other clients in the clothing industry through a website. If auditing reports are not positive, the clients will not want to work with us (Interview VM3).

Having a valid collective agreement is one of the requirements in the CSR code of conduct. That was why both the union and management were more concerned about making an agreement that met the clients’ demands, rather than using the agreement as an instrument to regulate employment relations in the company.
According to the union chairwoman, the factory union officers have the responsibility to inform workers about the collective agreement in negotiation. She explained the collective bargaining process as follows:

The HR department was assigned to draft the collective bargaining agreement and then the draft was given to the union executive committee to make a contribution. Then it was passed to all the factories and departments for consultation. After that, the management and union discussed and signed the final agreement (Interview VU1).

However, among the workers interviewed at Viet Garment, only two understood what a collective agreement was, but neither of them knew anything about the existing agreement of the company. The HR manager admitted that the benefits provided in the collective bargaining agreement, which were higher than the legal standards, included birthday presents for workers; and allowances for sickness, wedding, funeral and maternity benefits. Yet, except for the birthday present provision, all of the mentioned benefits had already been provided by the company even before the collective agreements were negotiated. In other words, the collective agreement of Viet Garment was primarily a repetition of the labour law and it was signed not out of negotiation, but in response to the requirement of their international clients.

Handling of complaints and dispute settlement
By law, there are two channels for grievance handling. First, workers can submit petitions to their immediate supervisors. The shop stewards will be consulted when management address the complaints. Second, workers transfer their complaints to shop stewards, who then talk to shop floor managers to handle the grievance. If they fail to settle the complaint, the case is passed upward to higher union-management levels. Apart from these two channels, Viet Garment
recently set up suggestion boxes, as required by the international clients’ CSR code of conduct, to receive complaints from workers. However, all of these formal channels for grievance handling at Viet Garment have been moribund for a number of reasons. First, according to workers interviewed, shop stewards were reluctant to forward their grievances to management.

On the other hand, workers know that if they complain through the official union channel, the case will be moved up to the factory union officer who is also their shift leader and ‘if the managers know who makes the complaint, that person is finished’ (Interview VW4). Complaints have rarely been found in the suggestion boxes either. The union chairwoman declared:

I open suggestion boxes every week but I rarely find any complaint inside. The company situation has been stable; the management has taken good care of workers so workers do not have grievances (Interview VU1).

However, the explanation from the workers is in contrast with what the union chairwoman claimed. The workers interviewed stated that they would not drop complaints in the suggestion boxes because the suggestion boxes are installed in places where they will be easily identified. One worker, for example, explained sarcastically why he never put his complaints in the suggestion box:

There is a suggestion box just outside the factory’s gate but it is stained with spider webs covering all over. No one would use it because if so, everyone in the factory knows that you have made a complaint (Interview VW7).

The absence of complaints from workers does not necessarily reflect the workers’ satisfaction with their employment conditions. While the workers prior to privatisation generally accepted the wages and working conditions fixed by the state and a soft working environment,
as soon as the company shifted into a more profit-driven enterprise, with work pressure intensified and working conditions worsened, workers started to show their anger and discontent towards their supervisors. A team leader commented:

Workers now are different from workers in the past. They are more aggressive and dare to claim for their interests. I have to treat workers in my team well or they will complain to my boss and I will be criticised. I know one team leader who was disciplined for insulting workers (Interview VM4).

An experienced worker compared the younger workers’ attitudes towards management now, with that of his generation:

In the past, I never dared talk against my supervisor. Now, workers, especially the male workers, argue back spontaneously if they disagree with their supervisors or they just quit (Interview VW10).

The changes in the workers’ attitudes towards management imply that complaints should have emerged more often than they have appeared. But how have these grievances been raised and settled? The following section addresses this question by analysing the workers’ informal activism.

Informal Worker Activism

Workers After Privatisation: A Segmented Labour Force

The privatisation in 2005 was described by the HR manager as ‘a benchmark of the labour force development’ (Interview VM1). Before that, management could not decide upon the number of new recruits. Since the payroll and salary budget were determined by the state, they had to submit a proposal to the Ministry of Industry for approval before they could recruit new workers. After privatisation, state subsidies were withdrawn and the company was given the autonomy towards its labour force and salary budget. Viet Garment subsequently
replaced a part of the old labour force with new recruits. Older workers were offered a lump-sum compensation to leave before retirement age. According to the HR manager, over 300 workers retired in 2005 and a large number of new workers were recruited. The labour force rapidly increased from 6,000 in 2004 to 10,000 in 2006 (Interview VM1). The vast majority of the new recruits were migrant workers from neighboring provinces. The HR manager explained:

The workers recruited in the last five years came mostly from other provinces because the local workers have more job opportunities and they no longer found working for Viet Garment attractive enough (Interview VM1).

From the perspective of new labour history, the workers’ community lives play a crucial role in explaining their solidarity and collective power alongside the workplace structure (Benson 2003: 117). It has been argued by some commentators that the basis of either power domination or subordination in the community and the workplace are in fact reinforced by, rather than separated from, each other (Chan and Senser 1997; Pun 2005; Chan 2008). Deyo (1989: 9) claims ‘variation in the structural and community factors provides a sound basis for explaining differences in the power of workers … to sustain autonomous class politics, oppositional ideologies, and organised resistance to elite controls’. Viewed from this perspective, the community of Viet Garment workers hardly provides a strong basis for the development of labour solidarity.

Managers and workers of Viet Garment and their families live in the neighborhood surrounding the company, which is geographically separated from other companies in the area. In the late 1940s, this area was covered by rice fields and swamps. When the company was built, four collective living quarters (‘khu tap the’) were established to
accommodate workers who migrated from other provinces to Hanoi. The *khu tap the* was built according to the Chinese model for collective living, with communal toilets, kitchens, and public dining halls. The rooms were designed to accommodate single workers, but as workers got married, some rooms became one-room family flats. Cooking is carried out along the corridor outside the rooms. During the centrally-planned period, all workers were given a place to live in the *khu tap the*. In the early 1980s, when the number of employees exceeded the rooms provided by the *khu tap the*, the company decided to allocate land for workers to build their own houses. The priority rankings, which determined who received the land first and how large it would be, were based on the employee’s responsibility, years of experience, and contribution to the company. This naturally rendered the best pieces of housing to managers.

After privatisation, thousands of younger workers migrated from other provinces to work for Viet Garment. But the company no longer provided housing for them. Instead, they had to rent flats either in the *khu tap the* or from the older workers and managers who now owned houses in the area. The outcome of the housing policy of the company in the last 50 years is a community made up of three groups. The first group includes managers and former managers who live in self-built three to four-storey houses. The second group consists of older workers who have been allocated rooms in the *khu tap the*. The third group is made up of the younger migrant workers who have come to work in Viet Garment after its privatisation. They live in rented rooms provided by the managers or in the *khu tap the*. 
The community structure adds two dimensions to the labour-management relations at Viet Garment. First, the labour-management relations are extended from the workplace to the community, in which managers are landlords and migrant workers are tenants. Workers in the community were very reluctant to talk to strangers. Some workers told the researcher that if they were seen talking to outsiders, their managers might suspect that they were speaking ill of the company to reporters. Second, there is a division among rank-and-file workers. The older workers who remained after privatisation are in their 40s or older while most of the newly recruited ones are under 30. The older workers have been settled in the community for a long time. They have set up their family here and own their houses. A majority of younger workers, however, live away from their families and have to reside in rented accommodation. An observation of the community showed that younger, migrant workers tend to socialise more with one another rather than with older workers.

The differences between the two generations of rank-and-file workers are further widened by their labour market status. Most of the older workers who joined Viet Garment in the 1980s are now in their 40s, which means that they would have few employment opportunities if they quit their current jobs. The younger workers, on the contrary, are mostly in their 20s and enjoy a much better labour market status than their older workmates. This variation in labour market status implies that the exit option is more available for the younger workers than the older ones.

In the workplace, younger and older workers work together in production lines but most team supervisory positions, including team
leaders and sub-leaders, are occupied by the older workers. The demarcation line between the younger workers and the older ones, who have not become team supervisors, is further widened by the company’s policy to treat the latter differently. While workers are paid on piece rate, the salaries of team supervisors are paid on the basis of workers’ productivity, which means that the former will enjoy higher income if the latter work harder and better. This remuneration policy has meant that the team supervisors’ salaries depend on the productivity of the workers. Also, team leaders are Communist Party members. The Party membership renders them accountable to their Party supervisors who are, at the same time, the managers. Both their individual interests and their political obligations have separated the team supervisors from the rank-and-file workers.

The community of Viet Garment’s employees presents interesting similarities with the labour housing in Chinese SOEs. The communities of SOEs in both Vietnam and China are hierarchically integrated reflected through different employees’ housing (Unger and Chan 2004). The SOE employees live in the same community but their housing status is determined by hierarchical order in the company. As indicated in the case of Chinese SOEs, such communities tend to facilitate informal negotiations rather than formal confrontation among members (Unger and Chan 2004).

**Forms of Informal Worker Activism**

The abovementioned differences between the older workers and the recently recruited younger workers have resulted in the growing divergences in their workplace strategies. Despite the changing employment relations, most of which have been negative for the
workers, a majority of the older workers expressed their acceptance. A 45-year-old female worker admitted that her working conditions have degraded compared to the time prior to privatisation, but she had no alternative but to accept the situation:

Compared with the time before privatisation, I think working conditions have got worse. We have to work more but our wages have not increased accordingly. A lot of workers in my team quit in 2006 because the wages were too low; but I did not want to because I am 45 years old and I will retire in five years. If I quit now, the company may refuse to transfer my social insurance book and I may lose my pension (Interview VW6).

The expression of discontent among the older workers has been mainly expressed through absenteeism. A male worker at Factory 2 who has been working for Viet Garment since 1987 became frustrated with the intense workload and low wages. He took sick leave as a way of withdrawal from the workplace. He stated:

If a new product line is too difficult or the calculation of piece rate seems unfair; for instance, it takes an average worker 2 seconds to produce one product but the company pays for 1 second only, I will take sick leave. What I did was to bribe the doctor in the nearby hospital to sign a sick leave application form for me. Then I can take a month off. Now taking sick leave has become pervasive among workers (Interview VW10).

Taking sick leave in this case was more of an individual decision to temporarily withdraw from the workplace rather than show explicit resistance to management about the working conditions. Sick leave as workers’ resistance was also found in Japanese workplaces in the early 20th century (Gordon 1985). However, while the Japanese employers responded by hiring doctors to check on workers on sick leave, Vietnamese managers put up with this informal resistance. The experienced workers were asked to do the job of sick-leavers and they would receive additional payment at the end of the month. The younger, migrant workers, by contrast, have opted for more
confrontational forms of expressing their discontent. During the period from 2004 to 2008, the younger workers of Viet Garment referred to three major types of activism: informal grievances, mass absenteeism, and mass exit.

**Informal grievances**

When the formal grievance handling channels are moribund, the younger, migrant workers have found informal ways to forward anonymous complaints to the managers. Some workers sent their petitions, usually anonymously, through the postal service to the company; while others secretly dropped notices of grievances into the managers’ offices. But the most popular way, according to the interviewed workers, has been using the mobile phone. Most of these complaints deal with issues that cannot be decided at the team level, including overtime hours, wages and benefits, working conditions, and particularly grievances of workers regarding their team leaders. For example, a worker in the cutting section of Factory 5 solved his dispute with the team leader by sending a mobile phone text message to the factory director:

> The first time I texted the factory director was when I was insulted by my [team] leader. I was new so I was a bit slow. He scolded me badly and I got angry. I asked a friend the cell phone number of the factory director and texted her. I cannot remember exactly what I said then but basically I told her that “this team leader insulted me when he is supposed to coach me. I am very upset and I do not know if I should go to work tomorrow”. I sent the message without much hope of getting feedback, but she did text back, saying that she would deal with the problem. Then, the shift leader gave warnings to all team leaders not to insult workers anymore (Interview VW7).

Viet Garment management has consistently followed the principle of addressing a worker’s individual grievances as soon as they emerge. Therefore, even though the formal grievance handling system is
ineffective, management has actively responded to workers’ informal complaints. Some managers, such as the directors of Factories 1, 2 and 5 and the general director herself, have publicised their mobile phone numbers to workers and have encouraged them to call or text them when they need support. Most complaints voiced through these channels have been accommodated or at least actively responded to by the managers. One of the reasons for the management concessional response to workers’ informal grievances is their fear of labour conflicts, especially after the explosion of wildcat strikes in the Southern provinces in the early 2006 and 2007. Also, as labour shortages became increasingly severe during this period, workers gained more bargaining power over management.

Despite this informal accommodation of individual worker demands, management has made no further attempt to revise the formal grievance handling mechanism, or systemise and integrate these informal channels into the system. The plausible reason was the lack of mobilization capacity of the workers reflected in the absence of collective actions.

**Absenteeism**
As described earlier, some older workers referred to sick leave as a way of withdrawing from the working environment that they were not comfortable with. In the case of younger workers, absenteeism has also been used, but more as an explicit and collective resistance to management than an individual decision. In the end of 2007, the Industrial Engineering (IE) division re-measured the piece rate in order to improve productivity and reduce unnecessary costs. They concluded that the piece rate should be halved, which also meant that
workers’ wages would be subject to serious reduction. The workers at Factory 5, where the new piece rate was first applied, refused to sign the form of consent and most of them took sick leave for the next two days. A worker from Factory 5 described the situation then:

When the new piece rate was introduced, none of us agreed with the decision. The shop steward in the team was also angry about the reduction but she could not help us because her union boss was the shift leader himself. The team leader knew that we were angry about the decision but she kept silent. I guess that she told the shift leader what we were talking about. Suddenly in the afternoon, the workers told each other that we would not go to work the next day. I think the boys in the cutting section started it up. The next day, all the Factory 5 workers took sick leave. Only the team leaders turned up at work (Interview VW4).

According to the managers though, the piece rate reduction did not create an income loss for workers. The following is an explanation from a Factory 5 shift leader who was also the union vice chairwoman of Viet Garment:

When we adjusted the piece rate in early 2007, it created strong reactions among workers. It was a hard time for us. We have 700 workers and we had to explain to each of them the new piece rate. In fact, we did prepare well for the adjustment. We asked the IE team to televise the standard production process then we showed it to workers. After that, an IE specialist carried out the standard production actions again for workers to observe. Still, workers got angry. They misunderstood that their wages would be lowered. Actually it was not like that. Each factory receives a fixed target of production value. The cake is the same: if the workers receive higher wages, their bonus will be reduced and vice versa (Interview VU2).

The fact that factory production stagnated in the middle of the high export season caused management to act quickly. They decided to compensate the workers so that their final income remained the same. Team leaders were required to visit their workers and persuade them to return to work. As a result, on the third day, most workers got back to work while a few quit. In the next two months, the company made
compensation for workers’ income loss due to the new piece rate. Though the compensation was gradually reduced and workers were urged to improve their productivity. In response, workers either tried to increase their performance or quit their jobs.

This incidence was the first and only collective action by the workers but it failed to lead to a more strategic change at workplace. Workers were satisfied with management promise of compensation and did not resort to another collective action when the compensation was later withdrawn. Among other reasons including an unsupportive community and fragmented labour force, the lack of leadership can best explain weak mobilization capacity and thus; the absence of collective actions in this case. Studies of workplace resistance in other East Asian countries during the early industrialization period indicated that rank-and-file workers had to rely on the leadership of either foremen, as in the case of postwar Japan, or labour activists in the case of Korea in the 1970s, or team leaders and gangsters in the case of contemporary China (Gordon 1985&1998; Koo 2001; Chan 2008). At Viet Garment, those who have conditions to be workers’ leaders such as team leaders or the older workers were totally drawn to the company through the offer of bonus, welfare benefits and Party membership.

Mass exit
The HR department reported an average annual labour turnover rate of 5 per cent, which was remarkably low compared to the average rate of 25 per cent per year for the garment-textile sector (VCCI 2009). However, the fluctuations of the labour force between 2004 and 2008 reveal that the company faced considerable labour turnover. From
2004 to 2006, the company increased its workforce from 6,000 to 10,000 because of privatisation. However, by the end of 2007, as stated in the report to its mother company, Vinatex, the labour force was 8,500 (Vinatex 2007). By the end of 2008, this figure had dropped again to 6,700 (Viet Garment Brochure 2008). This meant that from its peak in 2006, the labour force of Viet Garment fell by 33 per cent in two years, with a reduction of 3,300 workers. At the end of 2007, the union vice chairwoman reported that, due to the shortage of labour, the company had to arrange for workers to work in one shift instead of two (Interview VU2). She admitted that one of the reasons, if not the most important one, for such a labour reduction was the exit of a large number of the younger workers in response to the changing employment relations.

The managers who were interviewed refused to reveal the exact number of workers who quit, except for the estimated attrition rate of five per cent. However, the interviews with workers and team leaders revealed that there have been at least two major waves of mass exit since the company’s privatisation in 2005. The first wave of exit happened in 2006 after the G-Pro system was installed. As described earlier, this productivity checking system not only increased the work pressure on individual workers but also created tension among workers in the same production line. Public denouncement through the loudspeaker system became a nightmare for most workers, especially the new ones or the slower workers. A female worker who was running a small food stand after resigning from Viet Garment a few months after G-Pro’s installation recalled:

"The productivity checking system was terrible. I was new and inexperienced then, so I kept making mistakes and affected the productivity of others in the line. The team leader and sub-leader talked at me, even insulted me badly. The wage was extremely
low and the productivity bonus was unstable. This month, the bonus was 560 thousand dong, next month it dropped to 280 thousand dong. We asked the team leader but she scolded us, saying ‘if you do not want to work, go home’. So I decided to quit and set up this food stand. The income is not higher but at least I feel comfortable, not insulted by anyone (Interview VW8).

This worker was not the only one who felt that way. After the installation of the G-Pro system in June 2006, the wave of exits increased dramatically and peaked after the traditional Lunar New Year (Tet). Although the exact number of workers who resigned was not revealed by the company, in early 2007 the company announced a recruitment target of 1,000 to fill the vacant posts of production lines. However, according to one manager, they only recruited a third of the numbers required. To discourage workers from quitting, the company required workers to submit their resignation letters at least one month in advance as a condition for receiving their social insurance book and severance allowance. Yet, many workers resigned immediately after filing the resignation letters or even without any notice to management. A worker who quit without receiving the social insurance book said:

I filed the resignation letter and thought that I would wait for one month to get the social insurance book and severance allowance. But after two weeks, I felt I could not suffer any more the terrible tension and pressure there, so I just left. A friend of mine worked there for four years but she had to wait for months before receiving the social insurance book. The managers delayed settling social insurance for us to prevent us from resigning but that could not stop many more workers from leaving the company (Interview VW4).

Soon after the first wave of mass exit, in 2007, Viet Garment applied a new piece rate which was only half of the old one. As mentioned earlier, many workers at Factory 5 took sick leave for two days but returned to work after management promised to keep their income the
same via wage compensation. Nonetheless, as wage compensation was withdrawn two months after that, many workers found their wages reduced significantly. They were faced with two options: one was to double their productivity so as to achieve the wage level they had before, while the other option was to quit and look for a new job. A worker who decided to stay explained:

I earned around 1.5 million dong per month. To achieve that level, my productivity used to be 500 to 600 items/day only but now I have to get 800 or even 1100 to receive the same amount of money. The work is hard but I have no choice but to try because I have a small son and my husband is also working here. If I find a new job elsewhere, the whole family will have to move too (Interview VW5).

For many other migrant workers who did not have similar responsibilities and concerns, ‘exit’ became the way to express their discontent and seek better jobs. According to the researcher’s own calculation, throughout the year of 2007, at least 800 workers left Viet Garment, most of who were younger workers from other provinces.

The exit of thousands of workers alarmed management, who now found it harder than ever to recruit new workers. In an effort to calm workers down, the company required shift supervisors not to criticise workers on loudspeakers. Instead of checking productivity every hour, shift leaders would now check every two hours and if a team was lagging behind, they would talk to the team leaders rather than criticise the workers. A worker commented on management’s reaction:

The G-Pro system helps improve productivity because it records accurately our production. But the team leaders and managers overused it by pressing too hard on workers to raise productivity. Some team leaders even reduced the productivity record of workers in the system as a punishment. It resulted in strong reaction from workers, many already quit and the company ran into labour shortage. Now, the management only use G-Pro to
record productivity and refrain from pressuring workers (Interview VW10).

Also, by the end of 2007, the company decided to double the piece rate for workers. Still, until the end of 2008, Viet Garment had not been able to recruit enough workers to make up for the labour shortage. To continue production, the company moved their factories to other provinces to obtain new supplies of local workers while reducing their labour costs. By 2008, three more factories had been established in neighboring provinces.

Changes have subsequently occurred in the labour relations approach taken by Viet Garment management in the Hanoi factories. Since March 2008, management has initiated annual labour-management meetings at the factory level. Such labour-management meetings were not a new activity for a state-owned company like Viet Garment. In fact, they usually organised a Workers’ Congress (Dai hoi cong nhan vien chuc) every year at the company level. However, only a small number of workers, often the most loyal ones, were selected to attend. When asked who he usually chose to attend the workers’ congresses, a team leader said:

Of course I chose the workers who know how to behave in such meetings. No one wants the workers who cause trouble by raising complaints or arguing with the managers to get there and spoil the meetings (VM4).

A male worker who once attended a congress revealed that management often prepared certain questions for some workers to put forward during the meeting, while others were not allowed to talk (Interview VW10). Many workers referred to the workers’ congress as a ‘formality’ where the workers’ voice was often suppressed or ignored (see, for example, Interviews VW5, VW7 and VW10). But in March
2008, labour-management meetings were organised for the first time at the factory level, which all workers were allowed to attend. The workers also had the chance to voice their own queries to company leaders, union officers and factory managers about wages, benefits, working conditions and even worker-supervisor relations. The managers are supposed to respond to these queries expeditiously. The first questions raised, understandably, were about a wage increase but the factory managers refused. A worker who attended the labour-management meeting at Factory 2 recalled:

> At the beginning of the meeting, many workers asked for higher wages but the factory manager said that the company was facing a lot of difficulties because of the financial crisis and it was not the right time to demand higher interests. So we raised questions about other matters instead (Interview VW5).

Although there was no collective call for improving workers’ interests, some workers voiced their complaints about the discriminatory treatment between workers and supervisors. A worker put it this way:

> In the last meeting, a worker who is well-known for having high productivity stood up and asked the factory manager why workers’ wages were deducted by ten per cent if they took sick leave, whereas managers could count their days off as annual leave. All the workers in the meeting applauded in her support (Interview VW10).

The managers reportedly replied by promising consideration of workers’ demands, but the workers interviewed remained skeptical about management’s goodwill to address their concerns. One stated:

> I think the managers just pretend to accommodate our complaints but after that they would not do anything for improvement (Interview VW7).

By the end of 2009, despite the initial effort to create a forum for labour-management discussions, Viet Garment remained unwilling to accept workers’ complaints and criticisms. There has not been a
systematic change to receive and settle workers’ grievances or to allow them to participate more substantially in the decision-making process of the company. This was probably due to the fact that the workers were not able to launch successful collective actions against management despite their informal and mostly individual, ways of resistance. The piecemeal efforts by management to communicate with workers through workers’ congresses or informal accommodation of their grievances were more likely motivated by the need to prevent workers from leaving than allowing for more participation. When compared with the experience of labour activism in postwar Japan, Korea in 1970s, or contemporary China, the SOE workers in Vietnam lack three important factors for successful collective actions: first, the labour force is hierarchically divided, especially between workers employed before and after privatisation, both at workplace and in the community. In Korean industrial zones before 1987, the fact that workers shared the same sorrow and anger against injustice underlied their mobilization power (Koo 2001). The division among workers at Viet Garment, by contrast, has weakened the sharing of discontent and anger against management among different groups of workers. Second, workers did not have proper leadership. While foremen, team leaders or labour activists were often the leaders of workers in Japan, Korea or China during the peak of labour activism, the Viet Garment team leaders and even experienced workers employed before privatisation were drawn to the company through a system of generous rewards and political commitment. Finally, the informal web of social network based on familial ties and connections that exists in parallel with the formal labour-management relations has not only reduced workers’ resistance to informal efforts but also obstacled workers’ capacity to strike collective actions.
Conclusion

Since the launch of Doi Moi, the manufacturing sector has become an important engine of growth for the economy. However, most manufacturing firms participate in the international production chain at the low value-added end, involving assembling and packaging. Reliance on imported materials and fierce competition on the basis of costs has forced the manufacturing sector to focus on reducing production costs and raising productivity. In that context, the shift of Viet Garment from a fully subsidised state-owned company in a command economy into an autonomous economic institution has had a significant impact on its employment practices. Before privatisation, the employment practices were adopted to build a harmonious social institution rather than an economic enterprise. As the terms and conditions of employment were fixed by the state, there was little work pressure and work discipline was loose. The trade union functioned as a part of the company management, reporting directly to the Party Committee. Workers refrained from disputes with management for fear of losing their jobs and welfare benefits, as well as affecting their relatives who were also working in the company.

As soon as the company was privatised and embarked on exporting to international markets, competitive pressure intensified and forced management to revise their employment strategy. Based upon a cost-based competition strategy, the company has made a number of adjustments to reduce costs and boost productivity. These adjustments though, have caused the working conditions to deteriorate and have created tensions in the labour-management relationship. However, the official instruments for settling such growing labour-management tensions are largely moribund. Collective
bargaining was more a formality in response to the international client’s requirements than the outcome of real negotiations. The collective agreement was practically copied from the labour legislation and provided few benefits for workers. The grievance handling system was completely ineffective and few workers ever used it. The trade union has become even more subservient to management and continues to function as an extended arm of the company. The fact that most union officers are managers has also discouraged workers from seeking support from the company union.

The privatisation of Viet Garment has also entailed the expansion of the workforce, with the entry of thousands of young migrant workers who do not share the same background, living conditions, labour market status, or interests of the older workers. While most older workers accepted the changes and showed no explicit reaction to management, it is these younger migrant workers who have expressed their resistance to management through informal activism, including absenteeism, unofficial complaints and mass exit.

The adverse reactions of the migrant workers and the pressure of labour shortages have caused some of the managers to change their approach. A few employment practices, such as productivity pressure at the shop floor and piece rate definition, have been improved. The managers have become more responsive to informal workers’ grievances and have recently given workers an opportunity to voice their concerns through the Workers’ Congress. These adjustments, however, resemble more of a pragmatic response to worker activism than a strategic change in management’s employment relations approach.
CHAPTER 6

Informal Worker Activism and Changing Labour Relations in the Workplace: The Case of Japan Electronics Vietnam

Introduction

I am not afraid of going on [wildcat] strike because I think that is our right. If other companies raise wages but our company does not, then we have to go on strike to fight for our own interests.

But all workers should go on strike together; otherwise, our strike will be crashed immediately.

(A worker of JEV, interviewed on 28 December 2008)

Chapter 6 discusses the adaptation process of labour relations in a Japanese-owned electronics company in Vietnam. In comparison with the case of Viet Garment described in Chapter 5, Japan Electronics Vietnam (JEV) has experienced more dynamic changes, especially in the relationship between the Japanese management and the Vietnamese rank-and-file workers in the period of 2004–2008. This chapter begins with an introduction of the firm and its employment practices. The second part of the chapter is devoted to discussing the labour relations system in the workplace and the informal organisation of workers and their activism. Finally, the chapter comparatively reviews the two cases of Viet Garment and JEV.
Japan Electronics Vietnam (JEV)

The MNC that owns Japan Electronics Vietnam (JEV) has pioneered the plastics industry in Japan for the last 50 years. It recently extended production to sophisticated electronic components such as phenolic resin, flexible printed circuit (FPC), resin laminates, and epoxy resin moulding compounds. As the production of these electronic parts requires an innovative technology exclusively developed and owned by the corporation, it had been hesitant to join the overseas outsourcing trend in the developed world until the late 1990s, when economic depression in Japan worsened and was coupled with rising labour costs. In 2002, the corporation had to extend its overseas production network to weather the regional economic fluctuations and make use of cheap labour in developing countries. In the 2003 Annual Report, the President of Japan Electronics regarded the extension of overseas production as one of the major priority strategies of the corporation:

We will strive to build a rock-solid management foundation that is more immune to the economic vagaries of any given geographical region by raising the ratio of overseas production to over 50 per cent. Further, we will make strenuous efforts to reduce costs by continuing to promote overseas production of precision moulded products, medical devices, flexible printed circuit boards... and other products (Japan Electronics 2003 Annual Report, June 2003).

The FPC, which is an important component of electronic equipment such as computers, wiring and interconnections of mobile phones and LCDs (liquid crystal display), was originally produced in the Japanese factories of Japan Electronics, and then in its subsidiary in the Philippines. In 2002, Japan Electronics set up its first factory in Vietnam because, according to the JEV general manager, ‘the labour cost here was just one sixth of that in the Philippines’ (Interview JM1).
In other words, the establishment of JEV was primarily motivated by the need to reduce costs, especially related to labour.

In the first two years after establishment, the mother company gave the Vietnamese subsidiary simple orders for one-layered circuit boards. The more sophisticated multi-layered items were produced in the factories in Japan and the Philippines. In 2004, upon realisation that labour skills and productivity of Vietnamese workers had reached the level of those in the Philippines, whereas the labour cost in Vietnam was much lower, orders for two-layered circuit boards were produced in Vietnam and a second factory was set up next to the first one in 2004 (Interviews JM1 and JM2). Production peaked in 2005 and 2006 when the two factories ran at full capacity. In late 2007, financial difficulties forced the mother company to close down half of the Philippine factory and convert the Japanese one into a research institute. Production of FPCs was totally moved to JEV.

While Viet Garment has to seek export orders, JEV receives production orders from the mother company via trading offices in Hong Kong and Singapore. As FPCs are intermediate products, most production is exported back to Japan for final assembly or sold to manufacturers in Europe and America. Market pressure on JEV, therefore, is not direct but passed down from headquarters. According to the HR deputy section manager, JEV does not have to compete with local competitors or other subsidiaries of Japan Electronics (Interview JM2). Still, the Japanese headquarters place constant pressure on the Vietnamese subsidiary to lower production costs and continuously improve quality. For instance, the headquarters has been urging JEV to gradually replace expatriate managers with locals, while reducing the
accommodation and travel allowances for expatriates. It recently set a target for JEV to reduce the proportion of faulty products from the current level of 13 per cent to 5 per cent (Interviews JM1 and JM3). JEV has to submit monthly reports to headquarters on production, quality, labour policy and remuneration. All decisions concerning recruitment, retrenchment, appointment of high-ranking managers, or wage adjustment must be approved by the mother company.

Similar to Viet Garment, all of the materials and components of the circuit boards at JEV are imported from Japan. The production at JEV, which mainly involves the assembly of one- and two-layered circuit boards, relies on a large number of unskilled workers. As seen in Table 6.1, rank-and-file workers accounted for 95 per cent of the local labour force in 2008. The labour structure of JEV is characterised by the preponderance of female migrant workers who came from neighbouring provinces of Hanoi. The explanation by management for the number of female workers is their preference for women’s nimble fingers, particularly in handling tiny parts of the circuit board (see, for example, Interviews JM1 and JU1).
Table 6.1: JEV’s labour structure in 2004 and 2008

<table>
<thead>
<tr>
<th>Labour Structure</th>
<th>2004</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Vietnamese Labour Force</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workers</td>
<td>1,400</td>
<td>3,200</td>
</tr>
<tr>
<td>Average Age</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>Female manual workers</td>
<td>95%</td>
<td>95%</td>
</tr>
<tr>
<td>Migrant workers</td>
<td>60%</td>
<td>80%</td>
</tr>
<tr>
<td><strong>Staff</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Age</td>
<td>30</td>
<td>25</td>
</tr>
<tr>
<td>Female staff</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td><strong>Japanese Workforce</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japanese Management</td>
<td>42</td>
<td>120</td>
</tr>
<tr>
<td>Permanent employees</td>
<td>21</td>
<td>60</td>
</tr>
<tr>
<td>Short-term employees (technical experts)</td>
<td>10</td>
<td>20</td>
</tr>
</tbody>
</table>

Source: produced from the statistics provided by the HR Department of Japan Electronics Vietnam

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Table 6.2: Average salaries of Vietnamese managers and staff in JEV, June 2008 (in USD)

<table>
<thead>
<tr>
<th>Grade</th>
<th>Basic Salary</th>
<th>Responsibility Allowance</th>
<th>Monthly Income</th>
<th>Performance Bonus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deputy Section Manager</td>
<td>600</td>
<td>80</td>
<td>680</td>
<td>Set on an individual basis by the Japanese managers</td>
</tr>
<tr>
<td>Engineer</td>
<td>450</td>
<td>70</td>
<td>520</td>
<td></td>
</tr>
<tr>
<td>Senior staff</td>
<td>300</td>
<td>60</td>
<td>360</td>
<td></td>
</tr>
<tr>
<td>Technician</td>
<td>270</td>
<td>40</td>
<td>310</td>
<td></td>
</tr>
<tr>
<td>Junior staff</td>
<td>270</td>
<td>40</td>
<td>310</td>
<td></td>
</tr>
</tbody>
</table>

Source: produced from statistics provided by the HR Department of Japan Electronics (seniority increase is added to the basic salary)
Table 6.3: Monthly wages of Vietnamese workers in JEV, June 2008 (in USD)

<table>
<thead>
<tr>
<th>Grade</th>
<th>Basic Wage</th>
<th>Basic Wage</th>
<th>Allowances and Bonus</th>
<th>Allowances and Bonus</th>
<th>Allowances and Bonus</th>
<th>Allowances and Bonus</th>
<th>Allowances and Bonus</th>
<th>Allowances and Bonus</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Respon-</td>
<td></td>
<td>Respon-</td>
<td></td>
<td>Seniority &amp; Perfor-</td>
<td></td>
<td>Total income</td>
</tr>
<tr>
<td></td>
<td></td>
<td>sibility</td>
<td></td>
<td>sibility</td>
<td></td>
<td>mance*</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Attendance</td>
<td></td>
<td>Travel</td>
<td></td>
<td>Overtime</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Team</td>
<td>54</td>
<td>27</td>
<td>2.5</td>
<td>3.1</td>
<td>3.75</td>
<td>19</td>
<td>109.3</td>
<td></td>
</tr>
<tr>
<td>leader</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-</td>
<td>54</td>
<td>16</td>
<td>2.5</td>
<td>3.1</td>
<td>3.75</td>
<td>19</td>
<td>98.35</td>
<td></td>
</tr>
<tr>
<td>leaders</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workers</td>
<td>54</td>
<td>0</td>
<td>2.5</td>
<td>3.1</td>
<td>3.75</td>
<td>19</td>
<td>82.35</td>
<td></td>
</tr>
</tbody>
</table>

Source: produced from statistics provided by the HR Department of Japan Electronics

* Seniority and performance allowances and overtime payment are presented here at average levels.

Employment Practices

While the local labour force is predominantly low-skilled migrant labour, the technical departments and management of JEV rely heavily on Japanese expatriates. In 2008, for instance, there were 40 permanent and 20 short-term Japanese working at the company. According to the general manager of JEV, a shortage of qualified middle-managers in the local labour market was the reason for the large number of expatriates (Interview JM1). However, as revealed by a local engineer and two senior HR officers, the underlying reason was the company’s protection of technological secrets from the local employees and management of product quality. The HR section manager who has worked for JEV since its establishment put it this way:

The Japanese strictly protect the technology of FPCs. They always arrange it so that the local staff and technicians cannot access the whole process of product design and production. The Vietnamese engineers only know fragmented parts of the technology but not everything. The Japanese are worried that the Vietnamese staff may leave the company and sell their technological secrets to a competing company. Also, there’s an issue of quality control. They [the Japanese managers] don’t trust the local staff so they send in
Japanese technicians to manage the quality standards (Interview JM2).

In pursuit of a competition strategy that stresses both cost and quality, JEV has adopted an employment approach that keeps down the wages of low-skilled labour while constantly reinforcing quality control. The emphasis on quality is vividly reflected in the 800 workers, or 25 per cent of the labour force, who are employed in the Quality Inspection Division. These are the best workers selected after recruitment and initial training because, as an HR officer explained, ‘the inspection workers should be good at all the skills required at Back and Front factories to be able to check product quality’ (Interview VM3). Before being transferred to the Inspection Division, product quality must be checked by each worker, assembly line and division. A technician explained that a thorough job description, and a guideline on standardised work practices and quality check were developed by the Vietnamese and Japanese technicians for each position in an assembly line at the Back and Front factories. Each production team is required to keep records of technical faults and work suspensions. If the client returns a faulty product, a meeting of all workers, technicians and managers at each factory will immediately be convened to trace the cause of the fault. Once the problems are identified, the job guidelines will be revised accordingly to prevent similar faults in the future (Interview JW1).

The JEV employment policy for local employees distinguishes the skilled workers (technicians and engineers) and office staff, commonly referred to as ‘staff’ (nhan vien), from ‘workers’ (cong nhan) including team leaders, sub-leaders and rank-and-file workers. In terms of remuneration, management keeps two wage tables for nhan vien and
The salaries for *nhan vien* are set and reviewed on the basis of the company’s profitability, inflation rate and local labour market conditions (Table 6.2). Due to the shortage of skilled workers in the local labour market, the company has tried to keep the remuneration package for its *nhan vien* competitive in comparison with other companies in the region. By contrast, wages for workers are set on the basis of the national minimum wage and are subject to adjustment only when the state changes the minimum wage. As shown in Tables 6.2 and 6.3, there is a large difference between the salaries of local employees in the ‘*nhan vien*’ category and those in the rank-and-file workforce. In fact, the entrance-level salary rate of a junior staff member is more than triple that of a rank-and-file worker (see Tables 6.2 and 6.3).

The remuneration policy of the Japanese management may be explained as follows. First, at the time when JEV was established, the minimum wage fixed by the government was relatively high compared to the average wage for unskilled labour in the market. A survey by the United Nations Development Program (UNDP) of living standards across different sectors in Vietnam between 1997 and 1998, found that the average wage for unskilled workers was 23 cents per hour, while workers in foreign-owned businesses earned 42 cents per hour (*cited in* Glewwe 2000: 1–4). It was a common practice among foreign employers, therefore, to pay workers at the minimum level so as to minimise their labour costs (Wang 2005). Second, during the first few years after JEV’s establishment, there was an abundant supply of unskilled workers from Hanoi and neighbouring provinces, whereas the skilled and labour professionals, including managers, office clerks and engineers, were scarce. The separation of remuneration policies for
cong nhan and nhan vien reflected the labour market conditions during that period. Third, the local law sets a high social tax of 26 per cent (19 per cent paid by the employer and 7 per cent by the employee) on the basic wage of workers. This regulation has influenced employers to keep the basic wage as low as possible while classifying any increases as non-taxable remunerations, such as allowances and bonuses.

While minimising wages for rank-and-file workers, the company maintains strict internal work rules. The internal work regulation contains 99 provisions, including various types of fines for violations such as bringing food to the factories, toilet absences of over five minutes, talking while working, taking days off without permission, and poor house-keeping practices. Remaining in the company after working hours without permission or using a fake identity swipe card may result in dismissal. Previous studies on employment relations in Taiwanese and Vietnamese assembly plants in Vietnam showed that such disciplinary practices were not unusual (Wang 2002; Chan and Wang 2004). Wang (2002: 8) found that the purpose of this fine-based disciplinary system, which is normally set by management without consultation with workers, is to increase work efficiency by standardising the body movement of workers and monitoring workers’ activities on the shop floor.

However, JEV’s employment relations policy, which minimised low-skilled labour costs while putting a heavy emphasis on quality improvement and labour monitoring, became increasingly difficult to achieve. This was due to high labour turnover and the shortage of manual labour that emerged and intensified between 2005 and 2008. The JEV general manager estimated the company’s annual labour
turnover to range from 30 to 40 per cent (Interview JM1). In 2005, the manufacturing industries of Vietnam faced an increasingly severe labour shortage, which emerged initially in the southern industrialised region and then quickly spread to other industrial zones in the country. During this period, JEV lacked the required number of workers to respond to a 20 per cent increase of production orders, and it had to lower its recruitment requirements. Previously, applicants had to be high school graduates and pass an entrance exam. The entrance exam was subsequently removed and, instead of waiting for workers to apply, JEV sent staff to remote provinces to look for potential workers. No school qualifications were required by the employers. Even peasants who were over 35 years old and school dropouts were accepted. The three-month training course for new workers was replaced by on-the-job training. The degradation of recruitment and training resulted in an increase in the fault rate from 5 to 15 per cent between 2005 and 2008.

As found in manufacturing industries in other East Asian countries, market pressure and local institutional arrangements are two environmental variables that influence the pattern of workplace relations (Frenkel and Harrod 1995). The strategic choice approach stresses technological innovation as yet another external impact on firm-level employment practices (Kochan et al. 1989). However, in the cases of both JEV and Viet Garment, technological innovation has not become as major a concern for management, compared to cost containment. Although JEV differs from Viet Garment extensively in terms of intra-organisational variables, including the nationality of the corporate owners (Japanese versus Vietnamese) and company affiliation (a subsidiary of an MNC versus a local firm), the two
enterprises show remarkable similarities in employment practices. Both based on a low-cost competition strategy, the two firms made use of an abundant and cheap local labour market and lax labour enforcement to contain costs and impose strict labour monitoring to prevent labour resistance. This finding agrees with Milkman (1991) that under common market pressure, foreign-owned and local companies may structure their labour relations similarly, where labour is plentiful and employed in routinised jobs managed by local managers.

**Labour Relations in the Workplace**

In line with the cost reduction strategy, the Japanese management initially adopted an authoritarian approach to the Vietnamese employees. Decision-making was restricted to the Japanese managers, blocking any form of local worker participation. Yet, only one year after the company’s establishment, the local employees managed to show their solidarity and reacted to the Japanese management by a well-organised strike. This first strike played a crucial role in the evolution of the labour-management relationship at JEV.

In October 2004, the Japanese management reviewed salaries for *nhan vien*, leaving production workers annoyed as management did not inform them at all that they would increase workers’ wages as well. At the same time, management was considering the reduction of half of the shuttle buses for the *nhan vien* from downtown to the factory in order to cut costs. This news leaked out to the local employees through the administrative staff. Discontent spread among the Vietnamese employees. A group of team leaders decided that they should give a warning to management. They sought the support and
advice of local engineers and staff. An engineer suggested that they should write a letter to the general manager to present the workers’ demands. The demands included an across-the-board wage increase of 30 per cent for workers, and the establishment and recognition of a union by the company. However, the staff’s concern about the reduction of shuttle buses was not incorporated in the petition because they did not want to provide evidence of their involvement. In the petition, the workers gave management one month to respond to the demands, otherwise they threatened to go on strike. Upon receiving the petition, the general manager did not take the threat of a strike seriously and consequently ignored it. The group of engineers and team leaders gave another petition to the general manager three days before the date of the strike. This time the general manager got angry:

I was furious. They asked for a 30 per cent wage increase and gave us three days notice. I thought these workers were ungrateful to us and I did not reply to their warning (Interview JM1).

Without any response from management, the engineers and team leaders found that they had no option but to realise the threat. Many workers did not know about the strike plan. In fact, they were ‘told by their team leaders not to go to work the next day’ (Interview JW2). The office clerks and engineers joined the strike because ‘when you live in a community you should support the majority’s effort, otherwise you will be isolated’ (Interview JU1). The strike day was called ‘a special Sunday’ by the workers, when no one except the Japanese managers reported for work. As stated in the petition, the strike lasted for exactly 24 hours. One hour before the strike ended, a few engineers and workers returned to the factories and turned on the machines to prepare for the resumption of production.
A few hours after the strike occurred, the general manager went to the local labour administration (Hanoi Industrial Processing Zone Authority (HIPZA)) and asked for help. A government labour official visited the company and explained to workers that what they did was illegal because the strike was neither organised by a union nor had it followed the legal procedures. The general manager was so furious that he intended to dismiss the workers who participated in the strike but the government labour official suggested to him that he should raise wages for workers and refrain from dismissing them, otherwise, the issues in dispute would become even more complicated (Interview JM1). The labour official’s response to the wildcat strike presents a curious contrast to the approaches of his counterparts in the communist China. In studying strikes in Shenzhen, China, Chan (2008: 118-130) pointed out that local government officials even resorted to violence to suppress workers on strike. Some police officers were said to disguise as workers and beat up the strike leaders. The Vietnamese labour official’s soft response to the strike was probably due to the fact that a considerable proportion of workers were locals, which is not the case in industrial areas in China (Chan and Wang 2005). Strong reactions to these workers might hurt his reputation in the neighborhood. Also, the national labour law provides for complicated procedures of dismissals and illegal dismissals are strictly prohibited. Participation in one-day strike is not prescribed as a legal reason for dismissal.

The general manager raised the wages for workers by 7 per cent instead of 30 per cent and restored the full provision of shuttle buses for the staff. Though the general manager did not dismiss workers on strike, he initiated an investigation into the leaders behind the strike.
However, the local workers showed a strong solidarity by not revealing who the strike leaders were to the Japanese management.

The strike was a ‘wake-up’ call to the Japanese managers. The organisation of the strike demonstrated the solidarity and mobilisation power of the local employees. Among the Japanese management, the general manager ignoring the workers’ petitions was regarded as ‘a mistake’ (Interviews JM1 and JM3). In order to prevent such mistakes, the Japanese management realised that they had to adjust their approach to labour relations.

The Role of the Trade Union

JEV is situated in the Thang Long Industrial Park, which falls within the administration of HIPZA. Due to the fact that the VGCL is the only recognised union organisation in Vietnam, the law grants the VGCL intermediary union organisation, in this case the HIPZA union, the authority to establish and recognise new enterprise unions. The procedure for setting up a new union, according to the union chairwoman of HIPZA, starts by persuading the employer to accept a union to be established in their enterprise:

The first step and the most difficult one in establishing a new union is to get the employer’s cooperation and permission. It’s like when you want to get into a house, you need the permission of the owner of the house (Interview U6).

In other words, the upper-echelon of the union regards employers as their key partner in establishing new unions. The HIPZA union chairwoman claimed that in 2003 and 2004, she suggested establishing a union a few times to the management of JEV but always received excuses from them (Interview U6). Although the Labour Code provides that a provisional union must be set up in an enterprise six
months after it starts operation, the lack of legal sanctions on employers that seek to avoid unions means that this provision has been rarely applied in practice. However, when the 2004 strike occurred, the Japanese management had to rely on HIPZA for help to settle the dispute. Using this opportunity, HIPZA suggested that a union be established to improve labour-management relations. The heat of the strike and the pressure from HIPZA made the Japanese management agree. Yet, they made sure that the union would be totally subservient to them by appointing the Vietnamese HR manager as the provisional union chairman. The HIPZA union not only approved the appointment by management but also believed that a union leader simultaneously being a manager was an advantage, rather than a potential conflict of interest, as it enabled him/her to build up a harmonious relationship with the foreign management. The HIPZA union chairwoman put it this way:

There is nothing wrong with a manager serving as a union officer. They speak English and understand the foreign managers better than rank-and-file workers so they can build a good relationship with the boss (Interview U6).

After one year, a union election was held for workers to vote for an official union executive board. Since then, there have been two union tenures, each lasting for two and a half years. In principle, workers at the team level elected their representatives to participate in the union election. According to the union chairman, only 100 delegates from the 3,200 workers attended the union election, and these representatives were normally appointed by the supervisors even though the law provides that they should be elected by the workers:

The supervisors of each unit choose which workers attend the union election. Normally the hard-working and well-behaved workers are selected (Interview JU1).
Most candidates for the union executive board are nominated by the incumbent union executive board. Among the 20 short-listed candidates for the union board, only 3 or 4 were selected by the workers’ nominations. The Japanese management usually exercised the final decision, which ensured that loyal employees won the top two union positions because, as the union chairman explained, the employer’s support is crucial for the union’s operation:

There is an informal agreement between the union and the management that the union chairman and vice-chairman are decided by the management. We are union officers but we are also employees in this company. Whether or not we should be union officers, I think it is necessary to agree with the management (Interview JU1).

Such an ideology, as shared by the enterprise union chairman and his union leader, reflects the ‘socialist’ union approach in the SOEs, which does not distinguish union officers from management because there is no perceived conflict of interest between them in a command economy. Although JEV presents a different labour-management relationship from the SOEs, the union’s old values have not changed. This socialist union ideology was used by the Japanese general manager to manipulate the union as an instrument of management:

This is strange for foreigners but all companies in the zone are doing the same thing. In Vietnam the distinction between the company and trade union is not clear. The union helps us explain to workers the new policy and encourage workers to express their opinions. The trade union reviews workers’ opinions and submits them to us (Interview JM1).

Consequently, the JEV union has always been led by Vietnamese managers or a staff member of the HR department, even though the proportion of rank-and-file members has more than doubled over the last five years (see Table 6.4).
Given management’s manipulation of the union organisation and the appointment of union representatives, the functions of the JEV union do not differ greatly from those of the Viet Garment union, if not to say that it performs even fewer tasks than its SOE counterpart. First, the JEV union supervises the allocation of welfare benefits, including allowances for sickness, weddings and funerals for workers. Whereas the union officers of Viet Garment visited their members to present the allowances, at JEV the allowances are transferred through the banking system without any direct contact between workers and their union officers.

**Table 6.4: Composition of JEV Executive Union Board, 2004–2009**

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td><strong>Union Chairman</strong></td>
<td>HR Manager (M)</td>
<td>DSM of Maintenance Division (M)</td>
<td>DSM of the Cover Lay Division (M)</td>
</tr>
<tr>
<td><strong>Union Vice-Chair</strong></td>
<td>DSM (M)</td>
<td>HR staff (FM)</td>
<td>HR staff (FM)</td>
</tr>
<tr>
<td><strong>Number of Representatives from the office</strong></td>
<td>08 (6M, 2FM)</td>
<td>06 (3M, 3FM)</td>
<td>03 (1M, 2FM)</td>
</tr>
<tr>
<td><strong>Number of Representatives from the rank-and-file labour force</strong></td>
<td>04 (1M, 3FM)</td>
<td>07 (2M, 5FM)</td>
<td>10 (3M, 7FM)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>15 (9M, 6FM)</td>
<td>15 (6M, 9FM)</td>
<td>15 (5M, 10FM)</td>
</tr>
</tbody>
</table>

*M: Male; FM: Female

*Source: Produced from JEV union archive*

The second function of the union is to provide a communication channel between the Japanese management and rank-and-file workers by transmitting the former’s policy to the shop floor and collecting the latter’s feedback for the employer. Before applying a new policy, such as adjusting wages and allowances or revising the working timetable, members of the union executive board had to visit production teams in
their factory. According to a union officer, she not only informed workers about new policies, but she often had to convince the workers to accept these policies:

When a new wage rate is announced, I talk to all the team leaders in my factory. I often use the explanations that the company already referred to, such as low profit, high rate of faulty products, etc. to persuade workers that the new wage rate is reasonable. If I can make the team leaders agree with the new wage rate, the workers will agree too (Interview JU4).

The union does not have any formal channel to obtain feedback from their members. The collection of workers’ opinions is carried out informally by the members of the union executive board. A union officer who is also a shift leader explained:

The only time we could discuss [issues] was during the shift meetings. The workers and team leaders would talk with one another about the new wage rate, for instance, and from them I got to know what the workers think. Sometimes a few workers would talk to me after work and ask me to tell the management to raise wages higher. I would bring the biggest concerns of workers to the union’s monthly meeting (Interview JU2).

The union executive board convenes once a month with a view to gathering the union officers’ reports from the shop floor. These worker issues will then be selected by the union chairman in preparation for the monthly meeting with the Japanese management. This monthly union-management meeting was an attempt by the Japanese managers to respond promptly to workers’ concerns so as to prevent further strikes. The union’s report is sent one week in advance to the Japanese executives. During the meeting, if the two parties fail to reach agreement, they are supposed to meet again in one week. However, as admitted by the union chairman, disagreement has been rare:

Disagreement between the union and the management is not common, because it is difficult to disagree with the management.
You have to understand that apart from your position as the union chairman, you are an employee receiving salary from them (Interview JU1).

However, not all union officers adequately performed their union tasks. An HR senior officer who acted as the secretary for monthly union-management meetings recalled that in 2007, Japanese managers argued that some union officers manipulated workers’ demands in order to advance their own interests:

The questions raised by the union during the monthly union-management meetings are supposed to emerge from workers but in fact there are questions put forward by the union officers themselves and for their own interests. When we asked them [union officers] in detail about how they collected workers’ opinions and what the workers said, they could not reply. The Japanese managers were very angry and disappointed with the union (Interview JM3).

Consultation with the enterprise union regarding the adjustment of employment terms and conditions is a compulsory requirement of the local labour law. At JEV, the most important changes in employment conditions that require the union’s consent are the work schedules, which also include the number of overtime hours and the annual adjustment of the wage table. These must be registered with the local labour administration. The annual work schedule is released every October by the Japanese management after close consultation with headquarters (JEV general manager, Interview JM1). The work schedule is then given to the union chairman who supposedly circulates it among the members of the union executive board. If they agree with the work schedule, which has often been the case, the union chairman signs it together with the general director. The union chairman understood that the consultation was more of a formality than a chance for the union to voice their opinion:
They need my signature to ensure compliance with the law and if something happens, they can claim that the union has agreed to it. Disagreement with the management is impossible (Interview VU1).

The wage tables of JEV are revised every April. Two months before that, the Japanese management provides the union with the new wage tables. However, the new wage rates are kept confidential, especially from rank-and-file workers. The union chairman explained:

We have to keep the consultation process secret because if we announce the new wage rates, workers may have unexpected reaction or misunderstanding (Interview JU1).

As the 2004 strike showed, wages are the most potent source of dispute between labour and management. Thus, the new wage rates were kept from workers by both union and management for fear that a real negotiation process might be demanded by rank-and-file workers, probably through collective actions, in order to seek higher wages. The consultation between the union and management, therefore, was confined to managers and the union chairman until the wage table was finalised and registered. One team leader was outspoken in criticising this consultation policy:

The company and the union said that they consulted workers about the new wages, but in fact they hid everything from us till the end. We only got to know about the new rates when everything had been decided. The new wage tables had even been stamped and posted on the notice board. We disagreed because the wage increase was too low but there was no chance for us to change anything (Interview JW2).

Being subservient to management in almost all aspects, instead of representing workers, the JEV union has practically served as a management tool that provides legitimacy for any management decisions. The union’s dependence on management and its failure to
represent members’ interests has been succinctly captured by a 20-year-old female migrant worker:

I have never attended any union congress but I know that the union must be independent of management to be able to protect workers. If they are not separated from management, they cannot help us (Interview JW4).

**Collective Bargaining**

The company is also required by the local authority to conclude a collective agreement with the union. The general manager recalled that he was requested by HIPZA several times to sign a collective agreement. He finally assigned the HR department to draft one based on the sample agreement provided by the labour administration (Interview JM1). According to the union chairman, the agreement simply copied the legal requirements and provided no further benefits for workers. He asked the HR manager to include the allowances and benefits that workers had already received in the agreement. Instead of considering the union chairman’s suggestion, the HR manager reported to the Japanese management that the union chairman was opposing the company’s requirements. The general director immediately pressured the union chairman to sign the collective agreement.

The fact that the union chairman was forced to sign the agreement aroused anger among union board members, many of whom were team leaders. After signing the agreement, the union chairman insisted that, by law, the agreement must be approved by at least 51 per cent of workers in the company. The HR manager, who then was a local labour lawyer, summoned all the team leaders to the HR office and explained the collective agreement to them and asked them to persuade workers in their units to sign the agreement. However, a
number of team leaders refused to obey. Instead, they told workers that the collective agreement they were asked to sign would be of limited value to them as it provided for nothing more than the legal requirements and the existing work rules. As a result, workers refused to sign. They wanted the agreement to include salaries, allowances and other benefits. The HR manager threatened to dismiss workers if they refused to sign the agreement and in response, around 100 workers immediately quit. As the tension between workers and the HR department threatened to result in another wildcat strike, the Japanese management took action quickly to calm the workers down. The Vietnamese HR manager was replaced by a Japanese manager and the signing of the collective agreement was postponed until a better solution was found.

The bargaining process was recommenced and led by management. Management’s intention was to produce a collective agreement that simply copied the legislation in order to satisfy the requirement of the authority. The union chairman’s efforts to improve the collective agreement in favour of workers were quickly subjected to management’s aggression. Hence, the legal provisions on collective bargaining and the pressure from the state authority to increase collective bargaining coverage have not necessarily resulted in genuine negotiations between union and management in the workplace.

**Handling of Grievances and Dispute Settlement**

While Viet Garment handles grievances through both shop floor management and the union structure, JEV assigns the HR department to deal with complaints from workers. After the 2004 strike, JEV set up a suggestions box managed by the HR department. An eligible petition
must contain the complainant’s name and identity number. Yet, anonymous complaints have also been considered. The HR department opens the suggestion box daily. Attention is given to complaints that can arouse major disputes while most others are ignored. When a complaint is regarded as ‘problematic’ by the HR department, it is translated into English for the Japanese management to review. The HR department then conducts an investigation into the complaint by talking to the complainant and related people before the final decision is made to settle the case. For example, in 2007, a Vietnamese engineer insulted and slapped the hand of a pregnant worker, arousing anger among her co-workers. Six complaints were filed to the HR department through the suggestions box. The HR manager immediately called upon the complainants, the victim and the engineer to investigate. The engineer was given a ‘yellow card’, which is a form of warning from management. His responsibility allowance was removed for one year and his promotion was delayed for six months. The union normally does not participate in this process except when a discipline is imposed. The union chairman, as a legal requirement, is asked to sign approval of management’s disciplinary decision.

The Labour Code provides that a collective dispute should be handled by the enterprise conciliation council with equal representation of the union and management before being transferred to the provincial arbitration council. A collective action must be organised by the enterprise union and occurs only after exhausting all the mediation and arbitration measures. However, as the 2004 strike at JEV showed, there was no working mechanism for mediating the collective dispute. In fact, workers sent their petition informally to the general manager. According to both the HR manager and the union chairman, the
enterprise conciliation council was totally moribund as collective disputes were solved informally by negotiation between the management and workers with the support of the HIPZA authority (Interviews JM6 and JU1). When the strike happened, the HIPZA official intervened mainly to persuade workers to get back to work and talk the employer into satisfying their demands so as to end the strike. Such an informal intervention from the authority has been the common way to settle collective disputes and industrial actions as the tripartite arbitration council of Hanoi, which is legislatively supposed to settle collective labour disputes, has received only two cases since it was set up in 1997 (Clarke, Lee and Do 2007: 560).

In a recent study of Japanese and American subsidiaries in Vietnam, Vo and Rowley (2010) argued that the main obstacle to the trade union in performing the function of workers’ representative was the financial difficulties that enterprise unions are faced with. This research proved that the weakness of enterprise unions was not due to its financial difficulties, but the unchanged structure and approach of the socialist union, which has rendered the control over enterprise unions to management. Without proper support from the upper-level union, the enterprise union became even more dependent on management. The legitimate functions of the union have shrunk and the union has acted more as an extended arm of the company than representatives of workers.

**Informal Organisation of Rank-and-File Workers**
The organisation of the 2004 strike demonstrated that team leaders and workers played a critical role in the labour relations at JEV, even though they could not participate in any formal labour-management
proceedings. In fact, while the labour force of Viet Garment after privatisation is characterised by fragmentation and divergence of interests between the older and younger workers and between team leaders and the rank-and-file workers, there are a number of factors that contribute to the solidarity of JEV workers. This section focuses on the most important components of such labour solidarity: the team leader-worker relationship and the migrant workers’ community.

**Team Leader-Worker Relations**

Rank-and-file workers at JEV are organised in production teams of 8 to 15 people under a leader or a sub-leader. In the Japanese shop floor management system, supervisors play the central role in training, performance evaluation, and channeling information up and down the organisational hierarchy (Shibata 1995). This characteristic has been transferred to JEV. The team leaders at JEV are responsible for performance evaluation, quality monitoring, provision of on-the-job training for team members, and serve as the ‘channel’ for information between workers and the upper supervisory levels. Reporting from team members to higher levels in the factory hierarchy follows a strictly vertical sequence. A worker must report to his/her team leader who then talks to the technician in charge, the engineer, deputy section manager and finally the Japanese production manager. This system renders enormous authority over workers to team leaders, who not only determine the merit component in workers’ wages, their acquisition of skills and promotion opportunities, but also act as the only channel for them to communicate with the higher levels of management. Therefore, team leaders are highly influential over the rank-and-file workers. One worker put it this way:

A team leader, for workers, is more powerful than a manager because if a team leader dislikes a worker, he/she can assign
him/her to a more difficult job or downgrade the performance evaluation of that worker (Interview JW5).

Team leaders also provide a communication channel between different production teams and factories, as they maintain an informal network among themselves. One team leader described how this network operates:

I often talk to other team leaders during lunch break or shift intervals, about productivity, technical problems, and of course, about wages and benefits. We know about the wages of other companies in the industrial zone too. Sometimes, during the shift, I walk to other production lines, chat a little bit. We talk more often when there is an important change (Interview JW2).

Team leaders establish the connections between their teams and other units and groups because they have been working there longer and have already built up wider social networks, as well as a better understanding of the company than the workers. The team leaders transmit workers’ grievances to supervisors and technicians, and at the same time, disseminate information from management and the union to workers. Despite their influence over workers, team leaders themselves try to win their support because unsupportive workers have ways to retaliate against team leaders they dislike. A worker explained:

Some team leaders are not popular among workers because they are rude to us. They insult or victimise the workers they hate. But we have ways to teach them a lesson. You know, no one is perfect and team leaders make mistakes. Workers know better than anyone when team leaders make mistakes and we report immediately to the HR department. A sub-leader beat a worker and a complaint was immediately filed to the HR department. That leader was disciplined. Another group leader swiped the attendance card of another worker; she was denounced and got sacked. Actually, we don't like those who are too proud about their own skills and capacity. They are pompous and look down on workers. Team leaders who are caring, understanding, and moderate are often supported by workers (Interview JW4).
Apart from such an inter-dependent relationship, the team leaders and workers of JEV share similar interests in the workplace. While Viet Garment treats their team leaders as managers and separates their interests (including salaries and bonuses) from the workers; JEV regards team leaders as cong nhan and pays them as workers. In fact, the only difference between the wages of team leaders and those of workers is the team leaders’ insignificant amount of responsibility allowance of 200 thousand dong. The similarity of interests has further strengthened team leader-worker solidarity, which was recognised by most management and union interviewees (see, for example, Interviews JM2, JM3, JU1 and JU2). Team leaders try to be responsive to workers by quickly reporting their complaints to management, and if someone in the team makes a mistake, others try to conceal it.

The synergy between workers and their team leaders and the authority of team leaders over workers at JEV interestingly resembles the similar role of foremen in Japanese workplaces before the 1950s and shop stewards in British factories in the 1960s. Gordon (1985) described the foremen as the lowest officials in the companies but at the same time, they were workers with long-accumulated skills and experience. Similar to the team leaders of JEV, the Japanese foremen during this period were still workers with some authority and they led others in actions against the company. These foremen played the central role in leading labour movement in many Japanese factories before 1950s. The British shop stewards, based on their authority over workers, led informal negotiations with employers and organised strikes to demand for better working conditions (Donovan 1968). At JEV, predictably, the team leaders have naturally emerged as informal leaders of workers
and have played the central role in labour activism since 2004. As early as 2004, a group of team leaders initiated the demand for higher wages and union establishment, and later coordinated with local engineers to organise the first strike. After the strike, the Japanese general manager offered promotions and higher wages to the suspected strike leaders to ‘draw them to our [management] side’ (Interview JM1). When their interests were separated from their workers’ interests, these team leaders drifted towards management. However, as soon as the old workers’ leaders drifted to the management side, another generation of team leaders emerged to lead the rank-and-file workers and organise informal activism. This is discussed in the next section.

**The Workers’ Community**

The migrant workers live in two villages within walking distance from the Thang Long Industrial Park (TLIP). In the late 1990s, after providing 60 per cent of their cultivation land for the development of this industrial zone, local villagers invested the money they earned from land compensation to build houses for migrant workers. Provision of housing for workers has become the major source of income for the villagers. The level of rents depends primarily on workers’ wages. Whenever workers’ wages are increased, the landlords raise the rents accordingly. To maximise their revenues, the landlords also arbitrarily set higher rates for electricity and running water. In the middle of 2008, for instance, workers had to pay twice the regular tariff for electricity and three or four times more for water.

The migrant workers living in these two villages came from agricultural families in the northern provinces of Vietnam. Poverty and high
underemployment at home forced them to migrate to the city for employment and to provide income for their families. ‘Lan’ (a fictional name), a worker at JEV, has a typical story:

I come from Phu Tho. My mother passed away early when I was a little girl. Then, my father had an accident and became paralysed. My two older brothers and I have to take care of one another and of my father. Both of my brothers dropped out after secondary school and started working to support me in order that I could finish high school. After high school I thought I should start working to support the family and my father so I went to Hanoi. Luckily, I know an engineer at JEV who told me to apply and I got this job (Interview JW4).

Employment in the industrial zone presents an immediate solution to the financial difficulty of migrant workers, although the income they earn from the Japanese companies in the industrial park hardly enables them to remit substantial funds to their parents after basic expenses have been paid for. Most workers interviewed spent around 80 per cent or more of their monthly income on basic living costs including housing, travel costs, food and clothing. As living costs have increased in parallel with their wages, the workers’ financial status has not improved despite the fact that the average wage doubled from 600 thousand dong in 2004, to 1.3 million dong per person per month by the end of 2008. The vicious cycle of wage increases and rising living costs has trapped these migrant workers in the long-standing situation of mere subsistence, which motivates them to fight for higher wages.

The two small villages accommodate approximately 30,000 workers, or 60 per cent of the total labour force employed by companies in the TLIP. Living in such high concentration, workers of TLIP have created wide-ranging social networks based on cross-cutting relationships on the basis of geographical origin, familial relations, workplace and gender. Common geographical origin is probably the most important
factor that links workers together. A labour reporter, who has been writing about migrant labour for the last 20 years, observed:

It is the habit of Vietnamese people to swarm together. For instance, a dozen people from the same village migrate to the city together. They may work in different companies but they will definitely live together (Interview R2).

While the management and workers of Viet Garment share the same community, the Japanese and Vietnamese management of JEV live in other downtown areas. Without the intervention of management, the community tightens the bond between team leaders and workers, and facilitates their frequent exchange of information with workers in neighbouring companies. As revealed in many interviews, the team leaders and workers knew exactly how much neighbouring companies paid for wages and allowances and when they would raise wages (see, for example, Interviews JW3, JW4 and JW5). For example, when Panasonic set up a new subsidiary in the zone and offered monthly incomes of 50 thousand dong (USD3.50), which was higher than the average rate, hundreds of workers quit other companies in just a few days in order to join Panasonic.

Previous studies have shown that there is a close link between the labour community and the militancy of the working class (Deyo 1989; Chan and Senser 1997; Pun and Smith 2007; Chan 2008). A supportive community will nurture workers’ solidarity and facilitate the organisation of collective actions. When landlords used increases in workers’ wages to adjust rent rates, the informal network among workers in the community facilitated industrial action by the workers to demand higher wages from JEV.
Informal Worker Activism and Management Responses

As described earlier, the 2004 strike resulted from the collaboration between a group of team leaders and the local engineers who shared discontent with the Japanese management. After the strike, management sought to separate the suspected strike leaders from workers by offering promotions and benefits, and subsequently succeeded in dividing the leaders from the rank-and-file workers. From 2005 to 2007, it seemed that the management had successfully eliminated the sources of informal worker activism. However, the situation in 2008 proved that the informal organisation of team leaders and rank-and-file workers persisted, and had developed to a higher level.

After three years of rapid growth, the Vietnamese economy was faced with hyperinflation in 2008. In March 2008, the inflation rate reached 19 per cent (GSO 2008b). Hyperinflation placed huge pressure on workers as the prices of basic staples, accommodation, electricity and petrol increased. JEV workers, therefore, hoped for an increase in the annual wage review in March–April 2008. However, when the wage increase of 16 per cent was announced in March 2008, workers were extremely upset. As one worker recalled:

> When the company announced the new wages, we got angry. They pushed us to work harder and harder all the time but wages increased by only 16 per cent, which was lower than the inflation rate. So, in fact our [real] wages were reduced (Interview JW3).

Workers complained along with their team leaders, who were equally dissatisfied with the new wage rates. The team leaders contacted one another and decided that they needed to convey their disagreement to the management. One worker described the plan that the team leaders had devised:
My team leader talked to other team leaders through her cell phone. She told us that we should write complaints to ask for higher wages. We should do it all together at the same time so that the production would not be affected. She told us that all workers in the company should join the effort so that the company would not be able to dismiss us. Complaints were the first step to test the management reaction. We allowed a certain time for feedback, otherwise we would go on strike. (Interview JW3).

During the night shift of 28 March 2008, after managers left, a few sample petitions were passed around by the team leaders. The demands included higher wages for workers and incorporation of a performance bonus into the basic wage. They threatened to strike if their demands were not met. Workers copied the petitions and submitted them to their team leaders. The team leaders themselves did not write petitions for fear of being investigated. After all petitions were written, the team leaders brought them to the HR department’s reception desk. The next morning, management was overwhelmed with 1,200 petitions. The general manager accused the union of not doing their job. The union chairman recalled:

I had no idea about the workers’ plan to write petitions. That morning I was called early by an HR officer so I rushed to the office. I was shocked by the huge pile of complaints. The general manager furiously shouted at me: ‘Why did you let this happen? Why didn’t you explain to workers about the new wages?’ (Interview JU1).

The lesson of the 2004 strike taught the Japanese management that action must be taken quickly to prevent another strike. The company immediately called upon HIPZA to mediate the dispute. After a half-day meeting with HIPZA labour and union officials, management agreed to raise wages by 21 per cent, instead of 16 per cent as originally offered. A performance bonus was incorporated into the basic salary but the additional wage increase would be paid in the form of allowances.
However, many workers were dissatisfied because the inflation rate had increased from 19 per cent in March to 21.4 per cent in April. Even with a 21 per cent increase, the workers could not keep up with the rising cost of living. Over 200 workers resigned one week after the meeting. The labour force of JEV decreased from 3,200 in 2007, to 2,800 in April 2008, and it was almost impossible to recruit enough workers to make up for this loss. At the end of April, to stem the tide of resignations, management added an increase in wages of 130 thousand dong across-the-board, thereby raising total wages by 31 per cent.

In June 2008, the inflation rate reached 26.8 per cent and showed no sign of easing (GSO 2008b). When workers passed petitions to demand another wage increase of 30 per cent to keep up with inflation, this was accidentally discovered by a Japanese manager. A meeting between all JEV workers and the HIPZA authority and union was held again. The company demanded workers to return to work and stated that they would reply in three days. Workers disagreed and asked for an immediate response or they would go on strike. The HIPZA union official warned them not to go on illegal strike; otherwise, the police might intervene. In reply, the workers accused the union of not doing their job. One worker described the meeting as follows:

The HIPZA union official said that if we went on illegal strike, we might get into trouble. So a few workers got angry and they said that the union should protect workers’ rights and interests when, in fact, the union had not done anything to protect us, leaving us to suffer so much. The union official stood up and shouted ‘so our presence here is meaningless to you’. We told him the union should be elected by workers but we do not even know who the union chairman is. So the union is protecting the company not the workers (Interview JW5).
The workers finally agreed to wait, but after three days, the company announced that they would not raise wages because of the depressed business situation. Management warned that if workers went on strike illegally, they would call the police. However, this threat by management did not deter the workers. Instead, they changed their method of resistance:

The management said that if we go on strike without the support of the company union, we would violate the law. We could not strike but we had the right to resign. That is legal and no one can stop us (Interview JW5).

Around 100 workers resigned in the next few weeks. Faced with an increasing labour shortage, the company was forced to give in. In mid-July, they added 180 thousand dong to the basic wage and 100 thousand dong to the living allowance for rank-and-file workers, which meant an average wage increase of 22 per cent. However, some workers insisted that despite several increases in wages during 2008, their real level of wages was raised only once. Their reasoning was that the first increase in March was to adjust the basic wage to the new minimum wage. The second increase in April was to compensate for rising inflation. The last one in July was qualified as a wage increase; however, given the inflation rate of 26.8 per cent, the new wages did not make their lives any better (see, for example, Interviews JW4 and JW5).

An investigation was carried out by JEV to find out who the leaders were behind the increased worker activism, and a few suspects were dismissed. Yet, according to a female worker who took part in both collective actions in 2008, the real leaders were not disclosed:

After the dispute, someone at the Inspection Division called the HR department and told them that the team leaders were the organisers. The management carried out an investigation. They
asked workers who were their leaders but we all kept silent. We
told them that we wrote petitions spontaneously and there was no
leader. A few people were fired but our leaders were safe
(Interview JW4).

The revival of collective action in 2008 alarmed the Japan Electronics
headquarters in Japan. It replaced the top two executives of the
Vietnamese subsidiary. The new managers adopted a more conciliatory
approach — discipline was relaxed, the internal work regulation was
reduced from 99 rules to 60, and supervisors were warned against
insulting workers. The Vietnamese managers were allowed to attend
weekly meetings with the Japanese managers, which were meant not
only to share business information with the local staff but also to
consult with them on business plans and decisions, especially in
relation to labour issues (Interview JM5).

Between November 2008 and February 2009, the company lost 60 per
cent of its normal production orders because of the global economic
crisis. This compelled the company to resort to a voluntary resignation
scheme to retrench 700 workers. However, from March 2009, the
international electronics market slightly improved and new worker
recruitment was required. Between March and May 2009, JEV recruited
800 workers to fill the assembly lines. As soon as the economy
recovered from the economic crisis, labour shortages returned. To
attract new workers and keep the existing ones, the Japanese
management decided to adjust their approach to wage consultation.
The union was asked to conduct an opinion survey prior to wage
negotiations. In the survey, the union consulted workers about three
options for wage increase, and based on the choice of workers, the
union would select one to bargain with management. In April 2009,
the union suggested three levels of wage increases: 12 per cent, 15
per cent and 18 per cent. Workers favoured the highest option but the union and management finally agreed with 15 per cent. According to the HR manager, workers seemed content with the wage increase but as labour shortages returned and the inflation rate remained over 10 per cent, she was concerned that strikes might happen again:

A few months ago, I could say that there would be no strike. But now I am not sure because the inflation rate has run pretty high while we do not have enough in the budget to compensate more for workers’ wages. I am afraid that strikes will happen (Interview JM5).

The last follow-up interviews with JEV interviewees in June 2009 showed that the Japanese management involved the rank-and-file workers in the wage consultation process more, by assigning the union to consult with them on different wage increase options. However, worker participation remains limited given that wage consultation after the survey has been confined to the union and Japanese management. Furthermore, the wage increase rate that finally emerged from the negotiation was lower than the option favoured by the workers. Although workers did not go on strike against this new wage rate, the fear of the HR manager about future industrial action shows that more needs to be done to incorporate workers’ voice in the formal wage consultation process if JEV wants to prevent a revival of worker activism.

**Comparison and Discussion**

From two case studies alone, it is not possible to generalise the labour relations situation in Vietnam as a whole. However, the examples of recent developments at both Viet Garment and JEV illustrate important dimensions of the adaptation process of labour relations at the firm-level in Vietnam. First, the two companies were intentionally chosen to
present two distinctive angles for theoretical investigation into the interactions between the companies and environmental conditions. In these cases, the environmental variables were relatively similar — severe market pressure, especially on cost containment, similar institutional arrangements and labour market situation. Second, despite these similar environmental conditions, the two companies had different economic spaces: one was a privatised state-owned company with most of its history linked to the command economy; the other was a green-field, foreign-owned, wholly-exported firm set up a decade after Vietnam shifted into the market-economy model. The impacts of the differences in economic spaces on the two firms were evidenced in such intra-organisational features as their management styles, the organisation, approach and role of the enterprise unions, labour forces, and the workers’ communities.

However, the analyses in Chapters 5 and 6 showed surprising similarities in the major patterns of labour relations, which can be characterised into three key themes: the crisis of the current industrial relations institutions, the emergence and development of informal worker activism, and the responses of management and local authorities. In fact, the two cases proved that the pressure for adaptation has mounted to such an extent that changes in industrial relations are inevitable. Pressure did come from the international competition and tighter labour market situation, as well as the reactions of labour to management strategies. Whereas Kochan, Katz and McKersie (1986) pointed to management as the initiator of change in the United States in the 1980s, however it has been the rank-and-file workers, the unrepresented actor in industrial relations, who have initiated and led the adaptation process in Vietnam.
Crisis of the Current Industrial Relations Institutions

The fundamental implication on industrial relations institutions of the economic transition from a command to a market economy is the shift from a rights-based system, in which employment conditions were fixed by the law, to an interest-based approach that enables labour-management negotiation to determine employment terms and conditions (Clarke et al. 2007). As shown by the cases, particularly in the case of Viet Garment, the labour-management relationship has transformed after the privatisation of the company. The state-socialist system that guaranteed lifetime employment and ‘cradle-to-grave’ welfare benefits for workers, has been replaced by a profit-driven enterprise that pursues a cost-based competition strategy. Workers’ interests that used to be the concern of the state have now been met by the company on the basis of worker productivity and business profitability. The enterprise union structure was streamlined with part-time officers replacing full-time unionists at the lower levels.

Despite the legal changes in the early 1990s which laid the regulatory foundation for labour-management negotiation in the workplace, the labour relations practices of Viet Garment remain unchanged. Collective bargaining, handling of grievances and settlement of labour disputes have been adopted by Viet Garment merely as formalities, without having any practical impact on its labour-management relationship. Particularly, the company union has not changed their traditional socialist approach and has become even more dependent on the Party management. In other words, the labour relations processes in the enterprise are not different from the practices in the socialist
command economy, despite a different labour-management relationship which has been officially promoted by the state.

While Viet Garment has been heavily influenced by its long history as a state-socialist enterprise, Japan Electronics Vietnam (JEV) represents a ‘greenfield’ for the application of the new labour relations system. Yet the enterprise union, which was installed by the Japanese management after a wildcat strike, operates as an ‘extended arm’ of the company and provides the stamp of legitimacy for management’s decisions. Workers were forced to sign their approval of a collective agreement that was drafted by the HR department without serious consultation with either the union or workers. The HR department handles workers’ grievances without consulting the union. Collective disputes and strikes have not been through any of the conciliation and arbitration mechanisms provided by the law.

Previous studies have pointed to a number of causes of the ineffectiveness of the post-Doi Moi industrial relations system. Chan and Wang (2005), for example, highlighted management aggression, poor enforcement of the labour legislation, and union dependence on the Communist Party at the national level, as the reasons for the lack of representation of labour in the workplace. More recently, Collins (2009: 43) argued that despite the revision of the union legislation and charter, the labour movement of Vietnam continues to focus on administrative matters rather than the representation of their members’ interests. Most studies argue that a weak union leadership, which is subordinate to management in the workplace, is the most visible obstacle to the transition of the industrial relations system and Vietnam’s failure to develop a new labour-management relationship in
a capitalist market economy (see also Chan 2008; Clarke, Lee and Do 2007; Zhu and Fahey 1999). The evidence in the two case studies of Viet Garment and JEV strongly supports this argument. While the Viet Garment union has always been an integral part of the company management, the union of JEV was practically appointed and controlled by the Japanese executives. The union’s subservience to management deprives it of its members’ confidence. However, the two case studies have taken this discussion forward by unveiling the structural inappropriateness of the industrial relations system, as a whole, and the trade union, in particular. Hence, the industrial relations structure has remained fundamentally unchanged despite broader political reforms.

Three key reasons, based on the two case studies as well as other research literature, may be advanced to explain difficulties in reforming the industrial relations system in Vietnam.

First, there has not been any fundamental change to the way the enterprise union is established and run. The union has relied on the employer as the key partner in both union establishment and appointment of the provisional executive union board. In both cases, the enterprise unions actively served as the ‘transmission belt’ of management, but often failed to transfer their members’ feedback upwards. This echoes the functions of the union in SOEs, who acted more as an administrative arm of the company and Party management than as a representative organisation.

Second, the lack of proper worker representation by the union contributes to the blockage in labour-management negotiations on
employment terms and conditions. In both case studies, workers were not consulted about the collective agreements, which mainly replicated the minimum requirements of the legislation. Wages of the rank-and-file workers were arbitrarily set by management, mostly at the minimum wage level so as to minimise their labour costs. In fact, there were few benefits that exceeded the legal requirements. In other words, without genuine labour-management negotiations, the employment terms and conditions are practically regulated by the law, just as they used to be in the command economy.

Third, in order to maintain the appearance of corporate harmony, the SOEs suppressed workers’ grievances handled through the official channels and settled disputes, if any, through informal means (Le et al. 2007: 119–120). As a result, the socialist union was more familiar with transferring workers’ grievances to management rather than actively solving them. Such an approach to grievance handling has not faded away at Viet Garment, where the official grievance handling system is totally ineffective, leaving workers’ complaints to be addressed informally by the managers. JEV set up a suggestions box as an official attempt to deal with workers’ grievances, mostly to prevent major labour disputes. However, the union at JEV does not take any active role in resolving complaints or labour-management disputes.

While the official representation of workers, bargaining and dispute settlement systems are moribund, the conflict of interest between labour and management, which is concomitant of a market economy, has increased in both companies. Viet Garment has experienced a large number of informal complaints, high absenteeism and mass
resignation of rank-and-file workers; while JEV has been boldly challenged by wildcat strikes, mass-petitioning and mass exit by team leaders and workers. The ineffectiveness of the formal industrial relations system and the upsurge of informal worker activism are symptoms of a structural crisis of the current industrial relations institutions that have not been genuinely transformed to deal effectively with the labour-management relationship in a market economy.

**Informal Worker Activism**

The unrepresentative union and a moribund system of collective bargaining, grievance handling and consultation, have deprived rank-and-file workers in both companies the opportunity of ‘voice’ through the formal channels. However, they have undertaken various forms of informal activism, ranging from a strike at JEV in 2004 to mass-petitioning, mass resignation and high absenteeism, in order to claim their rights and higher interests.

One of the well-known strategic choices available to workers to cope with disharmony at work is that between ‘voice’ and ‘exit’ (Hirschman 1970). The decline of unemployment increases workers’ bargaining power and their inclination to take industrial action. On the other hand, when unemployment rises, workers may not strike for fear of being replaced by the unemployed. The two case studies have indicated that the growing shortages of labour, and the option of ‘exit’ as a form of resistance in a growing economy, have encouraged the confidence and militancy of rank-and-file workers. However, labour activism at JEV was more organised and effective than in Viet Garment, and resulted
in management being forced to provide workers with greater opportunities to ‘voice’ their concerns.

However, while a tighter labour market situation may lay the foundation for labour activism, organisational resources, labour community, and reactions by the state and employers determine the extent and effectiveness of collective actions (Hyman 1989; Deyo 1989; Franzosi 1995; Chan 2008). Comparison between the two firms reveals differences in the conditions for successful mobilisation processes among workers. At JEV, Vietnamese managers and engineers appeared to be sympathetic to rank-and-file workers during the 2004 strike. Yet, it was the team leaders who initiated and organised the strike. In fact, they have acted as the de facto union leaders. The team leaders’ position in the workplace management structure presents a subtle but crucial difference between the two firms. Both firms rely on team leaders to monitor production, quality, and conduct continual surveillance over workers. However, JEV treats team leaders as workers and their interests are more aligned with the rank-and-file workers. By contrast, Viet Garment separates team leaders from workers by Party membership, and the payment system for team leaders is based directly on rank-and-file workers’ performance. Whether or not team leaders share common interests with workers appears to determine where their loyalties lie (Chan 2008). The case of team leaders at JEV, who moved to management’s side after being promoted, illustrates the implication of the way in which each company treated their team leaders.

Another important difference between the two firms that influences the scale and effectiveness of labour activism is the role of workers’
communities. A supportive working class community has been shown to provide the power base for workers’ militancy and solidarity (Deyo 1989; Benson 2003). The community of JEV workers is highly supportive of labour activism. It nurtures the solidarity and social networks among migrant workers from various companies in the same industrial zone. The community was also free from employers’ influence. By contrast, Viet Garment’s labour community is segmented into several groups, each with different background and interests.

The existence of worker networks in the workplace and community contributed to the presence of collective action at JEV and its absence at Viet Garment. These two factors have shown that the existence of an independent organisation of workers is ‘a necessary condition in order to control, coordinate, and manage the resources involved in mobilisation processes and collective actions’ (Franzosi 1995: 100). The organisation of workers at JEV and their successful mobilisation for collective action have characterised their emergence as an actor in labour relations, independent of the enterprise union.

The fact that JEV workers had more favourable conditions for successful mobilisation for collective action than Viet Garment workers significantly results from the differences of economic spaces between the two firms. As a green field, JEV had a young labour force whereas that of Viet Garment was a mixture of old and young workers recruited before and after privatization. The segmentation of Viet Garment labour force was also reflected in the relationship between team leaders who were mostly old workers and newly recruited rank-and-file workers. Also, situated in an industrial zone, workers of JEV shared accommodation with those from neighboring companies, building up an
extensive and supportive workers’ community. Renting accommodation from their managers, Viet Garment workers did not have a strong and supportive community for mobilisation. In short, workers at the green-field enterprises which are based in industrial zones tend to have more favourable conditions for successful collective action than those at the state-owned enterprises situated outside industrial zones.

Apart from strikes, mass exit was another form of resistance that workers in both companies used to show their discontent with management. ‘Exit’ is an individual decision but when a large number of workers resign so as to express their common discontent with management, it becomes a collective choice of resistance strategy. When workers enjoy the opportunity for exit, their voice is substantially enhanced. Hirschman (1970: 82) wrote:

That even the most loyal member can exit is often an important part of his bargaining power vis-à-vis the organization. The chances for voice to function effectively as a recuperation mechanism are appreciably strengthened if voice is backed up by the threat of exit, whether it is made openly or whether the possibility of exit is merely well understood to be an element in the situation by all concerned.

The discretion of Vietnamese workers to take the ‘exit’ option depended on their employability and residence status. The younger workers who possess stronger labour market status do not have permanent accommodation in the city. Hence, they are more likely to adopt a ‘voice’ strategy, which if fails, may be followed by ‘exit’. By contrast, older workers in the state-owned corporation were reluctant to resist management, nor did they choose ‘exit’ because of their low employability and permanent residence status. ‘Voice’ then ‘exit’, or ‘voice’, has thus become the common strategy of rank-and-file workers
to express their discontent with the factory regimes and in so doing, exercise a degree of influence over management strategies.

**Responses of the Local Authority and Management**
The local authority maintains a socialist bureaucratic approach to labour relations in the workplace. As shown more vividly in the case of JEV, the enterprise union was established in a top-down administrative manner, with the employer as the key partner of the higher-level union. The HIPZA union provided very limited support to the enterprise union except for settlement of collective disputes. In addition, the local authority forced management to conclude a collective agreement, irrespective of how the agreement was developed and negotiated, in order to satisfy the legal requirements. Hence, the local authority has contributed to the failure of the formal industrial relations institutions in the workplace and has created favourable conditions for the application of management’s authoritarian approach.

However, the emergence of informal worker activism has revealed the conflict between its traditional bureaucratic approach and the changing labour relations in the workplace. The local authority consequently responded in a reactive manner. On one hand, they warned workers against undertaking an unconstitutional strike. On the other hand, they pressured the employer to satisfy the workers’ demands to end the strike quickly. It appears that their priority was to quickly restore industrial peace rather than resolve the labour-management dispute. The consequence of this approach was that it resulted in dissatisfaction by both management and workers. The JEV general manager complained that the HIPZA authority was more on the workers’ side by forcing him not to dismiss workers on strike and to satisfy all of their
demands (Interview JM1). At the same time, the JEV workers accused the HIPZA union of protecting employers’ benefits rather than being concerned for the workers’ welfare.

On the management side, increasing market pressures, especially on cost containment, weak unions and ineffective industrial relations institutions, contributed to JEV’s adoption of an authoritarian approach and caused Viet Garment to shift from socialist paternalism towards ‘naked’ authoritarianism. Although the tighter labour market later encouraged the two firms to adopt some new employment practices, it did not result in long-term changes in labour relations by management. It was the workers who made management change their labour relations strategies, although these reflected a pragmatic response by the employers to informal worker activism, rather than a ‘strategic choice’ (Kochan et al. 1986).

The impact of labour activism on JEV was stronger than in Viet Garment. At first, a union was established but was given little role to play. The wage consultation between management and the union was just a formality, as the union rarely disagreed with the Japanese managers and the workers were rarely involved. Then, following the revival of labour activism in 2008, an informal process of wage bargaining was established in parallel with the official union-management bargaining system. It should be noted, however, that the local authority’s pro-labour response to informal collective actions was an important factor in the workers’ success in bargaining with JEV. The revival of collective actions forced JEV to change its strategy. They allowed the union to involve rank-and-file workers more directly in the formal wage bargaining process by asking workers’ opinions about the
rates of wage increase. The disciplinary procedures were also
minimised to reduce tension in the workplace. The Japanese employer
has gradually adopted a more pragmatic approach, which provided for
a greater but still limited ‘voice’ for workers in the enterprise.

With weak mobilisation capacity, workers at Viet Garment could not
stage any direct confrontation with management. However, the huge
number of workers taking sick leave or choosing the exit option to
express their discontent with management, influenced the latter’s
strategy. In addition to doubling the piece rate for workers,
management tried to reduce labour turnover and absenteeism by
allowing for worker participation through annual worker-management
meetings. Although the evidence to date is insufficient to suggest what
future direction Viet Garment will take, labour activism appears to
have been the most significant source of pressure on management of
both companies to reconsider their approach to labour relations.

**Conclusion**
The case studies discussed in Chapters 5 and 6 have revealed a major
‘non-alignment’, to borrow the term from Kochan, Lansbury and
MacDuffie (1997), between the socialist labour relations approaches
and the nature of the labour-management relationship at workplace
after Doi Moi. The union leadership in both enterprises was totally
subservient to management and functioned more as administrative
rather than representative organisations; collective agreements were
signed without consultation with workers and had no practical value;
and workers were neither protected nor represented by the unions in
the grievance handling process. As Clarke, Lee and Do (2007: 561)
found, the persistence of the socialist ‘rights-based’ approach in a
market economy, where the fundamental conditions for such an approach have been dismantled, while workers demand for higher interests than those prescribed in law, has become the major problem of industrial relations in Vietnam.

The fundamental problem is that Vietnam has sought to transplant a bureaucratic system for the regulation of industrial relations in a state-socialist system, based on rights embodied in government laws and decrees and Party instructions, into the emerging capitalist economy in which employers are no longer directly subordinate to the Party-state apparatus...Workers are no longer satisfied merely to secure their legal rights, they are interested in securing what they regard as their legitimate interests by the most effective means at their disposal (Clarke, Lee and Do 2007: 561).

When the conflict of interest between the rank-and-file workers and management accumulated without any proper settlement mechanism, it was the workers who initiated the pressure for change through informal activism. The informal organisation of JEV workers and their ability to bargain with employers for higher interests have elevated the role of the rank-and-file workers, who are poorly represented by the official enterprise union, and enabled them to play the role of an independent actor of labour relations in the workplace.

Kochan, Katz and McKersie (1986) argued that when the environmental conditions change, one actor tends to respond promptly while others remain passive. The initiator of change, whichever that is, would contribute the most to the shape of the new IR model. The strategies of other actors tend to gradually align with the initiating actor’s, to maximise the outcome (Kochan, Lansbury and MacDuffie 1997). In response to a fiercely cost-based product market and loose labour institutions, both firms adopted the strategic choice of authoritarian approach to employment relations, so as to cut costs and
closely monitor labour. However, as investment increased and the labour market became tighter, the rank-and-file workers in these two cases took advantage of their enhanced bargaining power to challenge management’s strategies. As discussed previously in Chapter 2, *Transformation* was criticised for regarding the management’s process of making strategic choice as simplistic and non-dependent on other actors. Yet, the cases here showed that the strategic choices of both management in the early period, and that of workers later, resulted from their consideration of their power relations with other actors. Particularly, it was the consideration of their power relations with management, the union and the local authority, that resulted in the decision of JEV workers to strike and those at Viet Garment to resort to less visible forms of resistance.

The strategic choice of workers was matched by reactive and pragmatic adjustments of both employers and the local government. Yet, without a shift in management strategy, it does not seem that informal labour activism will wither away. Risks of strikes and mass-exit constantly threatened both firms despite their reactive adjustments. This agrees with the conclusion of Verma, Kochan and Lansbury (1995: 353) regarding the transformation of employment relations in Asian economies. They found that when ‘the secondary conditions’ of the labour market (including rising wages and demand for voice) emerged, both the employers and the state had to conduct substantial adaptation, including investment in training, flexibility and employee involvement, if economic growth was to be sustained and new competitive advantages created. Therefore, the half-way and pragmatic adjustments adopted by both firms do not promise a
sustainable solution to informal labour activism, rising wages and labour shortages.

Chapter 7 will indicate that a more strategic response is inevitable in order for provincial governments to maintain industrial peace and sustain economic growth through the cases of Ho Chi Minh City and Hanoi.
CHAPTER 7

Pressure from Below and Provincial Responses

The Cases of Ho Chi Minh City and Hanoi

Introduction

The provinces that understand the importance of foreign direct investment react to strikes in a completely different way. While Hanoi and less-industrialised provinces forced employers to raise wages to end strikes, the industrialised provinces in the south, like Ho Chi Minh City, Dong Nai, and Binh Duong urged the two parties to negotiate.

(A national labour official, interviewed on 9 October 2008)

The literature on regionalism in industrial relations added a spatial aspect to this traditionally aspatial field of study. Beyond the dimension of space; however, proponents of regionalism in industrial relations asserted that space is a ‘human construct’ rather than a static container (Ellem and Shields 1999: 536). Many empirical studies have proven that this important notion enabled a more in-depth understanding of the essence of regional industrial relations (for example, Smith 1990; Fagan 2001; Herod and Wright 2002; Thompson, Rose and Smith 2003). By drawing threads from both regionalism in industrial relations and central-local relations literature in governance, it is argued here that if placed in the relationship with firm-level labour relations and macro-level institutions, the differences
among regions in responding to the changes of labour relations may also explain the national transformation of the labour regime. As each province has dissimilar conditions, motivations and bargaining power over the national government, it will influence the macro-institutions in different directions and with various levels of pressure. It is the purpose of Chapters 7 and 8, therefore, to examine the role of regional labour relations actors in mediating firm-level adaptation patterns, as well as influencing the national transformation of industrial relations.

Chapter 7 will focus on examining and analysing the differences between Ho Chi Minh City and Hanoi in addressing the labour relations adaptation process at the firm-level, particularly the growth of informal labour activism. The first section of this chapter reviews the common approach to labour activism adopted by provincial governments prior to 2006. It is followed by an examination of the factors contributing to the diverging approaches to industrial relations of the two provinces.

**Overview of the Provincial Governments’ Approach to Informal Labour Activism**

From a study of the factors contributing to the variations of provincial policy in Vietnam, Malesky (2008) outlined three sets of incentives relevant to provincial governments: prestige and power, benefits for themselves and their family businesses, and the local population’s interests in terms of employment and better living conditions. Malesky argued that increasing revenues through attracting capital is one of the primary means, if not the most important one, for Vietnamese provincial administrators to achieve these goals (Malesky 2008: 101–103). As the history of labour relations in East Asian countries

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6 Ho Chi Minh City and Hanoi are administratively regarded the same as provinces.
suggests, at the early stage of export-oriented industrialisation, the foreign direct investment (FDI) is often so important that governments will suppress labour voices by restricting unions and punishing workers who strike, so as to remove obstacles to the flow of capital (Deyo 1989; Ong 1991; Verma et al. 1995; Chan 2001). Beresford (1997: 192) echoed this argument in the case of Vietnam by stating that to attract investment, provincial governments in Vietnam tend to refrain from intervening in labour-management disputes, especially in foreign-owned workplaces. However, Chan and Wang (2005) indicated that the local government often took a pro-labour approach in settling ‘wildcat’ strikes. A survey by the International Labour Organisation (ILO) described that a typical strike was solved as follows:

Workers often down tools without advanced notice to employers or as a result of a blocked negotiation. They gather outside the factory gate. Either the employer or workers, or both, call the provincial labour department. A provincial labour official, usually accompanied by a provincial union official\(^7\) will rush to the enterprise to investigate the dispute. Labour reporters may also be present, as well as the local police who seek to ensure public order rather than to suppress the strikers. Labour and union officials hold a meeting with workers to collect their grievances and put together a list of demands, which they take to the management. The negotiation often ends with the local authority placing pressure on employers to accept a part or all of the workers’ demands to settle the strikes quickly (Lee 2005).

Various explanations have been offered by researchers concerning this unconventional, pro-labour approach of Vietnamese local administrators to ‘wildcat’ strikes. Wang (2005) states that strikes present a good opportunity for local governments to demonstrate their pro-labour policy by supporting workers. But it does not mean that they will intervene any further into the labour-management relations in the workplace. Taking a historical approach, Kerkvliet (2009)

\(^7\) The employers’ representative, VCCI, is never involved.
compared the labour protests in contemporary Vietnam with those in the Republic of Vietnam (South Vietnam) during the 1954–1975 period. He argued that the ‘soft’ approach of the local authority towards workplace conflicts is an attempt to show their responsiveness to workers’ demands and prevent workers’ protests from encompassing a stronger political motivation.

With an emphasis on the relationship between local population and the local government, Chan (2008) argues that the pro-labour attitude of local governments in Vietnam stems from the special connection between migrant workers, local people and the authority. She found that local people in industrialised provinces of Vietnam still have to labour as ordinary workers. In fact, local labour comprises about a quarter of the workforce in factories built on their land. The local governments, despite their interest in attracting capital, take a ‘softer’ approach in order to support the interests of local workers and protect their own legitimacy. This explanation echoed an earlier study of Koh (2001b: 285), which argued that local administrators live with the local people, if not to say that they have familial roots in the locality. If a policy is unpopular, they are the ones who have to face the angry local protesters, not the national officials. This may explain why some local administrators would be reluctant to strictly implement unpopular policies, or turn a deaf ear to the people’s complaints.

Clearly, provincial governments must balance between the need to retain capital flow, especially foreign investment, and the demands of workers and the local population. However, as shown through the two case studies that follow, the extent to which a province supports labour or employers, as well as the way it responds to the demands of each
side, varies depending on many factors including composition of the local economy and its exposure to the global economy, history and culture.

**Ho Chi Minh City**

Ho Chi Minh City (HCMC) is the economic and industrial centre of Vietnam. Situated in the South-eastern region, HCMC together with the neighbouring provinces of Dong Nai and Binh Duong, form the largest economic triangle of Vietnam. Between 2004 and 2008, the city contributed an annual average of 20 per cent of GDP and 40 per cent of national export volumes. The city maintained a double-digit economic growth rate between 2003 and 2007, and reached a peak of 12.5 per cent in 2007. HCMC is also the major destination for investment in Vietnam, accounting for 35 per cent of national FDI in 2007 (GSO 2007). The labour intensive manufacturing industry accounted for 55 per cent of industrial value of the city in 2004 (HIDS 2004). Until 2004, the state-owned companies were the most important contributors to the city’s GDP. However, from 2005 to 2008, the foreign and private sectors emerged as the main engines of growth (see Table 7.1). In 2007, the foreign and private sector accounted for 20.1 and 48.1 per cent of the city’s GDP, respectively (Nguyen 2008). It should be noted that the private sector of HCMC is dominated by larger-sized private companies rather than household businesses (see Table 7.1).
Table 7.1: GDP structure of Ho Chi Minh City

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<td>1. State sector</td>
<td>43.0</td>
<td>42.4</td>
<td>35.0</td>
<td>32.5</td>
<td>31.7</td>
</tr>
<tr>
<td>2. Private sector</td>
<td>37.6</td>
<td>38.9</td>
<td>43.2</td>
<td>46.9</td>
<td>48.1</td>
</tr>
<tr>
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<td>0.8</td>
<td>0.7</td>
<td>0.7</td>
<td>1.0</td>
</tr>
<tr>
<td>Private companies</td>
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<td>20.8</td>
<td>25.6</td>
<td>30.3</td>
<td>32.0</td>
</tr>
<tr>
<td>Household businesses</td>
<td>24.2</td>
<td>17.2</td>
<td>16.9</td>
<td>15.9</td>
<td>15.1</td>
</tr>
<tr>
<td>3. Foreign-owned sector</td>
<td>19.4</td>
<td>18.7</td>
<td>21.8</td>
<td>20.7</td>
<td>20.1</td>
</tr>
</tbody>
</table>

Source: Reproduced from Nguyen (2008:2)

The economic growth of HCMC has substantially strengthened its position in the political structure of Vietnam. The Party Chief of the city usually secures a seat in the powerful Political Bureau. Since 2006, HCMC has also had the highest number of representatives in the National Assembly, the Government, and the Central Party Committee (Koh 2008).

However, the labour market difficulties that the city has been faced with have been more acute than other regions. There is a high labour turnover rate of 20 per cent per year in the manufacturing industry, and chronic shortage of both skilled and manual labour (VCCI 2009). The more the city’s manufacturing industry developed, the greater were the workplace conflicts within enterprises in HCMC. From 1995 to 2006, HCMC was the most strike-affected province and the greatest number of strikes occurred in foreign-owned manufacturing companies (see Figure 7.1). In 2006, the number of strikes doubled from 52 to 115 due to a major wave of labour militancy, which raised concerns about the need for a new approach to labour-management relations (see Figure 7.1).
The immediate cause of the 2006 strike wave was the confusion over the adjustment of minimum wage in the FDI sector. Vietnam has a
dual system of minimum wage: one for the foreign-owned sector and another for the domestic one. Each category of minimum wage is fixed regionally. In 1999, after the Asian financial crisis, in an effort to create incentives for FDI, the government pegged the minimum wage in the FDI sector to a fixed exchange rate of 13,910 VND/USD. However, from 1999 to 2005, MOLISA did not further adjust this minimum wage, even when the local currency was devalued by 15 per cent, from 13,900 to 16,000 VND for 1 USD. As wage bargaining rarely took place between employers and unions in the workplace, a majority of rank-and-file workers were paid at the minimum wage level, which remained unchanged for eight years.

In 2004 and 2005, the national union proposed to the Prime Minister and Ministry of Labour (MOLISA) an increase in the minimum wage in the FDI sector. However, until the last quarter of 2005, they could not agree by how much the minimum wage should be increased. The VGCL proposed a 40 per cent increase. However, MOLISA, the Ministry of Finance, VCCI, and the foreign business community, defended a smaller 26 per cent increase. In the meantime, some major foreign-owned companies and their associations lobbied MOLISA and the Prime Minister to delay the effective date of minimum wage adjustment so that they had more time to prepare for increased input costs.

The political debates on the adjustment of the minimum wage were closely covered by local newspapers, which also diverged upon the issue. While the union-controlled Lao Dong and Nguoi Lao Dong supported the union’s proposal, some other newspapers claimed that the second option of a 26 per cent increase was preferred because ‘it is more optimal’ (Vietnam Economic Times, 26 December 2005).
Irrespective of which proposal they supported, the media raised high-hopes among workers in the foreign-owned companies that their wages would be increased as a result of the minimum wage adjustment. Furthermore, the 21 per cent increase of the domestic minimum wage from 290,000 VND to 350,000 VND in October 2005, increased the workers’ impatience for wage increases in the foreign-owned companies.

Another factor contributing to worker unrest was the approaching Tet, the traditional Lunar New Year. This is the most important familial and religious celebration in the year for Vietnamese people. For migrant workers, it is the longest holiday and probably the only chance in a year that they get to reunite with their families. It is a tradition to buy Tet gifts for family members, relatives and friends. Hence, the time before Tet becomes highly sensitive for workers and management, as workers look forward to the Tet bonus from their employer to prepare for their trip home. If the minimum wage is increased, the Tet bonus, which is worth one month’s salary, will be raised accordingly.

The first strike occurred in Freetrend, a Taiwanese-owned sports shoe factory. In October 2005, workers at Freetrend demanded a 21 per cent wage increase to match the minimum wage adjustment in domestic firms. In December 2005, one week before the strike, the Taiwanese management promised to raise the wage rate for rank-and-file workers from 626,000 VND to 790,000 VND. Yet, the company cut the monthly allowance of workers by 60,000 VND. In the afternoon of 27 December 2005, a group of workers brought a box full of strike leaflets to the company to deliver to the workers. They called for workers to stop working the next day. The outcome was an
unprecedented strike of 18,000 workers on the morning of 28 December 2005. It was the largest strike at this time. The local union and labour officials quickly turned up at the strike scene. Workers gathered inside and outside the front gate of the company, holding petitions. After collecting workers’ demands, intermediary union leaders negotiated with the Taiwanese managers and successfully persuaded them to raise the minimum wage rate from 626,000 VND to 790,000 VND without cutting the 60,000 VND allowance. Satisfied with the final outcome of the negotiation, workers promised to return to work the next day.

The geographical location of Freetrend played a crucial role in the spread of strikes. Freetrend is located in Linh Trung 1 Industrial Zone, which is close to two other industrial parks: Song Than and Dong Nai of Binh Duong and Dong Nai provinces, respectively. Hundreds of thousands of workers employed in the three industrial zones mingled in a huge community surrounding the factories. The news about the victory of the Freetrend strike spread like wildfire across this community, encouraging workers in other companies to follow suit.

The day after the strike at Freetrend, there were two more work stoppages involving 4,500 workers. The next day, there were six more strikes with 11,900 workers. The wave of labour protests intensified and spread across companies in Linh Trung 1 and other industrial zones in the whole region. For ten days from 28 December 2005 to 7 January 2006 (the date the government raised the minimum wage for the foreign-owned sector by 40 per cent), there were 14 work stoppages, involving a total of 42,000 workers. Even after the promulgation of the new minimum wage, workers in 11 other foreign-
owned companies went on strike, demanding for an adjustment of wages in line with the new minimum wage. The new minimum wage widened the income gap between workers in the domestic and foreign-owned sectors. Workers in domestic companies in HCMC, Dong Nai and Binh Duong also walked out to demand for a wage increase. In the first two months of 2006, 22 strikes occurred in domestic companies, adding up to a total of 58,000 workers involved in the three months of strikes from December 2005 to February 2006 (HCMC People’s Committee 2006a).

It should be noted that the impacts of the strike wave were multiplied by the ardent, pro-labour coverage of the two newspapers, *Lao Dong* and *Nguoi Lao Dong*, which are subordinate to the VGCL and HCMC Federation of Labour, respectively. Although the two newspapers did not share the same foci and spheres of activities, they coordinated a media campaign which maximised the effect of the strikes (Tran 2007a). When the strike wave exploded in December 2005, the two newspapers publicised these strikes in a matter of hours, placing pressure on HCMC’s Department of Labour (DOLISA), Federation of Labour, and the People’s Committee to act. A few hours after the Freetrend strike, *Nguoi Lao Dong* ran a same-day coverage; and the next day (29 December 2005), it continued with two articles: “Wait until When?” and “Increasing the Minimum Wage in FDI Companies: We can Wait No Longer!”. The first article criticised MOLISA for favouring foreign investment at the expense of millions of workers. The second article emphasised the loss of workers’ wages and social insurance benefits as a result of MOLISA’s delay in increasing the minimum wage.
The two newspapers took turns to pressure the local and national governments to increase the minimum wage as the workers had demanded (Tran 2007b). A few days after the breakout of strikes, labour reporters interviewed the Minister of MOLISA and the chairwoman of VGCL about their views on workers’ demands. They also ran a series of other interviews with union officials and workers, blaming the government’s hesitation in raising minimum wages for the strike wave and documenting the hardships that workers had suffered for many years. The intensity of strike coverage in these two influential newspapers encouraged other newspapers and TV programs to follow suit, making labour strikes the hottest issue in almost all public forums for over a month.

On-the-spot coverage of labour strikes and effective coordination between the two union newspapers amplified the strike effects and focused the attention of the public and the whole political system on the strikers’ requests.

Reactions of Employers
Foreign investors claimed that they were confused by the indecision of the government about the adjustment of the minimum wage. However, according to some media investigations, the strikes broke out because many foreign investors asked the government to defer the wage rise until after the Tet holiday, beginning on 28 January, because they ‘could not afford’ the wage rise and also pay the Tet bonus (Green Left Weekly, 15 February 2006). The government thus left it up to employers and workers to bargain over when the wage increase would be implemented. When wildcat strikes broke out and swept through the industrial zones, a majority of foreign employers had to raise
wages. The labour attaché at the Korean Consulate in HCMC described the situation at the time as follows:

Some companies chose to raise wages because they wanted to avoid or stop strikes. But workers in other companies which did not raise their wages and wanted to wait for the Government decision, became frustrated. By the end, almost all companies were forced by the strikes to raise their wages. Some Korean managers claimed that the strikes were illegal and the company should hold and wait for a few days for official settlement rather than raising wages. However, there was no coordination among companies in preventing wage raises. I think Korean companies should follow what their neighbour companies do [raise wages] in this case, to calm the workers down because there is a serious shortage of labour in the area and it is a critical issue especially for garment and shoe making companies (ILO Industrial Relations Project 2006).

Employers complained that the government did not seem to provide any explicit support to them during the strike wave. The *Economist* quoted employers who claimed that ‘outside agitators stroked the protests, distributing notes at factory gates while police stood idly by’ and implicitly suggested that the ruling party must have turned on a green signal for the protests (*Economist*, 28 January 2006). Strike-hit foreign companies turned to their consulates and commercial representatives for support. Nine consulates of the most strike-affected foreign companies in HCMC sent requests to the city government to put an end to the wildcat strikes. On 12 January 2006, the consulates asked for a meeting with the city leaders about the strikes (HCMC People’s Committee 2006a). In addition, the Taiwanese Deputy Minister of Foreign Affairs, Michael Kau, demanded that the Vietnamese Government protect Taiwanese investors and their properties and warned that if the strikes were not handled properly and quickly, it might result in withdrawal of Taiwanese investment from Vietnam. The chairman of the European Chamber of Commerce (EuroCham), Alain Cany, wrote to the Prime Minister to urge the
containment of strikes from spreading to European-owned factories. He emphasised that European investors preferred Vietnam to other regional countries because ‘the workforce is not prone to industrial action’ (Green Left Weekly, 15 February 2006). In a similar tone, the American Chamber of Commerce (AmCham) urged the governments of HCMC, Binh Duong and Dong Nai to take immediate actions to prevent strikers from shattering Vietnam’s international investment image (AmCham 2006).

During and after the strike wave, local and national government leaders made overtures of reconciliation to the foreign employers. On 4 January 2006, the vice chairman of the Ho Chi Minh City People’s Committee, Nguyen Thien Nhan, held a meeting with 40 foreign investors in the Linh Trung 1 industrial zone and committed to ‘stopping immediately workers’ sabotage of companies’ assets and punishing any workers who do so and ending the spread of strikes by 8 January’ (HCMC People’s Committee 2006a: 6). President Tran Duc Luong, during his visit to Japan two months after the strikes, stated that the Vietnamese Government took responsibility for letting the conflict between labour and management increase (DCVOnline, 6th March 2006).

The wave of strikes revealed the lack of coordination among employers and business associations in their industrial relations approaches. Most employers relied on the government for protection; yet, both the provincial and national governments were hesitant to show explicit sympathy to the employers during the strikes, despite their reconciliation rhetoric afterwards.
**Ho Chi Minh City Government: Coordination of Fire-fighting**

During the strike wave, the labour department and the provincial union were subject to the coordination of the city’s government. This was because although the labour department and the city union have to report to MOLISA and VGCL respectively, the city government has considerable influence over their daily activities and priorities. The city’s government and the Party Committee appoint the leadership of DOLISA and the city’s Federation of Labour. Furthermore, a substantial amount of funding for both the labour administration and the unions comes from the city’s budget (Interviews G2 and U5). The VGCL and MOLISA grant their provincial offices a high degree of autonomy to decide their specific activities, as long as they follow the general guidelines of the national union.

During the first week of the strike wave, the People’s Committee ordered the local labour department, unions and the authority of Thu Duc district, where Linh Trung 1 IPZ was located, to settle strikes by negotiating with employers and persuading workers to calm down. However, after one week had passed and following the realisation that the strike wave had grown beyond their control, the city’s government decided to coordinate related agencies in order to achieve a solution. The greatest concern of the city government was that ‘if strikes result in damages for companies, loss of production orders, and even factory closure, the investment climate of the city will be severely affected’ (HCMC People’s Committee 2006a: 6).

On 3 January 2006, a temporary steering committee was established for settlement of the strikes. The committee was chaired by the standing vice-chairman of the city, Nguyen Thien Nhan, and comprised
of high-ranking officials from the departments of labour, planning and investment, public affairs, trade union and other relevant agencies in the city. Each day, the committee convened at Linh Trung 1 IPZ from 6–9pm to review the situation and plan the next steps. On 4 January, the chairman of the committee met with 40 employers at Linh Trung IPZ and promised to contain violence and seek an early adjustment of the minimum wage. Thereafter, the committee sent an official proposal to the Prime Minister requesting adjustment of the minimum wage in the foreign-owned sector. Two days later another request was forwarded to the head of the government, urging a prompt decision on a new minimum wage. On 6 January, the Prime Minister signed Decree 03 to raise the minimum wage in the foreign-invested sector by 40 per cent. The promulgation of Decree 03 resulted from a combination of three sources of pressure: the spread of wildcat strikes, the VGCL and union newspapers, and the government of HCMC.

Apart from pushing for a quick adjustment of the minimum wage, the city government managed to settle the strikes. On 5 January, 20 workers were arrested for sabotaging companies’ assets. The violence among strikers quickly ceased. In the evening, the Committee required the Youth League to organise music shows for migrant workers in their own community and delivered 7,000 copies of Nguoi Lao Dong for free. On 7 January, after the government fixed the new minimum wage, DOLISA drafted a manual explaining how workers’ salaries would be changed as a result of the minimum wage increase. Thereafter, HEPZA delivered 100,000 copies of the manual to workers in the industrial zones. On 10 January, only one company remained on strike, while workers in other companies returned to work.
The HCMC People’s Committee showed their promptness and effectiveness in coordinating all the local departments, including the labour administration and the Federation of Labour, to ‘fire-fight’ the strike wave. The city government not only revealed its enormous influence over various organisations and agencies in the city, but also its political power in the governmental structure. The fact that the neighbouring provinces and the Prime Minister himself responded quickly to the city’s proposals evidenced the important position that HCMC possesses in the state apparatus, which as discussed in following chapters, enables the city to influence national policy and legislation.

**Transformation of the Labour Regime in Ho Chi Minh City**

The minimum wage strike wave of 2006 proved that the traditional approach to strike settlement was counterproductive, and that the city lacked a sustainable strategy to deal with changing labour relations at the firm-level. In the report to the HCMC Party Committee after the strike wave, the People’s Committee admitted:

> The right to strike is granted by the Labour Code but strikes must follow a prescribed procedure and meet certain conditions. In reality, all strikes had failed to comply with the legal provisions but we [the city authority] have not had any effective measures yet to rectify this situation (HCMC People’s Committee 2006a: 2).

Foreign investors were strongly opposed to the local authority’s siding with workers during the strikes. In an immediate response, the city promised partial compensation for the damage due to the unconstitutional strikes (HCMC People’s Committee 2006a: 11). However, formation of a strategic approach to cope with the changing nature of labour relations in the workplace in a sustainable way, while
retaining the inflow of FDI, emerged as the long-term objective of the city government (HCMC People’s Committee 2006a: 12).

In the report to the HCMC Party Committee after the strike wave, the city government indicated five causes of workplace conflicts that needed to be addressed. First, employers’ infringement of labour rights contributed to the workers’ growing discontent. Second, all strikes were unconstitutional strikes because workers were ignorant of the legal procedures that were supposed to be followed. Third, enterprise unions were too weak to represent and protect workers’ interests. This contributed to the fourth issue, namely, that genuine collective bargaining does not occur in the workplace and most collective bargaining agreements that are registered simply replicated the law. Fifth, the existing regulatory framework for the minimum wage, labour dispute settlement and sanctions on violators, was no longer sufficient to protect workers’ interests and promote collective bargaining (HCMC People’s Committee 2006a).

The HCMC government subsequently initiated a concerted effort to transform its labour regime to address these five areas. The first change was observed in the city’s approach to the settlement of wildcat strikes. Instead of negotiating with employers on the workers’ behalf, labour officials encouraged enterprise unions to bargain with employers and settle the disputes themselves, while labour officials acted as neutral facilitators and observers of the negotiation. The chairman of HCMC’s industrial zone (HEPZA) union shared his experience:

Now we require primary union officers to talk to workers and negotiate with employers. We support them by monitoring the employers’ compliance with what was agreed (cited in Nguoi Lao Dong, 12 June 2007).
After a strike is settled, higher-level unions support the enterprise unions to set up mechanisms for labour-management consultation, such as regular labour-management meetings, annual reviews of wages and salaries, addressing workers’ grievances through suggestion boxes, and other mechanisms. Furthermore, recognising that team leaders have often played a leading role in ‘wildcat strikes’, the HCMC People’s Committee has emphasised that local unions must integrate team leaders into the local Party and union organisation (HCMC People’s Committee 2006a).

The city government has urged the union leaders to take immediate actions to strengthen the representational role of unions at the enterprise level, particularly those in the FDI sector. To that end, the city’s union has stressed two key measures: the first is to promote genuine collective bargaining in enterprises; the other is to change the traditional union approach in order to become more representative of workers. To promote collective bargaining, it is important to distinguish between collective bargaining agreements that result from genuine negotiation and those that simply replicate the law. Collective bargaining agreements are classified into three types. Type A agreements offer more than three higher benefits. Type B are agreements with up to three higher benefits for workers. Type C includes agreements that completely replicate the law (HCMC Federation of Labour 2009). The local district and industrial-zone unions are required to support their member enterprise union officers to negotiate for type A and B collective bargaining agreements. The coverage of type A and B collective bargaining agreements has been regarded as one of the most important criteria for union evaluation (Yoon and Do 2009).
District union officers have also set up regular contacts with a number of team leaders in strike-prone companies. When workers start to raise demands for better working conditions and higher pay, the higher-level union officers support the negotiation effort. If signs of a strike emerge, these union officials will intervene by persuading the employers to reconsider the workers’ demands (for further details about this initiative, see Chapter 8).

In parallel with the reform of the city’s union organisation, the labour department has urged workers’ participation in management and labour-management negotiations. In an open letter to employers, published in *Nguoi Lao Dong* (28 January 2008), Nguyen Thi Dan, the head of the wage and labour division of HCMC DOLISA, encouraged the local employers to initiate two-way communication with workers and negotiate *bona fide* collective bargaining agreements with the union. She stressed that these were the most effective measures for employers to prevent labour conflicts. At the same time, labour inspection was strengthened. The number of labour inspectors in HCMC was expected to increase gradually from 7 in 2006 to 100 by 2010.

After the strike wave, the HCMC government also increased consultation with employers, especially the foreign investors, on labour policy, particularly those related to minimum wages. According to the business interviewees, foreign investors found the authority more willing to listen to their opinions and some of their proposals were accepted (Interview E3).

The explosion of strikes also precipitated greater consolidation among employers. Ms. Ha, the vice chairwoman of VCCI in HCMC, recalled
how the proliferation of strikes changed the attitudes of business associations and employers about representation in industrial relations:

I must say that the past five years have seen remarkable changes in employers’ awareness about the importance of industrial relations. This is primarily attributed to the explosion of wildcat strikes. Now employers actively reach out to us [VCCI] rather than vice versa. But what we wish to do is to link all business associations together to create a sense of solidarity and strength (Interview E4).

In response to the urging of both its old and new members, the VCCI in HCMC carried out a number of initiatives to promote consolidation among employers. They set up working groups of employers from different industries to discuss new legislative projects. They also organised regular forums for employers to voice their policy proposals to the city and national leaders. Training for HR managers on communication with workers, dispute settlement, and HR surveys have been provided on a more frequent basis.

The 2006 strike wave was the peak of the conflict between the new nature of labour-management relationship and the old industrial relations institutions at the firm-level. The explosion of wildcat strikes showed that the current institutional framework must be replaced by a more suitable system. Upon consideration of the unprecedented scale of strikes and the importance of foreign investment (the sector most affected by strikes) in the local economy, HCMC responded actively and strategically. From an administrative, ‘rights-based’ system, the city government blew a new breath of more representative unions, labour-management negotiation at the firm-level, and tripartite dialogue at the provincial level. In other words, the city has paved the way for an interest-based industrial relations system.
Hanoi

Second to HCMC in terms of national economic importance, the local economy of Hanoi possesses important differences from that of HCMC. First, Hanoi experienced a much longer period of command economy than HCMC. From the 1950s till the early 1990s, the economy of Hanoi was centrally-planned and relied on state-owned corporations. However, the city has a vibrant household business sector that survived the centrally-planned period and has mushroomed since the launch of Doi Moi. The city’s economy improved during the late 1990s and achieved an average growth rate of over 10 per cent between 1996 and 2000 (Vinanet, 12 October 2010).

As the second largest economic region in the country after HCMC, Hanoi contributed 8 per cent of industrial production, over 7 per cent of national GDP, and over 12 per cent of FDI between 2000 and 2008 (GSO 2008b). Despite the growth of the foreign-owned sector, the private sector has been the biggest contributor to Hanoi’s economic development. In 2008, the private sector accounted for 77 per cent of industrial production value, employed 800,000 workers, contributed 20 per cent of the city’s GDP, and 22 per cent of the city’s revenues (GSO 2008c). The dominance of the domestic private sector in Hanoi’s economy has rendered substantial differences in the nature of workplaces and labour-management relations between Hanoi and HCMC. While most companies in the private and foreign-owned sectors in HCMC are larger-sized and thus, employ more formal employment practices, the economy of Hanoi is characterised by small-sized household businesses, particularly those in the traditional craft villages. Household businesses are predominantly family businesses that rely on immediate and extended family members for both capital
and labour (CIEM 1997). The employment relations in these firms, therefore, remained informal with personal familial ties prevailing over formal employment practices (Nguyen and Bryant 2004).

Due to the domination of small household businesses, the labour conflicts that often occur in export-oriented, large-sized enterprises emerged more slowly than in HCMC. Until 2007, wildcat strikes had not become a major problem in Hanoi. According to the chairperson of the Hanoi industrial zone union, the incidence of strikes before 2008 was under ten per annum (Interview U6). Hanoi has also suffered from labour shortages. In early 2008, a high-ranking official of the city department of labour warned that the labour market of Hanoi confronted a serious shortage of unskilled labour just like the situation in HCMC a few years before, threatening industrial production and the economic growth of Hanoi (An Ninh Thu Do, 20 May 2008).

The 2008 Strike Wave at Thang Long Industrial Park
The first strike wave in Hanoi was triggered by hyperinflation. Food price inflation emerged in mid-2007, as well as a large capital inflow that increased money supply and raised the inflation rate. By the end of 2007, the national inflation rate was over 12 per cent and it soared quickly to almost 27 per cent by March 2008 (GSO 2008b). The expansionary fiscal policy of the government, combined with the central bank’s failure to control credit growth, exacerbated the inflationary pressures (Economist, 4 April 2008).

Hyperinflation entailed an upsurge in basic living costs, including rent rates, food prices, fuel, electricity and water. In the meantime, the Japanese companies in Thang Long Industrial Park (TLIP) raised wages
for rank-and-file workers by only ten per cent in the annual April pay review. The announcement of the new wage rate quickly triggered frustration across the industrial zone.

On 30 May 2008, around 1,000 workers of a new factory of Panasonic in TLIP went on strike after their management refused to pay higher wages. Workers sent the Japanese director a list of demands, including a 25 per cent wage increase, payment of travel allowances, and removal of fines for violations of internal work rules. Workers blocked the gate to the company (Dan Tri, 31 May 2008). The local authority, union and the local police quickly came to the scene to calm strikers down. On the afternoon of 31 May 2008, workers returned to work after management promised to satisfy some of their most urgent demands, including improving meal quality and paying allowances to workers. The satisfactory settlement of the strike for workers at Panasonic encouraged other companies to follow suit. On 5 June, 550 workers at VICO company walked out, followed by Nissei on 7 June, Yamaha Motor and Asahi Intec on 10 June.

However, unlike the strike-hit companies in the 2006 strike wave in HCMC, the Japanese managers refused to concede to workers on strike. Katsuaki Watanabe, the director of Yamaha Motor told reporters:

We have already thought about the worst situation when all workers in the company quit. But we can only give them our official response to their demands once they get back to work for at least three days. If we are not tough, it will create a domino effect which is extremely bad for all (Dan tri, 13 June 2008).

Based on the experience of strikes in the south, the Japanese employers argued that if they gave in to workers’ demands, it would
trigger a spread of wildcat strikes and create a precedent for future conflicts. It should be noted that the Japanese companies at TLIP were well-coordinated. They were all members of the TLIP Japanese Business Association as well as the Japanese Business Association in Vietnam (JBAV). As agreed among Japanese employers in the industrial zone, a member company would only raise wages at the consent of the TLIP Association (Interview JM1). The organisation of Japanese employers laid a solid foundation for them to coordinate their response to the pressure of strikes.

However, thousands of workers continued to strike and tried different tactics to sustain industrial action and mobilise workers from other companies to join. For example, workers at Nissei divided themselves into groups and took turns to stand in front of the company’s premises. VICO workers organised a parade of strikers on scooters around the zone, calling for other companies to strike in solidarity. Managers of strike-hit companies complained that workers who were not on strike were prevented from going to work by the strikers (Người Lao Động, 11 June 2008). Many workers received SMS phone messages from strikers calling them to join the strike in solidarity.

The tension grew to such an extent that the Hanoi People’s Committee organised a meeting on 11 June 2008 with 65 companies in the zone to try to resolve the situation. At this meeting, Nguyễn Thị Hoa, the Hanoi industrial zone union chairwoman, blamed the employers for the ongoing labour conflicts:

Even though the Japanese companies did not violate the labour law, the wages and interests you pay workers are too low to subsist. Also, the employers have not provided other benefits to workers. Only 34 over 65 companies in the zone have set up unions; 11 over 65 companies registered wage tables to the
labour authority and 45 over 65 companies have registered their internal work regulations (cited in Lao Dong, 12 June 2008).

In an effort to settle strikes quickly, the solution proposed by the city leaders was that employers raise wages for workers. The chairman of the meeting, Phi Thanh Binh, vice-chairman of Hanoi People’s Committee, stated:

Labour is a valuable resource for your companies. Workers are having difficulty because prices have risen high while their income remains the same. So we urge you to spare funds from your profits to pay workers better (quoted in Lao Dong, 12 June 2008).

The Japanese employers, however, refused to succumb to the workers’ demands despite the request from the city’s leader. Akito Shiraishi, the director general of the TLIP Japanese Business Association stated firmly:

If workers’ demands are satisfied now, workers in other companies will follow suit and go on strike. Therefore, companies in the zone face with two options: if we do not accept workers’ demands, they may not return to work; if we satisfy their demands, the whole industrial zone will face a domino effect of strikes. Our viewpoint is not to negotiate with workers participating in illegal strikes (quoted in Nguoi Lao Dong, 11 June 2008).

On the sixth day of the strike wave, some companies tried to continue production by recruiting workers to replace those on strike. Other firms that had not been hit by strikes raised the wages and allowances of their workers to prevent a domino effect.

After failing to pressure the Japanese employers into raising wages, the Hanoi People’s Committee took similar action to HCMC in 2006 by proposing to the national government that they promptly adjust the minimum wage in the FDI sector so as to prevent the contagion of
labour strikes (*VnEconomy*, 14 July 2008). However, the Hanoi’s People’s Committee’s proposal was not accepted by the national government. The minimum wage in the FDI sector had already been raised on 1 January 2008 and the government had no intention of adjusting it the second time within a year. Another important reason why the government did not agree to a minimum wage increase was that the 2008 strike wave did not have the scale and repercussions of the 2006 strike wave. Due to the geographical distances between industrial establishments in Hanoi, strikes at TLIP were unlikely to spread to other industrial zones. The potential consequences of the strike wave in Hanoi, therefore, were much less than that which occurred in HCMC two years earlier.

Another factor which contributed to the limited effects of the strike wave was the more neutral approach of the union-owned newspapers compared to the way they were in 2006. During the month of the strike wave, both *Lao Dong* and *Nguoi Lao Dong* ran only a few short reports (e.g. *Nguoi Lao Dong*, 5 June 2008 and 11 June 2008; *Lao Dong*, 12 June 2008). Rather than describing the workers’ hardships and condemning employers, the press provided a more neutral account of the situation, including the views of both workers and employers. However, some newspapers called the strikes ‘illegal’ (*bat hop phap*) and quoted legal experts who warned that workers participating in unconstitutional strikes would have to compensate for the employer’s loss (for instance, see *VnMedia*, 11 June 2008).

After the 2006 strike wave, there were many complaints from employers and provincial governments regarding the way these issues were covered. Employers claimed that labour reporters relied solely on
information provided by workers and the unions (Interview JM1). The state and provincial governments, on the other hand, found that the way the press covered unconstitutional strikes as victories for workers, encouraged further strikes. For instance, after the 2006 strike wave, the People’s Committee of HCMC criticised the press for spreading the strike effect:

> When strikes first occurred in a few companies, the way certain newspapers covered the incidents did not help workers to understand that their collective actions must comply with the law. In fact, these newspapers unexpectedly encouraged illegal strikes (HCMC People’s Committee 2006a).

As a result, in Directive 22 on measures to improve workplace harmony and stability, the Central Party Secretariat demanded that the press change their way of reporting strikes:

> The press [is required to] propagate the advocacies of the Party regarding international economic integration and attraction of investment and report both what have been achieved and what have not in an objective and honest manner. The press should not report one-sidedly to avoid creating negative reactions in industrial relations and from the public (Central Party Secretariat, Directive 22/CT-TW, para. 7).

The warning by the Central Party Committee apparently put a curb on the press’ pro-labour approach. Also, in an effort to cool the strike heat down, the Ministry of Labour and Ministry of Finance issued an inter-ministerial guideline, which provided employers with the right to claim compensation caused by illegal strikes (Governmental Decree 11, dated 31 January 2008). The organisers of illegal strikes, who could be union officers, workers’ representatives, and/or workers who simply participated in collective actions, could be required to compensate employers for damages suffered as a result of the strike action. The promulgation of this guideline sent a signal to workers on strike that the authority would not support them. Consequently, the strike wave
diminished and ended by late June. In total, there had been ten strikes in one month since 30 May 2008. When workers returned to work, their wages and benefits were subsequently increased.

The way workers went on strike and the reactions of the Hanoi government did not differ much from what happened in the 2006 strike wave in HCMC. Yet, the Japanese employers in Hanoi adopted a totally different stance and response from the southern employers. Thanks to their economic importance in the city’s economy and their unity, the Japanese employers successfully resisted the pressure from both the city government and workers. However, it should be noted that the response from the national government, who refused to sympathise with the workers on strike, strengthened the employers’ stance.

**Industrial Relations Inertia since 2008**
The 2008 strike wave at TLIP was unprecedented because, for the first time, employers resisted pressure from the city government and refused to give in to workers’ demands. Although many workers returned to work after the strikes, others quit in order to express their discontent. There is no official record of the number of workers who resigned after the strikes of June 2008, but the media reported that various companies in the industrial zone posted advertisements to recruit from a few hundred to more than one thousand workers after the strikes (VnEconomy, 14 July 2008). The strike wave alarmed the city leaders about the need to prevent further labour conflicts to save ‘the prestige of the capital city as an attractive destination for investment’ (Phi Thanh Binh, the vice chairman of Hanoi People’s Committee, reported in Dan Tri, 13 June 2008).
After the strike wave, the city government identified three major causes of the escalation in workplace conflicts. Japanese employers were relatively strict in complying with the national law. Hence, employer violation of basic labour rights was not cited as a causal factor of the strike wave. The first reason, according to the Hanoi government, was that the employers did not register their wage tables with the labour administration, and did not publicise wage rates to workers. The lack of transparency in the wage policy, according to the city government, resulted in misunderstandings and conflict between workers and the foreign management. The low unionisation rate among foreign-owned companies was cited as another reason for workplace conflicts. The foreign-owned companies were also criticised for not creating adequate communication channels with workers in the workplace.

The analysis by the Hanoi government showed that the city was aware of the lack of labour-management negotiation in the workplace. However, the government blamed labour conflict on the employer’s compliance with the law (for example, the failure to establish unions and to publicise wage tables) for the emergence of labour conflicts. The fact that unions in many strike-prone enterprises were not able to represent workers was neglected.

Accordingly, the Hanoi city government required all foreign-owned enterprises in the city to register their wage tables by 30 August 2008 and then publicise them to workers. It also urged these companies to establish unions, if they were not already present in the workplace, and to communicate with workers more regularly (VnExpress, 17 June 2008). However, there was no major initiative to improve the
representational capacity of enterprise unions. Instead, the city spent 65 billion dong to build four dormitories near the TLIP, which promised low-cost accommodation for part of the zone’s migrant workers. There has been no significant change in the industrial relations approach of either the Hanoi authority or the unions. The authority continues to settle strikes by negotiating on the workers’ behalf. However, the Japanese employers’ successful resistance to the city leaders’ pressure set an example for other employers in the region. In the first quarter of 2009, in all three strikes in the city, the employers refused to negotiate with the union and labour officials. Consequently, provincial labour inspectors and police were summoned to the strike-hit companies to create pressure on these employers to start negotiation (Lao Dong, 7 July 2008).

In short, Hanoi continued to embrace an administrative approach to industrial relations after the 2008 strike wave. Bureaucratic pressure was used to settle labour-management conflicts, while there was no progress in representational capacity of the unions and labour-management negotiation in the workplace. The employers in Hanoi showed a stronger sense of solidarity and coordination than their counterparts in HCMC. Yet, without giving more room for employee involvement, they also suffered from mass exits and labour shortages. While the 2006 strike wave effectively motivated HCMC to reform its industrial relations, Hanoi failed to make any progress after the 2008 strikes. The next section will analyse the factors that contributed to the differences between the two provinces.
Pressure from Below and Provincial Divergences

The nature of the two strike waves in HCMC and Hanoi, though two years apart, was similar — wildcat strikes organised mostly by migrant workers in foreign-owned manufacturing companies located in industrial zones. Basically, the workers in both cases walked out to demand for higher wages. The explosions of strike waves were symptoms of the strong emergence of a new pattern of labour-management relationship in the workplace and its clash with the socialist, ‘rights-based’ industrial relations institutions that are moribund. The growth of such new labour relations patterns, dramatically shown through waves of wildcat strikes instead of dispersed ones, not only caught the attention of the governments of the two provinces but also placed considerable pressure on them to reconsider their approaches to industrial relations. Immediately in face of the strike waves, the governments of both HCMC and Hanoi adopted a pragmatic, yet pro-labour, approach. They tried to settle strikes by pushing for workers’ demands to be satisfied. The HCMC government asked the national government to raise the minimum wage, whereas Hanoi leaders pressured the employers to increase wages for workers in tandem with the inflation rate.

However, the two provinces differed substantially in their interpretations of the causes of the surge of strikes. In reviewing the 2006 strike wave, the HCMC government regarded strikes as rooted in the lack of effective and legitimate mechanism for negotiation and settlement of conflict of interests between workers and management. Adjustments to the city’s industrial relations strategies made afterwards complied strictly with these interpretations. On the contrary, the interpretation by the Hanoi city government of the strike
wave in 2008 followed an administrative approach. Hanoi regarded labour conflicts as stemming from employers’ non-compliance with legal regulations on wage table registration and union establishment, rather than as symptoms of conflicts of interest between labour and management. Upon that interpretation, Hanoi did not find it necessary to strategically adjust its industrial relations approach. Instead, in a pragmatic and reactive manner, the Hanoi government has consequently resorted to stricter sanctions on employers as the solution to labour conflicts (*Lao Dong*, 7 May 2009).

One plausible explanation for the different interpretation of the strike causes between Hanoi and HCMC is the scale, extent and characteristics of labour activism in each province. As indicated in the cases of Viet Garment and JEV in chapter 5 and 6, labour activism tends to be more successful when workers enjoy favourable conditions for mobilisation such as an unsegmented labour force, supportive workers’ communities, workers’ leadership and concessive responses from the government. The economic space of HCMC presents favourable conditions for labour activism. The geographical concentration of foreign-owned and export-oriented firms in the triangle of three industrialised provinces, HCMC, Binh Duong and Dong Nai, has nurtured solidarity among migrant workers and contributed to the spread of informal worker activism. Over the years, the working class in HCMC has developed the tactics and skills of strike activity to such an extent that it has become a common method of negotiation with employers. The pro-labour, fire-fighting approach to strike settlement by the provincial authority, therefore, has proved to be ineffective and even counterproductive. In comparison, the industrial zones in Hanoi are at considerable distance from one another, which
has hindered the spread of strikes. As indicated by the cases of Viet Garment and JEV, the fact that Hanoi is more a center of the state-owned enterprises rather than foreign-owned companies also hinders the growth and spread of labour activism.

The approaches of the press (especially the labour newspapers) and employers in the two cases, offer another angle to explaining the differences between Hanoi and HCMC. Whereas the labour newspapers in HCMC in 2006 took a fervent pro-labour approach to covering the strikes, which amplified the impacts of worker activism and transferred the workers’ demands to higher levels of the government; the media in general and the labour newspapers in particular resorted to a much more neutral stance in Hanoi in 2008. In the case of Hanoi, the approach of the media deprived workers of the opportunity to extend the impacts of their strikes beyond the industrial zone and the city. At the same time, the link of coordination between the provincial government and the newspapers, which could be found in the case of HCMC, was absent in the second case. In comparison with HCMC, the Hanoi government failed to mobilise all forces, including the press, in their efforts to settle the wildcat strikes.

Also, while HCMC employers failed to coordinate when faced with strikes and subsequently succumbed to the workers’ demands, the Japanese employers in Hanoi successfully consolidated and resisted pressure from the government to accept the workers’ demands.

Apart from these immediate reasons for the two provinces’ divergence, the tradition of regionalism in industrial relations suggests that their ‘spatial’ differences may reveal the underlying causes. Studies in
regionalism showed that space not only implies the variants in the nature of industrial relations among regions, but also entails the dissimilar reactions and strategies that each may employ in response to similar challenges (Goodman and Segal 1994; Saward 1997; Davies 2002; Taylor 2002; Bache 2004). The divergence of Hanoi and HCMC in responding to similar challenges from below can be explained, as many scholars argued, by a review of the differences between the two cities in the historical and economic implications of the spatial dimension (Porter 1993; Beresford and McFarlane 1995; Fforde and De Vylder 1996; Zhu 2003).

Vietnam was divided into northern and southern regions for almost twenty years until reunification in 1975. During this period, Hanoi became the centre of the northern region, which followed state-planned economic principles; whereas HCMC had a quasi-market economy. HCMC, therefore, had a longer history of a market-style economy and private ownership than Hanoi (Zhu et al. 2008).

In terms of economic structure, due to its proximity to the central government and the ‘command economy’, the industrial structure of Hanoi is dominated by the largest and oldest state-owned corporations, as well as household businesses. Foreign-owned companies were only established in the region in the late 1990s. In the meantime, the state-owned corporations in HCMC are younger because they were established after 1975 and many have been privatised (Nguyen 2008a). The private and foreign-owned sectors in HCMC have a longer history of development than their counterparts in Hanoi. For example, wholly foreign-owned companies have been established since the promulgation of the Foreign Investment Law in
The differences in historical and industrial context between the two regions resulted in the persistence of a socialist traditional management style in Hanoi, compared with the adoption of modern employment practices in HCMC (Zhu et al. 2008). While Hanoi’s economy relies more on the domestic sector which primarily targets the local market, HCMC has had greater exposure to the global economy both through the flow of FDI and the international product markets. The transformation of employment relations in the workplace, therefore, has been faster and more dynamic in HCMC than in Hanoi.

Another important difference between HCMC and Hanoi is the linkage between informal worker activism and the role of the foreign-owned sector. Strikes have occurred predominantly in the foreign-invested firms. According to the official strike statistics released by the VGCL, 71.6 per cent of strikes between 1995 and 2008 occurred in foreign-invested companies (see Figure 7.3). As discussed earlier, FDI plays a more significant role in the economic growth and revenues of HCMC than Hanoi. The more important FDI is for a provincial government, the more influence foreign investors tend to have on the local policy (Malesky 2004, 2008). Although HCMC initially adopted a pro-labour approach to wildcat strikes, pressure from the foreign business community influenced the city government to adjust their strategy in order to balance the interests between workers and employers. In the meantime, when the FDI was not as important for its local economy as the domestic sector, Hanoi made direct intervention in favour of workers during the strike wave and continued to resort to sanctions against employers to satisfy workers’ demands afterwards.
In summary, although the responses of employers and the national government did matter in both cases, the local economic composition and the scale of labour activism have been the most important factors that have influenced the responses of Ho Chi Minh City and Hanoi to changing labour relations at the firm-level, which was dramatically shown through the explosion of strike waves. The economy of HCMC has greater exposure to global market pressure, and as such, the firm-level labour relations adaptation process happened faster and more dramatically. Labour conflicts were most severe in the foreign-invested sector, which played a much more significant role in HCMC than in Hanoi. The higher level of concentration of industrial settings, especially the foreign-owned ones, in HCMC and its proximity to industrial zones of other provinces facilitated the growth of informal labour activism. In fact, labour activism in HCMC far exceeded that in Hanoi, both in terms of scale, power and tactics. It was the importance of FDI and the uncontrollable escalation of informal labour activism that urged the HCMC government to make a strategic shift away from
the traditional approach, towards a more balanced one that focused on improving workers’ representation at the firm-level while encouraging bipartite and tripartite dialogue at both firm and provincial levels. On the contrary, albeit concerned with labour activism, Hanoi turned to administrative sanctions against employers while ignoring the weakness of enterprise unions in representing workers. When FDI did not have a determining influence on its economy and labour activism remained under control, Hanoi’s government lacked the motivation to adopt a strategic change from its traditional approach.

On the other hand, the differences between HCMC and Hanoi had crucial implications for the interpretation and mediation of the pressure from informal labour activism. Both were confronted with strike waves, but HCMC strategically adapted its approach and effectively influenced the national industrial relations policy; whereas Hanoi did not change its bureaucratic approach and failed to exert any significant influence on the national government. Thanks to HCMC’s strategic responses and influence on the national government, the 2006 strike wave left considerable impacts on the national institutions. The 2008 strike wave in Hanoi did not have any significant impact on either the city’s approach or the national institutions. One may argue that the 2008 strike wave was of a smaller scale and the Japanese employers in Hanoi were better coordinated against the pressure from the city government than their southern counterparts. Yet, the fact that Hanoi’s industrial relations strategy remained unchanged after the strikes and the national government negatively responded to the city’s proposals, proved that informal labour activism itself without the active role of the provincial government, could hardly influence the national institutions.
Conclusion

The changes in labour relations in the workplace as described in the two case studies in Chapter 5 have been most prevalent in the more industrialised provinces of Vietnam. ‘Wildcat’ strikes, which are the most extreme symptom of these changes, have forced the governments of industrialised provinces, including HCMC and Hanoi, to respond to such pressure from below. This chapter has examined the changes in labour relations strategies by the governments in HCMC and Hanoi after the 2006 and 2008 strike waves, respectively. It has been shown that while Hanoi’s labour regime has made little change to their industrial relations strategies since the 2008 strike wave, HCMC has strategically shifted its approach after the 2006 strikes. By strengthening the representational capacity of enterprise unions and promoting collective bargaining in the workplace, in parallel with encouraging tripartite dialogue at the provincial level, HCMC has gone beyond a situational ‘fire-fighting’ approach, towards active labour relations reforms. In other words, each province, depending on their economic, historical, industrial and social conditions, has interpreted and responded differently to similar changes of labour relations in the workplace. These two cases have captured the third dimension of the integrated approach proposed in Chapter 2 — the interaction between the firm-level changes and the meso- (or provincial) level industrial relations actors, which results in dissimilar adjustments in the latter’s approach. They also proved that the specific responses of the provincial government played a crucial role in interpreting and mediating the pressure of informal labour activism on the local and national industrial relations strategies.
Another element of the third dimension of the integrated approach, which will be discussed in the following chapter, is that the interpretations and responses at the provincial level have not only diverged the provincial industrial relations approaches, but also produced different influences on the national institutions. Particularly, as the economic engine of the national economy together with its privileged political position in the party-state, HCMC, through its adjustment of the industrial relations strategy, has presented not only policy experiments to the national policy-makers, but also influenced the directions of national industrial relations reform.
CHAPTER 8

Provincial Initiatives and National Policy

Introduction

Local ‘fence-breaking’ initiatives are a distinctive characteristic of Vietnam. Local initiatives have always been appreciated...Even though they may not be in conformity with the central rules, they are regarded by the state as efforts to seek a way out.

Economic Historian Dang Phong (2009a: 496)

Previous studies offered three principal interpretations of state-society relations in Vietnam. The first was the ‘dominating state’ interpretation, which claimed that the party-state is the most powerful and pervasive institution that makes rules and decisions (Thayer 1992; Womack 1992; Porter 1993). From this perspective, the political system of Vietnam is authoritarian and unresponsive to the people (Koh 2001a). The second interpretation was called ‘mobilisational corporatism’ (Turley 1993a, 1993b; Stromseth 1998). This approach drew attention to the role of mass organisations. At the same time, people’s concerns expressed through these authorised channels could influence policy debate among national leaders. Third was the ‘dialogue’ interpretation, which argued that social forces outside of the state and official organisations have space to influence national policies (Womack 1987; Thayer 2008). The space and capacity of societal actors to ‘dialogue’ with the state are deprived from the mediation role of the local administrators and the wish of the party-state to be seen
as responsive to rather than repressive of mob protests (Koh 2001b). Although each interpretation has its own merits, the last one has tended to prevail in recent years, where the party-state has paid increasing attention to the civil society’s feedback on their policies.

Still, the cases of Ho Chi Minh City (HCMC) and Hanoi in the previous chapter, illustrated that the provincial governments (especially in the first case), not only mediated the impacts of labour activism at the national level, but also actively interpreted the causes of labour conflicts and made strategic choices of reforming provincial labour relations. In other words, the provinces did not act simply as the ‘transmission belt’ between the firm-level labour relations crisis and the macro-level institutions, but proactively influenced the micro-macro interaction process by their own perception and initiatives.

Therefore, the objective of this chapter is to examine how, and to what extent, some strike-prone provinces have influenced the national labour relations institutions. The first section explains how the historical, economic and political history of the strike-prone provinces underscores explanations of why this administrative level is crucial in shaping the legislative framework. The chapter then proceeds with a discussion of the specific provincial initiatives and how they have influenced the national institutions. However, one should not regard the relationship between provincial experiments and national policy as linear. Hence, a note of caution is raised at the conclusion of the chapter about the extent to which provinces can influence national policy decisions.
Rationale for Local-Central Policy Negotiation in Vietnam

*Doi Moi* began the transformation of the governance strategy of Vietnam from centralisation to decentralisation, which has given the provincial governments more control over economic resources as well as greater political influence. However, the emergence of provincial governments in the national economy and politics took root even before the launch of *Doi Moi*, when the provincial ‘fence-breaking’ initiatives inspired and changed the economic mindset of the national leaders.

**Provincial ‘Fence-Breaking’ Initiatives and the Rise of the South in National Politics**

The term ‘*pha rao*’ or fence-breaking was first used informally in governmental circles to refer to the provincial initiatives taking place in Vietnam from the 1960s to the late 1980s. In the late 1960s and particularly after 1975, the socialist command-economy model revealed major weaknesses in almost all aspects of the economy. When reviewing the economic situation between 1976 and 1986, Dang Phong (2009a: 478–490), a well-known Vietnamese economic historian, described this period as one of ‘economic stagnation’. During this period, farmers and workers in many areas suffered from hunger, while the economy heavily relied on aid and loans from other socialist countries, especially the Soviet Union. In that context, ‘fence-breaking’ initiatives were created by a few reform-minded provincial leaders who sought to address the local people’s hardships even though they might be against the national rules at that time (Dang 2009b: 487). These initiatives provided alternative economic models which departed from
the principles of a centrally-planned economy and, as such, they inspired and paved the way for the historic *Doi Moi*.

Some of the most prominent ‘fence-breaking’ initiatives during this period were the allocation of agricultural land to farmers in Vinh Phu and Hai Phong, as well as the recognition of market rules and private sector development in Ho Chi Minh City and Nam Dinh. An important condition for these experiments to succeed and expand; however, was the protection of reform-minded leaders at the central level. The first experiment in Vinh Phu in the late 1960s, though successful, was suppressed by the central state as conflicting with the national advocacy (Dang 2009a). The Vinh Phu Party secretary, Kim Ngoc, was reprimanded and forced to suspend the experiment. Based on the lesson of Vinh Phu, other provincial leaders sought political protection and support from the reform-minded national leaders, such as Prime Minister Pham Van Dong and President Truong Chinh, among others, to conduct their initiatives. In turn, successful local experimentation became the inspiration and grounds for the national reform-minded leaders to develop the economic reform policy and defend it against attack by the conservatives (Turley and Womack 1998; Gainsborough 2005; Dang 2009a). Consequently, the tradition of tolerating provincial ‘fence-breaking’ initiatives as experiments for national policy change was increasingly embraced by the national government after *Doi Moi*. At the same time, provincial officials knew that they must informally secure the support of national leaders prior to the experimentation.

It should also be stressed that the southern provinces, particularly Ho Chi Minh City, were more open and active in creating and adopting

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8 For details about provincial ‘fence-breaking’ initiatives before *Doi Moi*, see Dang (2009a).
‘fence-breaking’ experiments. As such, this province more than others, pioneered much of the economic reform (Gainsborough 2005). In the early days of *Doi Moi*, successful local initiatives contributed to the rise to national power of many southern leaders, including Nguyen Van Linh who was elected the Party Secretary General at the 6th National Party Congress in 1986, Vo Van Kiet who later served as Prime Minister, and Nguyen Minh Triet who is now the President.

The emergence of southern provinces in national politics after *Doi Moi* is also reflected in the revision of the formula for distributing the top Party and government posts. To promote national unity, the national leadership has deliberately been composed of representatives from three different regions: north, central and south. Prior to the 1975 unification, the membership of the Political Bureau was dominated by northern and central representatives. After the Vietnam War, the membership of the first Political Bureau was increased from 11 to 14 to allow three more representatives from the south (Koh 2008: 659). Since then, the southern faction, which includes central Party and governmental leaders who originated from the southern provinces, has gradually increased in comparison to the northern and central factions. The top two positions of VCP Secretary General and Prime Minister have been taken in turn by northerners and southerners since 1986. In the latest national party congress, the number of southerners in the Political Bureau surpassed those of the other two regions, with seven southerners, one central and six northerners (Koh 2008: 668).

The rise to national power of leaders from the south has had a strong implication for southern provinces. Gainsborough (2007) explained that the local leaders who aspired to reach the national office needed
provincial back-up in order to gain stronger political influence. In return, once they secure a national position, they are expected to provide patronage and political protection to the provinces that supported them. In the case of Vietnam, the domination of the southern faction in national politics has created a favourable political patronage for the southern provinces to experiment with new initiatives and promote institutional changes — one of which has been the need for labour reform.

**Provincial Revenues and the Party-State Legitimacy**

Apart from the special role of provincial initiatives in the successful economic transition during the late 1980s, provincial governments, particularly the wealthier provinces in the south, have enhanced their influence and ability to negotiate with the central government on policy and institutional changes. This has been due to the adoption of decentralisation policy in governance and the increasing importance of provincial revenues for the party-state legitimacy.

After *Doi Moi*, in order to improve the efficiency of state administration, the central government assigned most daily governance work to provincial governments, including the collection of national taxes. The revenue must be transferred back to Hanoi, but the national government returns to provinces all the revenue they generate above a biannually negotiated target (World Bank 1996). The greater the revenues a province generates, the more it contributes to the national revenue. According to the General Statistics Office (2008), from 2000 to 2008, only 10 provinces ran budget surpluses, while over 20 could not meet their targets. HCMC has always been the province with largest budget surplus. The 2008–2009 report by the Ministry of
Finance showed that HCMC, Dong Nai and Binh Duong, the economic triangle in the south, topped the list of revenue contributors with 34.69 per cent of the national revenue (MOF 2009).

Evidence showed that the central government has demonstrated a higher degree of receptiveness and tolerance to policy demands and ‘fence-breaking’ experiments of the high-revenue provinces (Malesky 2004, 2008). This is because the national government needs the revenue contribution from the high-revenue provinces in order to redistribute to impoverished regions, so as to maintain social order and reinforce their grip on power. Furthermore, the experimentation by provincial governments, though beyond the existing regulatory framework, enables the central government to evaluate the benefits and limitations of potential policy options. The success or failure of these local experiments provides a practical foundation for the central government to decide upon the most appropriate policy direction.

In the meantime, foreign direct investment (FDI) has quickly grown to be one of the most important sources of revenue for budget surplus provinces (Kerkvliet and Marr 2004; Malesky 2008). FDI contributed to provincial revenues through a range of taxes imposed by the provincial governments on foreign investors, such as licensing fees, corporate income tax, value added tax, remittance tax, special sales tax on luxury goods, and personal income tax on high-earners employed by foreign-owned companies. FDI also included substantial amounts of indirect revenue from customs fees, import taxes, energy usage fees, land transfers fees, land use rights certificates, and land use rights assignments (MOF 2006). While the total FDI contribution to national revenue averaged 10 per cent between 1996 and 2008, the proportion
in high-FDI provinces exceeded 20 per cent. High-revenue provinces have also been the most popular destinations for FDI. The ten provinces that ran budget surpluses from 2000 to 2008 accounted for 60 per cent of the national FDI in the 20 years from 1988 to 2008 (GSO 2008a). The concentration of FDI in the high-revenue provinces has rendered both the provincial and national governments more attentive to issues that affect the flow of FDI.

In terms of industrial relations, the concentration of FDI in a few wealthier provinces has two important implications. First, the more FDI contributes to provincial revenues, the stronger voice foreign investors may have in the provincial policy. Second, the provincial authority has an important incentive to accommodate and promote the policy demands of foreign investors if they are the dominant source of revenue for the province. If the central government is not willing to approve their policy requests, provincial officials are likely to allow exceptional cases outside the regulatory framework to retain FDI flows (Malesky 2008: 102). It should be noted that informal worker activism has been most active in the foreign-owned sector, with 71.6 per cent of strikes occurring in this sector between 1995 and 2008 (see Figure 7.3). Approximately 76 per cent of strikes occurred in the southern economic triangle of HCMC, Dong Nai and Binh Duong (see Figure 8.1). Consequently, these three high-revenue provinces have been more active than most other provinces in seeking solutions to the labour relations crises and increased labour activism.
Figure 8.1: Proportion of strikes by provinces, 1995–2008

Source: Produced from unpublished VGCL’s strike statistics

From Rights to Interest: Changing Perception of the Nature of Firm-level Labour Relations

In principle, the 1995 Labour Code laid the foundation for the regulation of firm-level employment relations, by collective agreements and through the settlement of conflicts of interest between labour and management by conciliation and arbitration. However, 20 years after its promulgation, what has been implemented in practice is a rights-based system which regulates the employment relationship by the labour law, whereas collective bargaining and labour dispute settlement have become almost moribund. Until 2006, the conflict of interest between management and labour had not been recognised by the national government as the nature of the employment relationship in a market economy. Consequently, the government often settled labour conflicts by forcing the employers to satisfy workers’ demands for rights.

The ILO in Vietnam reported, as early as 2004, that the character of strikes in Vietnam was in transition ‘from rights to interest’, with the
proportion of strike demands for higher wages and better working conditions exceeding demands for rights (Lee 2005). It was the officials in the (southern) strike-prone provinces who first identified such transition ‘from rights to interest’. As early as 2005, a senior union official of HCMC noted:

Previously, workers only downed tools to claim what they were legally entitled to. These days the situation has changed. They will also organise strikes to demand better meals, higher salary increases, reductions in working time, and other such conditions (quoted in *Vietnam Economic Times*, 2005: 132).

The 2006 strike wave in HCMC, Dong Nai and Binh Duong is illustrative here. In the report to the labour ministry and the local People’s Committee right after the strike wave, the HCMC labour department (DOLISA) reported that 77.4 per cent of the strikes that occurred between December 2005 and 23 February 2006 involved interest-based demands, mostly about wages, meals and bonuses (HCMC DOLISA 2006).

Amid the heat of the wildcat strikes, Prime Minister Nguyen Tan Dung and leaders of national governmental agencies including the Ministry of Labour, Ministry of Planning and Investment, Ministry of Finance, and Ministry of Home Affairs, met with the leaders of four strike-affected provinces: Hai Phong, Binh Duong, Dong Nai and Quang Ninh. The objectives of the meeting were to ‘understand the situation and find out solutions to wildcat strikes‘ (Government Office Document No. 134, 29 August 2006: 1). Upon the reports and proposals from the strike-affected provinces, the Prime Minister officially recognised strikes as a natural phenomenon of the conflict of interest between labour and management in a market economy:

Strike is a phenomenon of a market economy. The cause of strikes is the unresolved dispute between workers and employers
about wages and working conditions...The state should have appropriate policy to harmonise the legitimate interests of workers, employers and the country so as to stabilise the investment environment and social order (Government Office Document No. 134, 29 August 2006: 1–2).

The recognition of the transition from ‘rights to interest’ in the firm-level labour relations was reaffirmed in early 2007 in the labour ministry’s report to the Prime Minister. Upon consideration of the reports on strikes from Dong Nai, Binh Duong and HCMC, the Minister of Labour emphasised:

Strikes not only happened in the companies that failed to respect workers’ rights but also in those that complied well with the law... The workers on strikes not only asked the employers to comply with the labour legislation but also demanded for better interests such as higher wages, allowances for accommodation and travel, and birthday gifts (MOLISA Report to Prime Minister, Document No. 07, 22 March 2007: 3).

This shift in the national government’s perception of the firm-level labour-management relationship and labour activism played a crucial role in adjustment of the central policy related to industrial relations. In 2006, the Labour Code Chapter 14 on labour dispute settlement was revised, with one of the most important recommendations being the distinction between rights-based and interest-based labour disputes, as well as the accordingly separate dispute settlement procedures.

The governments of strike-prone provinces were the first to be exposed to the changing nature of strikes. These new interpretations of the causes of strikes influenced the national government’s approach to strikes in particular, and the labour law in general. As a majority of strikes happened in a few industrialised provinces, especially the southern economic triangle of HCMC, Binh Duong and Dong Nai, the national government had to pay more attention to the evolution of
labour conflicts in these areas. At the same time, as labour activism escalated, it threatened the economic growth of one of the biggest economic powerhouses of the country. Consequently, the government tended to be more receptive to the proposals from these provinces. In other words, the strike-prone provinces pioneered in terms of labour relations development. Therefore, the changes in these provinces, as well as the proposals from them, guided the national labour relations policy for the whole country.

The next section will discuss the second way that the provincial governments influenced the central state — through local experiments.

**Provincial ‘Fence-Breaking’ Experimentation**

Despite the national government’s recognition of the transformation of labour relations in the workplace, the institutional arrangements have not been changed accordingly. Reporting to MOLISA and the provincial Party Committee after the 2006 strike wave, the labour department of HCMC pointed to a number of loopholes in the existing legislation: no recognition of interest-based disputes; the lack of legal definition of strikes and regulations on strikes in non-unionised enterprises; the ineffective labour dispute settlement institutions; and shortage of legal provision on the authority and procedures to settle unconstitutional strikes. The report emphasised that the current legislation ‘has made it impossible for the local authorities to resolve these conflicts in accordance with the law’ (HCMC DOLISA 2006: 13). In a meeting with the leaders of the Ministry of Labour (MOLISA) and the national union (VGCL), Nguyen Thi Dan, a labour official from HCMC put it boldly:

>The current union and labour legislation is no longer appropriate for the practical conditions. Supportive mechanisms to facilitate labour-management negotiation have been ineffective. It is urgent for the national agencies to revise the legislative
framework to reduce strikes and develop sound industrial relations (quoted in Lao Dong, 6 February 2009).

In face of a rising number of wildcat strikes and labour shortages, strike-prone provinces could not wait for the national government to revise the legislative framework. The revision process at the national level tends to take a long time and is subject to pressure from various interest groups. Therefore, the strike-prone provinces have been proactive in seeking their own solutions through bold initiatives to fill the gap in the regulatory framework. Some of these experiments have succeeded and some have failed; here, only the initiatives that yield substantial influence on the national industrial relations institutions are discussed.

**Ho Chi Minh City and the Workers’ Representative Model**

The first fence-breaking initiative was observed in HCMC after the 2006 strike wave. Although the national government responded positively to the proposal from HCMC and strike-affected provinces to initiate the revision of Labour Code Chapter 14 on labour dispute settlement, the spread of wildcat strikes forced HCMC to work out immediate temporary measures to resolve informal worker activism. On 7 March 2006, the People’s Committee of HCMC issued Decision 35 to provide a guideline for resolving unconstitutional strikes in the city. Decision 35 allowed for the formation of a strike taskforce composed of representatives from provincial departments and agencies such as the labour administration, Federation of Labour, department of planning and investment, industrial zone administration, and the police (Decision 35, Article 3). Decision 35 also prescribed two separate procedures to settle rights- and interests-disputes. It required the strike taskforce to resolve rights-based disputes by sanctioning the
violator, while guiding workers and management to negotiate upon interest-based issues (Decision 35, Article 5). This strike settlement procedure had not been stipulated in the national legislation by that time.

However, the boldest measure that Decision 35 provided was the recognition of the non-union representatives, chosen by the workers in non-union companies, in representing the workers’ interests in strike settlement. Article 5 of Decision 35 required the strike taskforce to ‘work with the collective of workers or representatives nominated by workers in non-union enterprises...to identify the causes of the labour dispute and collect the workers’ demands’. The rationale for such a provision, as explained by Nguyen Thi Dan of the city’s labour department, was pragmatic:

In any strike, there was usually a group of [workers’] leaders. Unless these leaders were involved in the negotiation and agreed with the result, workers would not listen to us. Even in companies that had unions, we had to invite both the union chairperson and the workers’ leaders to the negotiation with the management; otherwise, the strike could not be solved (Interview G2).

The logic was simple: if workers on strike did not have their genuine representatives at the negotiation table, they would not accept the negotiation outcome. At the same time, as Nguyen Thi Dan revealed, a number of foreign employers refused to negotiate with the official enterprise union leaders because they did not truly represent those on strike (Interview G2).

Reading between the lines, the fact that Decision 35 recognised workers’ representatives only in non-union enterprises, reflects the intention of the city government to avoid direct competition between those chosen by workers and the official enterprise union. More
importantly, as the VGCL and its local branches enjoy a legal monopoly, the city government might face a concerted backlash from union leadership if they also recognised workers’ representatives in unionised enterprises. In practice, however, workers’ representatives were allowed to join the negotiation with the employers to settle strikes in both unionised and non-union enterprises.

The effectiveness of Decision 35 in settling wildcat strikes and steering employers and workers back to the negotiation table has had considerable influence on the national law-makers. During the debates at the National Assembly regarding the revision of Labour Code Chapter 14 on labour dispute settlement in 2006, it was the congressmen from strike-prone provinces who supported the adaptation of the provincial experiments by the national level. In a debate on the new law at the National Assembly in August 2006, Nguyen Duc Dung (Kontum province), Tran Hong Viet (Hau Giang province) and Ngo Sy Huong (Thai Nguyen province) recommended that the revision should allow for worker representatives to lead strikes because the absence of enterprise unions in most cases automatically made strikes ‘illegal’. Nguyen Duc Dung went even further by proposing that non-union labour organisations be established in unionised enterprises:

Even in factories that have labour unions, but not strong and often in alliance with management, they [union leaders] have conflict of interest to lead the strikes. We should allow workers to elect their representatives to lead strikes. If we only allowed labour unions to have legitimacy to lead strikes, then that is neither realistic nor feasible, and thus making workers, who go on strike for their legal rights, de facto violate the laws (Vietnam News Agency, 10 August 2006).

According to some commentators, the 2006 revision of Chapter 14 was the outcome of heated debates between strike-prone provinces and
the national agencies (Tran 2007b: 443). In particular, all the three ‘fence-breaking’ aspects of Decision 35 were incorporated in the revision of Labour Code Chapter 14. The amendment to Chapter 14 classifies rights- from interests-disputes (Article 157) and prescribes separate procedures for settling these two types of disputes. The revised law also requires the chairman of district government to set up a strike taskforce to resolve unlawful work stoppages (Article 159). More importantly, the law revision incorporates the workers’ representative model in non-union enterprises. However, in the face of strong opposition from the VGCL against non-union representation, in fear of adverse impacts on the official unions in the workplace, the new law allows workers in non-union companies to elect their own representatives to organise strikes. However, the choice of workers’ representatives must be approved by the district union (Article 172a of the 2006 Labour Code).

**Bridging the Gap between Trade Unions and Rank-and-File Workers**

In private and foreign-owned enterprises, the traditional socialist union approach to organisation, recruitment and representation, no longer matches the new labour-management relations. The old union-organising approach, which regarded employers rather than workers as the key partner, created a gap between the union and rank-and-file workers, most of whom are migrants from rural areas. Engaging with migrant workers, therefore, is crucial for the union to perform their functions. Upon such a realisation, the union officers of Thu Duc, a district of HCMC, initiated a new measure to engage migrant workers in June 2005. As the migrants are often concentrated in the workers’ villages around industrial zones, the district union officers cooperated
with the local authority to organise migrant workers living in the same house or area into small teams. Each team elected a leader who maintained regular contact with the district union and authority. To attract workers, the union organised social activities and provided free legal counselling.

The self-management team became the organisational base for the district union to disseminate information on the labour law to workers and engage them in union activities. Through self-management teams, union officers also identified migrant workers’ concerns about accommodation, working conditions and wages, as well as early signs of industrial conflict (*Lao Dong*, 25 August 2009). In 2007, HCMC Federation of Labour replicated the model of self-management teams from Thu Duc district to all other districts of the city. By August 2009, 676 self-management teams had been established throughout the city, each team having around 100 members. Nguyen Thi Dan, a labour official and member of the HCMC strike taskforce, was positive about the effectiveness of the self-management team:

> A good experience for us is to prevent strikes right at workers’ communities by organising them into self-management teams managed by the union, youth’s league and the communal authority who educate workers on labour law, improve their sense of discipline and explain to them the legal dispute settlement procedures. This model has been highly successful. Thanks to it, we were able to stop a strike wave in Cu Chi district last month (Interview G2).

In addition to preventing strikes and educating workers on the labour law, the self-management team concept has been a breakthrough in the way the official unions perform their functions. Under a self-management team model, the district union officials work with the migrant workers directly, rather than with the managers, not at their workplace but in their communities. By so doing, the union officials
created a direct link with the rank-and-file workers, which was free of the employers’ intervention. Even though the objective of the self-management team has been largely confined to strike prevention and law education for workers, it has presented an effort of the unions in HCMC to reach out to their members and shorten the gap with the rank-and-file workers.

The success of this experiment in HCMC captured the attention of the national union leaders, who advocated its nationwide replication. In a union conference in 2009, Hoang Ngoc Thanh, vice-chairman of VGCL noted:

The self-management teams in migrant workers’ communities have facilitated the dissemination and education of law for workers and enabled the union to grab and dissolve promptly workers’ concerns so as to reduce illegal strikes. Self-management teams have also allowed us to build the core contingent of the union force and provide material and spiritual support to workers...This model should be quickly replicated, especially when in other provinces, industrial-processing zones have been set up (Lao Dong, 25 August 2009).

In another article in a magazine of the Communist Party Committee for Propaganda and Education, Hoang Ngoc Thanh cited the self-management team as ‘a potential form of union organising in the labour-intensive industrial zones’ and urged other provincial unions to replicate the model (Tap chi ban tuyen giao, 31 March 2010).

In a similar effort to close the gap between rank-and-file workers and the unions, Da Nang Federation of Labour initiated a different experiment from its counterpart in HCMC. Upon realisation that the team leaders play the lead role in organising strikes, the provincial union set up a group of core workers in each enterprise. This group consisted of the team leaders and experienced workers who were
active in advancing workers’ interests. Each district-level unionist was assigned to supervise five enterprises. The phone numbers of these union officials were provided to the groups of core workers. According to the vice-chairwoman of Da Nang Federation of Labour, these union officials had three important responsibilities. First, they helped the group of core workers and/or the enterprise union to set up suggestion boxes in each enterprise to collect workers’ complaints and demands. Second, they collaborated with the group of core workers and/or the enterprise union to monitor the employer’s compliance with the labour law. Finally, the union officials negotiated with the employer to settle labour conflicts and prevent strikes (Interview U2). The groups of core workers were encouraged to work with the enterprise unions to discuss their concerns. However, if the workers did not have confidence in the enterprise union, they could call the upper-level union officials who would subsequently meet the employers to settle the dispute. According to the vice-chairwoman of Da Nang Federation of Labour, most employers cooperated with the upper-level union officials because they did not want to have strikes.

The establishment of groups of core workers in Da Nang reveals two important improvements on the former labour relations approach. First, it showed the provincial union’s recognition of the team leader’s role as *de facto* representative of the workers and its effort to engage them into the formal union system through the groups of core workers. Second, by creating the direct connection between the upper-level union and the groups of core workers, Da Nang Federation of Labour supported and sometimes substituted the primary unions, especially in negotiation with employers.
Apart from initiating new models, provincial trade union organisations have also reformed the way traditional union activities are carried out. Trade unions in Vietnam have the function of providing legal advice and education for workers. Union legal advice offices have been set up in every province and city. However, most legal advice offices receive only a small number of visits because workers have little time after working hours to travel to these centres. Due to their awareness of workers’ time constraints, Dong Nai Federation of Labour organised mobile legal advice offices during after-work hours. The union counsellors travelled in mini-buses to the migrant workers’ communities to provide legal advice. The initiative of Dong Nai was regarded by VGCL as a progressive model. In early 2008, the national trade union sent a group of specialists to study Dong Nai’s legal advice model in preparation for possible replication to other provinces (Lao Dong, 27 February 2008).

The abovementioned ‘fence-breaking’ initiatives were positively received by the national union leaders and became the most important themes for the revision of the Union Statute in 2008. While the 2003 Union Statute placed the function of educating workers on the party-state’s advocacy at the top of the list of union responsibilities; the 2008 amendment to the Union Statute regarded the protection of workers’ interests through collective bargaining, organisation of worker congresses, settlement of labour disputes, and organisation of collective actions, as the priority task of primary unions in non-public enterprises (2008 Union Statute, Article 20). Second, in the 2003 Statute, the mandate of district and industrial zone unions was limited to disseminating information about the party-state’s advocacy, legislation, union initiatives, organising social campaigns, and
monitoring enterprises’ compliance with the labour and trade union laws. The 2008 amendment substantially extended the mandate of district and industrial zone unions to ‘settle labour disputes in the constituency, support primary unions to negotiate collective agreements, organise dialogue with employers, organise and lead strikes in accordance with the law’ (2008 Union Statute, Article 26(4) and Article 27 (3a)). According to a union official who participated in the drafting of the 2008 amendment, the revised Union Statute did not provide a clear definition of how far the intermediary unions could participate in workplace relations with the intention to provide district and industrial zone unions with the necessary flexibility in choosing their most appropriate strategies (Interview U5).

Albeit using different methods, these experiments exemplify two major breakthroughs for the union. The rank-and-file workers have been gradually recognised as playing a significant role in the reform of labour relations, and union leadership is beginning to understand and address their concerns. To that end, the union organisation needs to mobilise its resources beyond the enterprise boundary. In particular, the upper-level unions have been given additional mandate to provide direct support to workers and primary unions. This has actually reversed the tradition of upper-level unions constraining their support to enterprise unions rather than intervening directly into union work at the enterprise level (Nguyen 2008a: 1–3). Also, in the party-state structure of Vietnam, full-time union officials at the district level and higher are regarded as civil servants and it was the norm for them, especially in the command economy, to work with primary union leaders and company managers in the workplace rather than reaching out to rank-and-file
workers in their communities. In other words, the experiments discussed above have broken two long standing tenets or ‘fences’ in transforming the old socialist union approach into one that fits with the labour relations of a market economy.

**Promotion of Collective Bargaining**

In 2006, when the national government and the VGCL remained preoccupied with how to contain wildcat strikes, the HCMC authority concluded that what should be addressed was not only the labour conflicts *per se*, but also the lack of an effective mechanism for labour-management bargaining at the workplace level (HCMC People’s Committee 2006a: 13). Negotiating benefits that are better than the minimum standards was encouraged, but not required in collective agreements (Article 44.2 of the 2002 Labour Code). Hence, the vast majority of collective agreements signed between employers and enterprise union leaders simply provided minimum legal requirements, as the employers were reluctant to raise production costs, while the unions were too weak to demand for more.

Every spring since 2007, the HCMC union has waged a collective bargaining campaign, urging all primary unions to negotiate new collective agreements with employers, aimed at ‘not only promoting the role of unions in protecting workers’ legal rights but also persuading employers to provide better working conditions and benefits for workers’ (*Nguoî Lao Dong*, 24 June 2009). During this annual spring campaign, the city and district unions focused their financial and personnel resources on supporting the bargaining process in the workplace by providing information on wages, inflation rates, and economic growth — the factors that affect the determination of
pay and working conditions. The initial success of collective bargaining in HCMC has persuaded the VGCL to replicate the experiment. A primary union’s ability to sign a better-than-law collective bargaining agreement with the employer is regarded as one criteria of union performance evaluation (VGCL’s Directive 01/TTr-TLD 27 October 2006).

Dong Nai has adopted a different approach from HCMC to collective bargaining. Industrial zones in Dong Nai are characterised by the concentration of companies of the same industry and nationality. In 2008, Dong Nai Federation of Labour worked with the VCCI and the Taiwanese and Korean business associations to initiate collective bargaining at the industrial zone level (Lao Dong, 27 February 2008). The idea is to organise for employers of the same industry and nationality and located in the same industrial zone, to negotiate with the local union organisation on new wages and working conditions. The industrial-zone bargaining is expected to minimize wildcat strikes and reduce labour turnover among the participating companies (Interview E4, E5 and U7). The initiative has received political support of the National Assembly Department of Social Affairs. In a meeting with the VGCL leadership, Dang Nhu Loi, the vice-chairman of the Department of Social Affairs, emphasised that each industrial zone should have a union to facilitate collective bargaining at this level:

It is necessary to set up union organisation for each industrial-processing zone to protect workers in non-unionised enterprises. This new form of union organisation will also facilitate the negotiation of collective bargaining agreements at the industrial zone level (Lao Dong, 9 April 2009).

The efforts of strike-prone provinces to look beyond the immediate problem of strikes and focus more on promoting collective bargaining
at both the enterprise and higher levels have had visible influence on the national union’s strategy. In the Cooperation Work Plan for 2007 between VGCL and MOLISA, the agencies set targets of extending the coverage of collective agreements to 60 per cent of unionised enterprises by the end of 2007 (VGCL-MOLISA Cooperation Work Plan for 2007). In June 2009, the VGCL issued a resolution on collective bargaining, which set the target of raising the collective bargaining coverage in the unionised sector to 70 per cent (VGCL Resolution on Collective Bargaining, 18 June 2009).

This section has discussed the way strike-prone provinces have adapted not only to settle their local problems, but also to influence the national institutions. These provinces have strong bargaining power over the national government as they constantly produce high revenues. Particularly for the southern provinces and HCMC, their close alliance with the national leaders provided them with the needed political patronage to carry out policy experiments beyond the current regulatory framework. From outcomes such as Decision 35 of HCMC, the self-management team model, and the expansion of the upper-level union’s mandate of Da Nang, these southern provincial governments have not only reversed the socialist union’s tradition, but have also stepped into some ‘taboo’ areas, including the union’s representation monopoly (in the case of Decision 35). Still, these local initiatives were positively received by the national government and the VGCL. Most of these initiatives have had tangible impacts on the policies of the national government, the labour legislation and the national union’s charter.
The analysis in this chapter, therefore, supported the ‘dialogue’ interpretation of state-society relations in Vietnam, which argued that social forces outside the state and official organisations have space to influence national policies (Womack 1987; Thayer 2008). Yet, the space and capacity of societal actors to ‘dialogue’ with the state are based on the mediation role of the local governments and the wish of the party-state to be seen as responsive rather than repressive to mob protests (Koh 2001b).

However, the provincial governments not only served as the mediator between micro-level pressure and macro-institutions. More than that, these provinces actively interpreted the causes of the ‘pressure from below’ and adopted measures independent of the state and even beyond the regulatory framework to address firm-level issues. Due to their privileged position in the national economy and political system, the proposals and initiatives from high-revenue southern provinces were tolerated by the party-state. Another factor that contributed to the toleration and reception of the national government towards the southern provinces’ proposals and experiments was the concentration of industrial relations development in these regions. Hanoi also enjoys a strong economic and political position in the national system. However, because of the industrial and economic composition of Hanoi, industrial relations were slow to change; and labour conflicts, despite the 2008 strike wave at Thang Long industrial park, have not become a major problem for the city. In the meantime, over 80 per cent of strikes occurred in HCMC, Binh Duong and Dong Nai, and these provinces were usually the first to face industrial relations changes.
Therefore, the initiatives of the strike-prone southern provinces were softly treated as experiments that offered policy options for the national government, rather than violations of the national rules. As shown in this chapter, the southern provinces tend to initiate an experiment out of their local needs, without official approval from the national government. Yet, when a provincial initiative succeeded, the national leaders publicly voiced their support and replicated it nationwide. In short, these southern, strike-prone provinces have been actively influential rather than passive and neutral in the micro-macro relationship. By promptly and flexibly responding to the pressure from below, these provinces have considerable impacts on the national industrial relations institutions.

However, as the following section argues, the relationship between provincial proposals/experiments and national policy, is not linear. In fact, although the provincial proposals and experiments inspire and influence the national institutions, there remain a number of factors and forces that affect final policy decisions at the national level.

**A Note of Caution**

Recent international literature on central-local relations reveals two contrasting perspectives: the ‘weak centre’ versus the ‘strong centre’ view (Laffin 2009: 23). Advocates of the weak centre approach argue that the growth of regional governments and societal actors have extended the notion of state beyond the governmental boundary (Yang 1994; Rhodes 1996; Bache and Flinders 2004). The central government has lost its absolute control in a range of policy areas between national and local governments, and between governmental and non-governmental actors. However, the proponents of the strong
state theory argue that the central state may relinquish direct control over daily governance issues in a strategic attempt to purchase wider effective control (Davies 2002; Saward 1997; Taylor 2000). Although a decentralisation policy may shift certain governance responsibilities to the local governments, the central state strategically retains important ‘weapons’ to ensure their overall control. For example, the British Government tightly controls the funding flows to regional and local governments (Bache 2004), and the Chinese Government use their power to appoint and remove provincial leaders to ensure provinces do not confront them on fundamental issues (Yang 1994).

In Vietnam, although *Doi Moi* has significantly strengthened the economic and political power of a few wealthy provinces, there are a number of factors which limit their influence on the national institutions. First, despite the erosion of state power, the national party-state possesses powerful resources and sanctions in dealing with provincial leaders. The most important sanction is the power of appointment and removal of provincial officials. The VCP has from time to time transferred provincial leaders, especially those who are natives, to different provinces or to a national department to avoid them becoming too attached to local interests and prevent regional factionalism. While provincial officials may lobby for changes at the macro-level, they are cautious not to stick their necks out against the central government on fundamental issues. Therefore, the pressure for institutional reform from the strike-prone provinces has been modestly expressed through internal debates or informal experimentation rather than in a confrontational manner.
Second, the politics of Vietnam after *Doi Moi* is focused on `interest-group` politics (Thayer 1988: 179). The party-state is viewed as consisting of clusters of interests. Party officials choose to ally with each other on the basis of sector (for instance, new versus old party members, central versus provincial), territory (provinces and regions), or position on fundamental policy issues (reformer versus conservative), depending on the specific domestic and international context (Vasavakul 1997; Gainsborough 2007). It also means that Party officials may affiliate with one interest group, but when conditions change, they may shift to another. The rise to national power of southern provincial leaders has been interpreted as the emergence of a southern faction (Thayer 1988; Vasavakul 1997). At the same time, the southern leaders are regarded as `reformers` (Thayer 1992). But not all south-originated leaders have consistently pursued a reform approach (Gainsborough 2007). This political climate implies that even though the southern provinces may rely on south-originated national leaders for political patronage and protection (Gainsborough 2007) to adopt reform-oriented experiments, there are limitations to the extent of influence these provinces may exert on the national policy, especially when they present potential conflicts with other interest groups within the party-state. As such, while this chapter has argued that the south has gained strength and authority to change labour relations, this authority is by no means absolute.

**Conclusion**

The dynamic development of labour relations, especially the explosion of unconstitutional strikes since 2005, has stimulated the strike-prone provinces, especially those in the south, to push for institutional reform at the national level. This chapter has argued that these
provinces enjoy substantial bargaining power in relation to the central government due to their historical role in economic reform, their economic importance, and the political patronage of the national leaders who originated from the south.

As the first to be exposed to the firm-level labour relations changes, the strike-prone provinces have effected a transformation of the labour-management relationship. This transformation has influenced negotiation and legislation at the national level. Following the provincial recognition of the transition from rights- to interest-based wildcat strikes, the national government has adjusted its approach and reformed labour legislation. On the other hand, the strike-prone provinces have carried out a number of initiatives which have gone beyond the existing regulatory frameworks in an attempt to fill the gap between the current institutional arrangements and changing conditions at the grassroots level. This chapter has identified that such ‘fence-breaking’ initiatives have not only been tolerated by the national government, but have also been adopted for nationwide replication or incorporation into the revised legislation.

Together with Chapter 7, this chapter has highlighted a crucial dimension of the theoretical diagram proposed in Chapter 2. It has outlined the linkage and the significant ‘pressure from below’ based on informal labour activism, and the macro-level influence on industrial relations institutions. Linkages were created by the provincial governments, especially those most exposed to the firm-level changes. They mediated and interpreted the labour relations crisis in the workplace and then, influenced the perception of the national actors towards the pressure from below and their corresponding policy
decisions. Provinces may react differently to the same pattern of firm-level adaptation, as in the cases of HCMC and Hanoi, depending on their industrial concentration, economic structure and history. This also means that they are likely to have differentiated influences on the national government. However, the provinces that possess stronger bargaining power in relation to the central government tend to be more influential over national policy decisions than others.

The extent of influence that these provinces may have on the national institutions, at least in the case of Vietnam, is limited by two factors: the party-state’s power over the appointment and removal of provincial leaders, and the complex nature of national politics. Building on the awareness of the strengths and drawbacks of provincial initiatives to promote policy changes, the next chapter will examine the interaction and negotiation among different interest groups at the national level in relation to the transformation of the industrial relations system.
CHAPTER 9

Industrial Relations Transformation?
Between Continuity and Change

Introduction

We want the revised [labour] law to create a new industrial relations system that balances the interests of workers, employers and the state; and it must work in practice. The current draft law is not up to this expectation and so we are still looking for the shape of a new system.

(Truong Thi Mai, Chairwoman National Assembly Committee of Social Affairs, 2 April 2010).

Streeck and Thelen (2005) argued that institutional transformation does not necessarily result from abrupt breakdown or replacement, but more often from gradual and incremental changes. Erickson and Kuruvilla (1998: 14) also found that ‘gradual or evolutionary change can result in major changes in structures, such as institutions, with the passage of time and the development of practice’. In other words, institutional transformation may happen not by the abrupt replacement of one model by another, but by minor changes which gradually shifts the system to a new direction. To distinguish between ‘transformation’ and ‘evolutionary change’, Erickson and Kuruvilla (1998) offered three criteria. First, there has been reconsideration of the ‘deep structure’ of
the IR system. Second, this is the period of rapid change, and between these periods are longer periods of stability. Third, during this period, there is great experimentation before one dominant form takes root. In contrast to evolutionary changes, transformation must involve reconsideration of the ‘deep structure’ of IR institutions and various experiments which reflect the gradual shift to a new structural form.

The changing nature of the labour-management relationship at the firm-level and the rise of informal labour activism in Vietnam have been concentrated in a few industrialised provinces, especially those in the south of Vietnam. The inappropriateness of the existing IR institutions have urged the governments of these strike-prone provinces to reform local labour regimes, while placing pressure on the national institutions to adjust to the new circumstances. The need to reform the institutional framework for industrial relations became more urgent due to both economic difficulties in 2008 and 2009, and political divergences within the party-state.

The objective of this chapter is to examine the potential for institutional transformation of IR in Vietnam. In so doing, the chapter will analyse the forces that support and promote industrial relations reform at the national level, as well as those that favour continuity of the old system. The first section provides a political economy context for the policy decisions made at the national level. It is argued that industrial relations reform is placed at the heart of a major political debate between reform-minded leaders who promote economic growth and Party democratisation, and conservative leaders who are more concerned about retaining the Party’s supremacy. The second section discusses the efforts of employers to coordinate with each other in
order to gain a stronger voice in policy debates. The chapter then examines the initiatives that the national union, VGCL, has carried out in the last few years in response to the pressure from below. The last section discusses the transformation of the national government’s approach to industrial relations. It also incorporates the debate between the reform-oriented and conservative forces concerning the revision of the Labour Code, especially the issue of non-union representation, in order to assess the prospect for industrial relations transformation.

**From Economic Crisis to Political Divergence: the Shadow over Industrial Relations Reform**

There is a close link between the transformation of a national IR system and the changes in national economic development strategy. Kuruvilla and Erickson (2002), for instance, found that the transformation of IR institutions often occurred in tandem with the shift of an economy from one industrialisation strategy to another. Verma, Kochan and Lansbury (1995) argued that the motivation for the governments of East Asian countries such as Korea, Malaysia, Thailand, and the Philippines to adapt their industrial relations institutions was to create new factors of competitive advantage so as to sustain economic growth.

Vietnam has already been in economic transition from command to market since the late 1980s. The national government has pursued an early export-oriented industrialisation strategy that relies on labour-intensive manufacturing industries and natural resources. The IR institutions, however, have been slow to adapt in accordance with these economic changes. The non-alignment between the new
economic development strategy and the old IR institutions has resulted in the rise of labour activism, which has more or less influenced the labour-intensive manufacturing industries in particular, and the national economic growth in general. In the case of Vietnam, economic performance is extremely important for the legitimacy of the Communist Party. At the same time, the extent to which the IR institutions should be reformed is subject to the political struggle within the Party.

**Economic Downturn and the Crisis of Legitimacy**

The supremacy of the VCP relies first and foremost on its capacity to protect its political legitimacy. In the period from 1954 to 1986, the political legitimacy of the Party was founded on its defeating foreign aggressors, including France, Japan, the United States, China, and the Khmer Rouge. After 1986, the Party embraced ‘performance legitimacy’ (Thayer 2009), which consists of the management of economic development and growth, poverty reduction, as well as the maintenance of political stability. Even though Party leaders agreed on the common goal of maintaining performance legitimacy, they frequently disagreed upon how to achieve it (Vasavakul 1997; Gainsborough 2007; Thayer 2009). The conservatives asserted that the Party’s supremacy in every aspect of the socio-political regime should not be sacrificed for fast-paced economic growth. Yet, the more reform-minded leaders believed that the Party’s legitimacy could only be sustained and bolstered by the democratisation of both the Party and state-society relations. This sentiment of Party democratisation was boldly stated by the VCP Secretary-General Nong Duc Manh in 2002:

> During the revolution, we had to keep secrets to ensure the success and victory of the cause, to gain independence and
unification. Now the Party has won a leading role ... I think everything should be governed by law. We don’t want to keep secrets any more (Vo 2008: 34).

It was economic success that paved the way for gradual democratisation within both the Party and the society during the past decade. From 2000 to 2007, Vietnam recovered from the 1997 Asian financial crisis and experienced a period of fast economic growth. This upward trend peaked in 2007 when the rate of growth of gross domestic product (GDP) reached 8.4 per cent, the highest growth rate in the country in ten years, and second to only China in East Asia (Vo 2008: 29–30). The economic success reinforced the political power of the reformists in the party-state approaches. The 10th National Party Congress in 2006 gave the rise of two well-known reformers, Nguyen Minh Triet and Nguyen Tan Dung, to the top two political positions of President and Prime Minister, respectively. They are both southerners and have considerable business experience. The 2006 Congress was widely regarded as a milestone in the political evolution toward Party democratisation, which was evidenced in more open leadership selection and succession (for discussion of the 2006 Party Congress, see Gainsborough 2007; Koh 2008; Vo 2008).

Nonetheless, the stark reversal of economic conditions in 2008 and the first half of 2009 was a hard blow to the reformers. The inflation rate reached double-digit level at the end of 2007, and soared to a peak of 28.3 per cent in August 2008 (GSO 2008b). The expansionary fiscal policy of the government and the state bank’s inability to rein in credit growth were claimed as the roots of hyperinflation (Economist, 4 April 2008). The first people to be blamed were the state bank governor, Nguyen Van Giau, and Prime Minister Nguyen Tan Dung, both of whom were acknowledged as the leading reformists. Workers were among
the first to feel the heat of hyperinflation as the cost of food, foodstuff, and rent surged by 30.6 per cent in March 2008. The resulting hyperinflation fuelled a marked increase of labour unrest. In 2008, there were 762 strikes, mostly in the footwear and garment industries. In mid-2008, the government applied a number of measures to cool down inflation, such as increasing short-term interest rates, implementing price controls and announcing cutbacks in inefficient government spending (*Asia Times*, 22 September 2009).

The global financial meltdown in late 2008, which depressed global commodity prices and demand, accelerated the impacts of Hanoi’s anti-inflationary efforts. Unfortunately, as soon as the economy overcame hyperinflation, it was faced with a serious drop in export demands and foreign direct investment resulting from the global economic crisis. Confronted by the overnight reduction of two of the most important sources for economic growth, Vietnam went from an economy that was overheated, to one that was in recession. A large number of companies in export industries had to reduce their labour force so as to survive the global economic crisis. According to MOLISA, 30,000 workers lost their jobs in 2008 (*Gia Dinh.net*, 10 January 2009). The government announced an economic stimulus package at the end of 2008 and the economy began to recover at the beginning of 2009. However, the economic crisis continued as the fiscal and trade deficits had reached an unsustainable imbalance (*Asia Times*, 22 September 2009). The legitimacy of the party-state and the political influence of reformist leaders within the VCP are now contingent on their capacity to recover economic growth and development. The core element of the economic recovery involves the enhancement of
domestic firm competitiveness in the face of increasing product market pressures.

**Political Divergences**

In the context of a deteriorating legitimacy, the political divisions between the reformist and conservative elites within the Communist Party grew deeper, with the latter’s power reinforced at the expense of the former (Thayer 2008). This political divergence has been most vividly reflected in the reversal of the party-state policy stance on pro-democracy activism.

Prior to the economic crisis, together with the internal Party democratisation progress, the state-society relations were improved with increasing openness of the party-state to public scrutiny. This was accompanied by more freedom for the press in reporting corruption scandals that involved people in high power. The biggest corruption scandal in 2006 was the ‘PMU 18’ case⁹. Partially under the pressure of an enormous press campaign, the Transport Minister was forced to resign, a vice minister was arrested, and a number of high-ranking officials were imprisoned (Thayer 2008). In 2007, Thich Nhat Hanh, a world-renowned Vietnamese Zen master and peace activist who had been exiled by the Communist Party from Vietnam in 1966, was welcomed back to the country to pray for all those killed in the war, regardless of ideological and religious persuasion, gender, age and ethnic background (Vo 2008). Through the visit of Thich Nhat Hanh, the party-state sent a message of reconciliation between the two sides of the tragic war and called for national unity.

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In 2008, this tolerant and open approach changed to a more conservative and repressive attitude. Two prominent journalists who had played the key role in the press campaign against the PMU 18 scandal were arrested and tried. In August 2008, the press credentials were revoked for five journalists and editors from four newspapers. A few months later, two more editors were dismissed. During land disputes between the Catholic Church and the state in Hanoi, the police were sent in to suppress and arrest supporters of the church (Thayer 2008). A number of pro-democracy bloggers who had been outspoken in criticising the party-state’s policy were jailed.

Writing on China, Naughton (1995: 23–24) argued that in the long run, the policy decisions of the Chinese party-state would emerge from ‘economic conditions and the interaction between economics and politics’. This observation is equally applicable to Vietnam, as evidenced by the interactions between economic conditions and politics in the last five years. Retaining the Party’s supremacy is the top priority of the one-party regime. When its legitimacy is guaranteed and reinforced by economic growth, the party-state tilts toward a reformist approach, and is more open to internal Party democratisation and scrutiny by the civil society. By contrast, when its political legitimacy is threatened by faltering economic performance, the party-state becomes less tolerant to public criticisms and is hesitant to undertake further reforms.

The prospect for reform of the industrial relations system is at the heart of the economic and political advocacy of the party-state for two reasons. First, the changing nature of labour relations in a market economy has been most discernible in the export-oriented
manufacturing industry — one of the key engines of Vietnam’s economic growth. The surge of labour conflicts has reduced the competitiveness of the export industries and the economic growth of some of the most industrialised provinces. This situation required the state to undertake prompt measures to reduce workplace conflicts in order to pave the way for further industrial development. The Communist Party has ideologically claimed its origin from the working class. The working class is regarded as ‘the social class that leads revolution with its vanguard being the Vietnam Communist Party’ (Central Party Committee Resolution 20-NQ/TW of 28 January 2008: 1). The fact that none of the labour strikes were organised by the Party-controlled trade unions threatened the political legitimacy of not only the VGCL but also the prestige of the VCP as the vanguard of the Vietnamese working class.

Another reason why industrial relations reform is so significant is the political connection between trade union reform and the democratisation of the one-party regime. The official trade union’s ineffectiveness in representing workers has aroused suggestions among critics that non-VGCL unions should be established to provide better representation of workers (Interviews U1, U5 and I1). Given the political connection between the VGCL and the Communist Party, the monolithic union system roots from the nature of the one-party system. Multi-unionism or freedom of association implies political pluralism for the one-party regime. Thus, trade union reform lies at the heart of political negotiation between the reformers and the conservatives within the Party, as well as between the Party and the wider public about the future of the party-state regime. Situated in such a diverging political economy context, the prospect for industrial
relations development in Vietnam is placed in the middle of two opposing forces — one pushes for transformation of the industrial relations system, while the other clings to the status-quo.

**The Trade Union: Between Reform and Political Protection**

Many commentators have agreed that whether or not the industrial relations system of Vietnam will be transformed depends primarily on the ability of the socialist trade union to redefine its role to represent workers, and only partially on the development of a new legislative framework (Zhu and Fahey 2000; Chan and Norlund 1995; Clarke 2006; Tran 2007b). In other words, the transition of the union from a bureaucratic and directive organisation to a representative one, is a key to the transformation of IR in Vietnam. By comparing the labour regimes of China and Vietnam, some researchers argued that the VGCL enjoys more advantages than its Chinese counterpart, the All China Federation of Trade Unions (ACFTU, to transform into a representative organisation (Chan and Norlund 1995; Chan and Wang 2005; Chan 2008). Although the VGCL has gained greater autonomy from the government, the Communist Party tends to favour the union when there is contradiction between the VGCL and the government (Chan and Norlund 1995: 197).

However, political support from the Communist Party is not necessarily a ‘blessing’ for the trade union in its effort to become more representative of workers. In the last few years, the pressure from informal worker activism has forced the union to shift its approach, from being solely administrative to being more representative. Yet, the alliance with the Party threatens to slow down the reform process and
places the VGCL in a dilemma. If it embraces the Party’s protection, it risks losing its credibility as a representative organisation; but if it promotes the reform as being more independent of the Party, it may lose the privileged political position it has enjoyed for decades.

Sources of Pressure for Union Reform

In the pre-reform period, the legitimacy of socialist trade unions depended on its alliance with the ruling Communist Party at the national and sub-national level, and with management in the workplace. The legitimacy of the socialist trade unions was not founded on their ability to advance members’ interests, but the propaganda of the party-state policy and management of welfare provision (Chan and Norlund 1995; Clarke and Pringle 2007). Despite the economic reform, the union has done little to redefine its role to represent workers, primarily because the union’s political legitimacy has been secured by the protection of the Party at the national and provincial level (Chan and Norlund 1995; Chan and Wang 2004; Chan 2008). Since its establishment, the union’s major task has been the mobilisation of workers in support of the party-state’s policies.

In the last decade, the legitimacy of the socialist union was challenged first and foremost by informal worker activism at the firm-level. Although virtually unrepresented by the formal trade unions, rank-and-file workers managed to take advantage of labour market conditions and adopt the strategy of ‘collective bargaining by riot’ (Hobsbawm 1964: 7) to claim for their interests. The fact that workers have been able to stage increasingly large scale and organised collective actions has demonstrated that they have become a de facto actor in industrial relations, independent of the VGCL.
In face of the upsurge of informal worker activism, the national union recognised the weakness of primary unions, but blamed it on their dependence on the employers for income and employment. The then-VGCL chairwoman, Cu Thi Hau, called for additional allowances for the enterprise union leaders to overcome this problem:

It is true that primary union leaders were not able to lead strikes but the main reason is because they are also employees who are paid by the employers. If they organised strikes, they would be dismissed by the employers...The Labour Code should be revised so as to provide [primary] union leaders with financial support so that they can be independent of the employers (VnExpress, 8 January 2006).

A later report by the VGCL on labour conflicts identified five major causes of wildcat strikes, including: the employers’ violation of labour rights, weak labour administration, workers’ ignorance of the labour law, inappropriate legal provisions, and weak primary unions (VGCL Internal Report No. 37, 16 August 2006). The weakness of the primary unions, as the report asserted, emanated from the fact that the law did not provide for proper protection for the employment and income of union leaders. There was no acknowledgement, within the national union, of the need for the higher levels of the union organisation to be reformed.

The pressure for union reform came from non-union sources. The emergence of informal worker organisation, though minimal and scarcely coordinated beyond the enterprise level, has caused employers as well as the national and provincial governments to question the legitimacy of the official trade unions as a representative organisation. Employers of strike-hit companies were disappointed when the unions had no advanced knowledge of workers’ strikes.
Furthermore, during the strikes, the fact that enterprise union officers were not able to represent workers in negotiation with employers, prolonged the settlement process. A VCCI interviewee reported that a number of international investors bypassed the union to set up their own communication system with rank-and-file workers so as to identify early signs of discontent and conflict (Interview E4).

The strike-prone provinces have been the first to voice their criticism of weak primary unions as one of the major causes of workplace conflicts. In a report on the strike wave in 2006, the People’s Committee of Ho Chi Minh City put it this way:

> Primary unions have played a minimal role in protecting workers’ interests. They were not aware of workers’ concerns as well as the potential conflicts in labour-management relations. Consequently, they did not have the capacity to mediate and represent workers (HCMC People’s Committee 2006a).

The heat of labour activism and the ineffectiveness of primary unions in representing workers have become a concern for the national government. In the closing remark at a meeting on 17 August 2006 with ministers and leaders of strike-hit provinces, including Binh Duong, Hai Phong, Dong Nai and Quang Ninh, to discuss solutions to contain strikes, the Prime Minister stated clearly the need for the VGCL to reform their organisations:

> The VGCL should promptly propose appropriate measures to improve the quality and effectiveness of enterprise unions. Also, it is important for the union organisation to provide training and appoint more professional union officers to industrial-processing zones, strengthen the education of labour law and coordinate with other agencies to settle collective labour disputes in enterprises, especially the foreign-owned ones (Government Office Document No. 134/TB-VPCP dated 29 August 2006).

Some senior Party officials perceived the ineffectiveness of primary unions in representing workers as a direct threat to the representation
monopoly of the VGCL. In a tripartite conference on the role of the trade union in organising labour strikes in Hanoi, Professor Luu Van Sung, the Director of the Ho Chi Minh National Political Institute, the Communist Party’s major think tank, stated bluntly:

Trade unions are responsible for protecting workers’ interests. If negotiation with employers fails, the union must organise strike. If the union cannot perform this function, I am afraid that other forces will take over the task (Lao Dong, 26 May 2008).

The Party leaders had reasons to be concerned about the ‘other forces’ that might challenge VGCL’s representation monopoly. On 20 October 2006, the Vietnam Independent Union was established in Warsaw, Poland by nine Vietnamese dissidents with the mandate of ‘representing Vietnamese workers’ interests in compliance with the Vietnamese Constitution’ (BBC News, 29 October 2006).

These various sources of pressure have mounted up to the extent that the national union organisation must adapt its approach. In a visit to the south after the 2006 strike wave, the then-VGCL chairwoman, Cu Thi Hau, emphasised that protection of workers’ interests be the top priority of the union organisation at the national and local level if the union was to win back workers’ confidence:

In a globalising market economy, protection of workers’ interests must be regarded as the top priority of the union so that workers will place their confidence in us. Only in so doing, the trade union becomes strong and sustainable (Nguoi Lao Dong, 6 January 2006).

It is interesting to note that informal worker activism did not yield a direct pressure on the national union to reform, even though during the strike waves, the national union leaders were voicing workers’ interests. It was the employers and provincial governments who were the first to be exposed to the heat of the wildcat strikes and realised
the weaknesses of the official union. They transferred this challenge to the national party-state, which in turn has placed pressure on the national union to reform.

**Union’s Responses to Pressure from Below**

Upon redefinition of the union’s direction, a number of initiatives have been taken, focusing on four key areas: extension of VGCL membership in the non-public sector, promotion of collective bargaining at the enterprise and higher levels, increased support to the primary unions, and lobby for legal changes.

**Extension of Union Membership**

Low unionisation rate in the non-public sector has been identified by the VGCL as one of the causes of wildcat strikes (VGCL Internal Report No. 37, 16 August 2006). Strikes mostly happened in the private sector where the unionisation rate was 13 per cent. Consequently, it has been a common belief among the national union leaders that strikes are less likely to happen in unionised enterprises.

The VGCL has made the extension of unions in foreign-owned and private domestic companies a priority. The 9th National Union Congress in 2003 launched the ‘one-million-member campaign’, the goal of which was to recruit one million new union members in five years from 2003 to 2008. By the end of 2007, the VGCL already announced the campaign a great success, recruiting 1.6 million new members. However, the steering committee of the campaign admitted that two-thirds of the new union membership was concentrated in state corporations and civil service units (VGCL 2008a). Recruitment in these sectors was smooth thanks to the
alliance between the union and local Communist Party organisations. In fact, union membership has become a norm when any new recruit automatically becomes a union member when they join a state company or civil service department.

In the private and foreign-owned sectors, however, extension of union membership has been slow and difficult. The VGCL blamed employer hostility and non-cooperation as being the major obstacle to the union’s organising efforts:

Employers in the non-public sector have not supported and facilitated the union’s activities. Some even caused difficulties and avoided union establishment as required by the law (VGCL 2008b: 5).

However, a Japanese employer in Hanoi put this claim in a different light, stating that the workers themselves refused to join the union:

At first it was difficult to set up union because workers did not want to join. They said that they did not want to pay union fees without receiving any benefits from the union (Interview JE1).

Another important reason was the unchanged recruitment approach of the local unions. A worker who took part in a wildcat strike refused to join the union because the district union officials often worked with the managers rather than workers:

Sometimes I saw a few officials from the district union visiting the company. But they always went straight into the director’s office without talking to any workers. I guess they got home with some envelopes\textsuperscript{10}. How can I trust them then? (Interview W1).

It appears that the national union has not realised the problems of the old recruitment approach. The 10\textsuperscript{th} National Union Congress in 2008 set another target of recruiting 1.5 million new members by

\textsuperscript{10} A Vietnamese connotation for ‘bribery’.
2012. Even provincial union officials found such a bureaucratic approach a burden for the local unions. A union official from Nghe An province put it bluntly:

The national union should realise that a large membership does not necessarily guarantee the strength of unions. Setting a numerical target of membership extension will only create burden on local unions and prevent us from performing more meaningful tasks (Interview U8).

**Collective Bargaining**

Collective bargaining was not a priority for the VGCL until the 2006 strike wave. VGCL does not have a collective agreement or industrial relations department. Instead, collective bargaining has recently been added to the portfolio of the Policy-Legal Affairs Department since the 10th National Union Congress. The 2006 strike wave and especially the shift of focus from strike settlement to promoting collective bargaining by unions in strike-prone provinces have influenced the VGCL’s approach.

In 2007, the VGCL agreed with MOLISA to set the target of raising the coverage of collective agreements to 60 per cent of the unionised enterprises (VGCL and MOLISA 2007). An increase in collective bargaining coverage was set as a target for local unions. After two years, it seems VGCL successfully increased the coverage of collective agreements. By June 2009, VGCL reported that 65.22 per cent of unionised enterprises were covered by collective agreements, 96.33 per cent in the state sector, 64.57 per cent in the foreign-owned sector, and 59.21 per cent in the private sector.

Despite a remarkable increase in the number of collective agreements, little progress was seen in the quality of these
agreements. VGCL admitted that only 40 per cent of collective agreements provided benefits higher than the law. However, the majority of these benefits include only allowances for transportation, sickness, wedding and funeral, which had already been provided by the employers prior to the collective agreements (VGCL Resolution on Collective Bargaining, 18 June 2009: 1–3). The reason for the poor quality of collective agreements, according to the VGCL, was because these agreements did not result from genuine negotiation between the enterprise unions and employers. The VGCL reported that only a half of the collective agreements were signed as a result of real negotiation, which happened mostly in state-owned corporations; while in the non-public enterprises, collective agreements were drafted by management without consultation with the union (VGCL Resolution on Collective Bargaining, 18 June 2009: 3).

In 2009, VGCL issued Resolution No. 1 on improving the quality of collective bargaining and collective agreements, in which the unions admitted the poor quality of collective agreements. The key solution that the Resolution laid out to improve the quality of collective bargaining was to establish professional union negotiators at the provincial level. These union negotiators were expected to assist enterprise unions in bargaining with the employers and signing genuine collective agreements (VGCL Resolution on Collective Bargaining, 18 June 2009: 4–6). According to the VGCL vice–chairman, Mai Duc Chinh, this solution was inspired by the successful experiments of strike-prone provinces, in which the upper-level unions assisted enterprise unions in negotiating with employers on higher benefits for workers to prevent labour conflicts.
(Interview U1). By March 2010, however, the VGCL leader admitted that the establishment of professional union negotiators had not been carried out, partially due to employers’ hostility to the intervention of outsiders in their negotiation with the primary unions, and partially because of the difficulty in recruiting and training professional negotiators.

In short, the VGCL has attached more significance to collective bargaining and has adopted a few good practices from provincial unions. However, its approach continues to be formalistic and bureaucratic, with attention paid more to numerical targets than the genuine quality of collective bargaining. Instead of strengthening the capacity of enterprise unions so that they can represent workers better in negotiations with employers, the VGCL invested in the upper-level unions in an effort to use bureaucratic pressure to improve collective agreements. Unfortunately, the prospects for such an old, bureaucratic approach to succeed seem dim.

**Support to Primary Unions**
The VGCL attributes enterprise unions’ weakness to two important reasons: one is the primary union officers’ shortage of skills and knowledge to represent workers effectively, and the other is their reliance on management for employment and salary (VGCL 2007). Hence, the VGCL has made a number of efforts to provide training to union officers. The national union funds long-term training for professional unionists, 79 per cent of whom work at provincial unions. But the VGCL does not have any regular budget allocation for the training of primary union officers. In fact, short training courses for primary union leaders, which last for two days to one
week, have been organised occasionally in industrialised provinces, mostly funded by the provincial budget. In these courses, union officers are provided with training on collective bargaining skills, labour and union legislation, labour contracts and dispute settlement procedures. The initiative remains at a very early stage with a modest number of beneficiaries from enterprise unions.

Legal counselling is another initiative of VGCL to support primary unions. In 2004, the VGCL issued Decision 785 to set up legal-advice centres and offices in each provincial, district and sectoral union. The Decision requires the higher-level union to appoint legal counselling groups to support primary unions. By the end of 2007, 16 centres, 32 offices and 332 counselling groups had been set up, and 72 professional union counsellors were trained (Clarke et al. 2007). However, the administrative cloning of legal counselling bodies within the union structure has not necessarily guaranteed their effectiveness. Most centres did not actively reach out to their clients; therefore, they had a low rate of requests from workers, who either did not know about the existence of these centres, or who preferred to seek advice from the labour administration instead.

Since 2007, there has been an emerging trend among the VGCL to extend the involvement of upper-level unions in protecting workers at the workplace level, so as to improve the credibility of primary unions and to overcome the union’s reliance on management. In fact, extension of the upper-level union’s support to primary unions has already been experimented in strike-prone provinces (see Chapter 8 for details). However, the VGCL leaders took a legalistic and bureaucratic approach to replicating these good practices. The
extension of the upper-level union’s mandate was first stipulated in
the 2008 Amendment to the Union Charter. In the 2003 Statute, the
mandate of district and industrial zone unions is limited to
disseminating information about the party-state’s advocacy,
legislation, union initiatives, organising social campaigns, and
monitoring enterprises’ compliance with the labour and trade union
laws. The 2008 Amendment substantially extends the mandate of
district and industrial zone unions to ‘settle labour disputes in the
constituency, support primary unions to negotiate collective
agreements, organise dialogue with employers, and organise and lead
strikes in accordance with the law’ (2008 Union Statute, Article 26(4)
and Article 27 (3a)).

Apparently, the VGCL intended to substitute the primary unions, who
are supposedly weak and dependent on management, with the upper-
level unions, who are not only independent but also have the ability to
mobilise bureaucratic pressure in negotiations with employers.
However, recent studies by the ILO in Vietnam on the capacity of
upper-level unions pointed out that the latter lacks the necessary
resources to carry out the extended mandate. On average, each
district union has 2.5 staff, but they will have to provide support to
thousands, if not hundreds of thousands of enterprises in their
constituency. Visiting enterprise unions has already been a financial
burden for district unionists because transportation to companies in
the locality is not regarded as an official budget allocation of the union
(Nguyen 2008a). On the other hand, an ILO survey showed that
without workers’ authorisation, the intervention of the upper-level
unions, though granted by law, may not receive support from both
workers and employers (Do 2010).
Reinforced Party-Union Alliance

The fact that strikes occurred primarily in the non-public sector was interpreted by Party leaders as a symptom of not only the trade union’s weakness, but more importantly, a shortage of Party influence. In a meeting with provincial and ministerial leaders on 19 July 2008, the standing member of the Central Party Secretariat, Truong Tan Sang, noted:

For a long time we were more interested in economic growth than developing political organisations at enterprises...This is not only the union’s responsibility. All the political systems have to get involved to urgently find out breakthrough measures so that we ourselves will lead strikes or we do not strike but resolve disputes through negotiation so as to prevent other forces to take advantage of workers (Lao Dong, 21 July 2008).

Reading between the lines, unconstitutional strikes unveiled the weakness of the Party in the private and foreign-owned sectors, which the Party leader feared would be used by some opposing forces to attack the VCP’s legitimacy. In 2007, the Central Party Secretariat assigned the VGCL to draft the ‘Resolution on the development of Vietnamese working class in the modernisation and industrialisation process’. The objective of the Resolution is to provide an overall guideline of the Party’s advocacy in labour and union development (Người Lao Động, 23 March 2007). The Resolution, which was approved by the Central Party Committee in early 2008, recognised the growing disparity between the working class and the ruling Communist Party:

The proportion of Party members and leaders who originated from the working class is minor. Many workers have not been interested in joining the Party and socio-political organisations...The Party has paid attention to developing the working class but that was not sufficient nor commensurate with the role that the working class has played in the reform era (Central Party Committee’s Resolution 20, 28 January 2008: 2).
The Resolution set out five objectives for the Party apparatus: first, to improve the living conditions for workers including accommodation, wages, social insurance, provision of basic social services; second, to promote vocational training, especially for migrant and female workers; third, to provide political training, including training about the Party ideology, to workers; fourth, to increase the proportion of Party members and leaders originated from workers, as well as to establish Party organisations in all types of enterprises; and fifth, to set up unions and youth leagues in all types of enterprises, especially the labour-intensive ones.

The Resolution reveals the intention of the VGCL and the Party to sustain and strengthen their long-lasting alliance, not only at the macro-level but also in non-public enterprises. It also implies that the trade unions can dwell upon the Party organisation to extend its influence in the workplace, and at the same time, the union will play a more active role in extending the Party recruitment and organisation in the non-public sector. Through the Resolution, the VGCL denied that it was the only one to be blamed for not protecting workers’ interests and cemented its legitimacy by politicising the union’s role in the workplace.

The reinforced political alliance between the Party and the trade union renders paradoxical implications for the reform of the labour movement. On one hand, by tightening its link with the Communist Party, the VGCL aspires to bolster its position in the political structure. As an ‘extended arm’ of the Party, the trade union will enjoy stronger bargaining power over the government with regards to the determination of employment relations at the macro-level. More
importantly, by recruiting members for the Party, the VGCL strengthens its political legitimacy, which has become particularly crucial for the existence of the organisation when the union’s performance legitimacy as the representative of workers has been damaged.

On the other hand, the reinforced political alliance with the Party presents a step back in the union reform effort. At the 1988 National Trade Union Congress, the trade union managed to distance itself from the Communist Party so as to ‘voice their ideas independent of the Party and management’ (Chan and Norlund 1995: 184). The union’s relative autonomy from the Party was credited as an important step to redefine its role as a representative organisation (Chan and Norlund 1995; Zhu and Fahey 2000). The reinforcement of the Party-VGCL alliance will significantly hinder the union’s strive to be more independent. Moreover, the new task of recruiting Party members among workers will create additional burden on the already limited resources of trade unions at the intermediary and primary levels. Local trade unions will have less human and financial resources to devote to their main function of representing their members’ interests. The reassurance of political protection may also reduce the pressure for union reform from labour activism when the VGCL and its local branches can resort to performing Party-assigned tasks to save its legitimacy. In particular, the fact that primary unions carry out Party assignments will create a political milieu, which further damages workers’ confidence in the organisation.

In studying the labour movements in Russia, China and Vietnam, Clarke and Pringle (2007) found that worker activism was the major
force that drove trade union reforms in all three countries. Alternatively, Pringle (2008) argued that the major barriers to the reform of the socialist unions in China and Vietnam were the primary unions’ dependence on management, and the concern of the Party and the unions that an industrial reform may increase labour unrest rather than contain it. Although the primary unions’ subordination to the employers remains a major obstacle for the union’s reform at the workplace level, this section showed a different aspect to the underlying barriers to union reform. It is the VGCL’s reluctance to detach from the alliance with the Communist Party that has granted them both bureaucratic and political power. The VGCL leaders still rely on its bureaucratic authority to address industrial relations issues, rather than promoting its genuine representation of workers. This tendency was shown vividly through the national union’s approach to conducting various initiatives in the last five years. Although the VGCL tried to replicate the successful provincial experiments, it continued to embrace the old bureaucratic approach. As an old Vietnamese saying goes ‘old wine in a new bottle’, the VGCL remains the same, despite its new targets and campaigns.

**Government: Pushing for Reform**

The last few years have witnessed a remarkable shift in the government’s perception of, and strategy for, industrial relations. Informal worker activism has been the most important stimulus for the government to adapt its viewpoint and approach to changes in the labour-management relationship at the firm-level. The national government has always adopted a tolerant approach to wildcat strikes, with various cases where the state conceded to demands from workers. At the same time, the need to maintain its legitimacy has
urged the government to look for a strategy that balances the interests between labour and management, and retains firm competitiveness.

**From Strike Prevention to a Comprehensive Reform of the Industrial Relations System**

After the first strike wave in 2006, the first concern for the national government was to contain informal worker activism rather than reform the whole IR institution. This approach was shown in the government’s choice of revising only Chapter 14 on labour dispute settlement of the Labour Code.

The key revisions of Chapter 14 reflected the need of the national government to provide a swift and workable procedure to settle strikes. The revised law laid a clear distinction between rights-based and interests-based disputes. It provided separate settlement procedures for each type of dispute, and as such, simplified the legal requirements for calling a legal strike. The Amendment endorsed the initiative of strike-prone provinces in settling ‘unlawful work stoppages’ by setting up ad-hoc strike taskforces. Perhaps the most radical change was that the law allowed workers in a non-unionised enterprise to elect their own representatives to organise a legal strike. Upon strong opposition from the VGCL, the law added that the workers’ representatives must be approved by the upper-level union.

Unsurprisingly, the revision of labour dispute settlement (Chapter 14) alone could not halt the wildcat strikes that broke out in waves again in 2007 and 2008. The number of strikes soared from 147 in 2005, to a peak of 762 in 2008 (see Figure 9.1). It was time for the national
government to extend the reform beyond strike prevention, to incorporate the whole industrial relations system.

The explosion of the second strike wave in the first quarter of 2007, right after the promulgation of the amendment to the Labour Code Chapter 14, urged the government to change their approach. In a report to the Prime Minister after the 2007 strike wave, MOLISA proposed ‘the development of a suitable mechanism for union-management negotiation and collective bargaining at the enterprise and industry level’ and strongly urged the VGCL to ‘strengthen enterprise unions, reform the union’s approach, and improve negotiation skills for union leaders’ (MOLISA 2007: 4–5).

The government realised that in order to curb labour activism, they had to reform the old IR institutions, which were no longer appropriate to regulate the labor-management relationship. In so doing, the state had to coordinate the concerted effort of not only the governmental system, but also the union and employers’ associations. Soon after the VGCL drafted Resolution 20 to strengthen its alliance with the Communist Party, the government drafted another Party order, the Directive 22 on building harmonious and stable industrial relations in enterprises, which was issued by the Party Central Committee in August 2008. The underlying reason for the national government to promulgate its industrial relations strategy through a Party directive stems from the political complexity of Vietnam. A high-ranking official of MOLISA explained it this way:

The Party is actually the framework for tripartite mechanism in Vietnam. The government, VGCL or VCCI all have to report to the Politburo and the Central Committee. If a policy is issued by the government, the VGCL or VCCI may refuse to comply with it. But
if it is a Party directive, every agency must abide by it (Interview G1).

In the party-state regime, the trade union organisation maintains significant autonomy from the national government within the common political umbrella of the Communist Party. The VGCL is responsible for collaborating with the government, but it is accountable to the Party only. Hence, the national government cannot impose its orders on the national union. However, because industrial relations reform starts first and foremost from workers’ representation in the workplace, the national government had to resort to the Party’s power to force the VGCL to comply with its industrial relations reform strategy.

In a stark divergence from the VGCL-drafted Resolution 20, Directive 22 indicates weak representation by primary unions as one of the seven causes for the surge of strikes\(^{11}\). The objective of the industrial relations strategy, as set out in the Directive, is to ‘stabilise the investment climate, sustain economic development, promote social equality, and build harmonious industrial relations’ (Para. 5, Directive 22). The measures outlined by the Directive include: (i) creating favourable conditions for employers’ organisations and business associations to participate in the tripartite consultation bodies at the national, sectoral and local level; (ii) promoting collective bargaining at the industry and provincial level; (iii) strengthening labour inspection and revising the legal framework; and (iv) improving the housing conditions for migrant workers. In particular, the Directive requires the VGCL to reform enterprise unions to represent workers better:

The VGCL must develop specific plans to reinforce, develop and reform unions in enterprises so that the union organisation

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\(^{11}\) Other strike causes indicated by Directive 22 are: employers’ non-compliance with the law, poor living conditions of workers in industrial zones, weaknesses in labour administration, absence of Party organisation in the workplace, workers’ ignorance of the labour law and tighter labour market conditions.
Directive 22 marked the transition of the government’s approach from strike prevention to a more comprehensive reform of the industrial relations system. Such reform dwells on four important pillars: first, promotion of tripartism at the national and provincial level; second, strengthening law enforcement; third, promotion of collective bargaining at the enterprise level and beyond; and finally, reforming workers’ representation in the workplace.

Soon after the promulgation of Directive 22, the Prime Minister established the National Labour Relations Committee (NLRC), a tripartite body that consists of the leaders of MOLISA, VGCL, VCCI and VCA, and chaired by the Minister of Labour. The major objectives of the NLRC were to create a forum for tripartite discussion and to advise the Prime Minister on industrial relations issues. During 2009 and 2010, members of the NLRC organised various meetings with employers and union officials in major industrialised regions, including Hanoi, Hai Phong, HCMC, Binh Duong, and Dong Nai, to discuss industrial relations issues and receive feedback on industrial relations policy. In May 2010, the Prime Minister allowed for the establishment of a tripartite labour relations committee at the provincial level.

Informal labour activism has become the most important leverage for the national government to reconsider its IR approach and the IR institution. Confronted by the explosion of strikes in 2006, the national government focused on strike containment by revising the dispute settlement procedure in the Labour Code. But the fact that strikes continued to rise made the national government decide to revise the
whole IR institution. The governmental strategy was first revealed in Directive 22, which embraced ‘negotiation’ rather than ‘regulation’. In other words, the employment relations were supposed to be fixed by negotiation among IR actors rather than by the national regulations. This change was important as it marked reconsideration of the ‘deep structure’, to borrow the term from Erickson and Kuruvilla (1998), of the IR system.

**Between Continuity and Change: the Policy Debate on Labour Law Revision**

Many commentators have argued that the imperative to control labour conflict and maintain industrial stability was the focus of industrial relations legislation in the early stage of industrialisation in many Asian nations (Hiers and Arudsothy 1999; Chew and Chew 1995). It was suggested that the subsequent labour suppression policy of these governments was motivated by both the need for economic development and political stability (Deyo 1989). However, as the cases of East Asian economies showed, when labour peace became less a priority and increasing global product market competition made cost reduction less important, many countries adjusted their industrial relations systems to be more numerically and functionally flexible (Kuruvilla and Erickson 2002).

In the case of Vietnam, stability was also the focus of the 1995 Labour Code and its revision in 2006. The complicated procedure inscribed in the 1995 Labour Code has made it almost impossible for workers to strike legally, whereas the 2006 revision provides a half-way solution to legitimising informal collective actions (Tran 2007b). Wildcat strikes increased at a higher pace after the law revision. At the same time, the
‘voice’ then ‘exit’ strategy of workers has resulted in a serious shortage of labour in industrialised regions. The economic crisis in 2008 and 2009 exacerbated the difficulties of the export-oriented industries. The recovery of the economy relied on firm competitiveness, which in turn is based on a stable supply of labour and flexibility in labour allocation within the firm to cut costs.

Low wages have been identified by the government as the key reason for labour shortage in industrial zones (VietnamNet Bridge, 27 July 2009). But the government cannot raise minimum wages to compensate for the absence of collective bargaining in the workplace. At the same time, the restrictions on dismissal, labour contracts, and overtime hours, which were discussed in detail in the cases of JEV and Viet Garment (see Chapters 5 and 6) should be relaxed to provide employers with more flexibility. The priority of enhancing firm competitiveness to maintain strong economic growth has urged the government to revise the Labour Code to facilitate collective bargaining in the workplace and increase flexibility for employers.

**MOLISA-Drafted Amendment to the Labour Code**

Though some provisions raised serious concerns, the first draft revision of the Labour Code developed by MOLISA in September 2009 reflected the intention to shift from stability to flexibility. The draft releases the cap on overtime hours by providing that in urgent situations, export-oriented manufacturers in garment, footwear and seafood processing can negotiate with workers to extend the overtime hours beyond the limit of 300 hours per year (Labour Code Revision 1st Draft, Article 111). This implies that employers can increase overtime by as much as they wish, as long as they secure the workers’ consent. But the draft
also discourages excessive overtime by raising the premium paid for overtime work during public holidays, from 300 per cent to 400 per cent of regular salary. Regarding labour contract regulation, the draft removes the obligation for employers to sign a permanent contract after two consecutive short-term ones and redefines a short-term contract as any contract of at least 12 months\textsuperscript{12} (Labour Code Revision 1\textsuperscript{st} Draft, Article 26). This means that employers do not have any obligation to sign an indefinite-term contract with workers. Employers may also be allowed to lay-off workers in times of economic difficulties (Labour Code Revision 1\textsuperscript{st} Draft, Article 52) and utilise sub-contracted workers for a maximum ten days per year (Labour Code Revision 1\textsuperscript{st} Draft, Article 43). These proposed changes aim at providing employers with more room to increase their numerical flexibility.

At the same time, the draft encourages collective bargaining at three levels: enterprise, industrial zone and industry. The purpose of collective negotiation is clearly defined as setting employment conditions better than the law, and laying the framework for resolving disputes (Labour Code Revision 1\textsuperscript{st} Draft, Article 65). To prevent repetition of the law, the draft new law grants the local labour authority the right to declare a collective agreement void if it does not result from collective negotiation.

The most controversial change in the draft is the provision that workers in non-unionised enterprises can elect a group of representatives who enjoy the right to represent workers in negotiation with employers (Labour Code Revision 1\textsuperscript{st} Draft, Article 188). While the 2006 Chapter 14 provides that workers in non-unionised enterprises

\textsuperscript{12} The 2002 Labour Code defines a short-term contract as one of at least 12 months and at most 36 months.
can elect their representatives to organise strikes, the 2009 proposed revision has gone further by granting almost equal authority of enterprise unions including negotiation of collective agreements, settlement of disputes and regulation of employment relations, to the so-called ‘group of workers’ representatives’ (‘Ban dai dien cong nhan’). This bold proposal sprang from the government’s frustration with the union’s insufficient and unsuccessful efforts to strengthen its capacity to represent workers in the workplace. Still, to avoid violating the VGCL’s legal representation monopoly, the election of groups of workers’ representatives was confined to non-unionised workplaces only.

**Policy Debate on Non-Union Representation**

The radical proposals of MOLISA in the draft revision of the Labour Code immediately aroused heated debate between the forces that favoured a reform and those that resisted it. The centre of this debate was representation in non-unionised enterprises.

Soon after MOLISA introduced the first draft of the revised Labour Code, the National Assembly Committee for Social Affairs vocally expressed their support for non-union representation in the workplace. It should be noted that the Social Affairs Committee oversees the revision of labour and social legislation from the National Assembly. It has the determining say on whether or not a legal project is eligible for submission to the National Assembly. In an interview with *Sai Gon Tiep Thi*, a popular newspaper in HCMC, Dang Nhu Loi, the vice-chairman of the National Assembly Committee for Social Affairs, praised the new provision of workers’ representatives in the draft amendment to the Labour Code as a necessary change. He said:
I think this provision is necessary...The trade union organisation has not been genuinely representative of workers. I am not talking about state-owned companies because in these companies, unions and management are the same. But this is not the case in non-public enterprises. In these companies, the unions must prove their role in representing the rights and interests of workers. That is the best answer to the current problem (Sai Gon Tiep Thi, 11 August 2009).

In line with the proposal of non-union representation in the draft law, the National Assembly developed a master plan for the formation of labour councils from the national to the enterprise level (Sai Gon Tiep Thi, 27 September 2009). Tripartite labour councils will be set up at the national and provincial levels to provide guidelines on wages and working conditions for enterprises. Labour councils at enterprises consist of management and unions or workers’ representatives. The enterprise labour council will negotiate and regulate employment relations in the workplace. The architects of the master plan emphasised that ‘the labour council will exist in parallel with, but not replace enterprise unions’ (Sai Gon Tiep Thi, 27 September 2009).

The proposal of non-union representation has aroused ferocious opposition from the VGCL. Nguoi Lao Dong and Lao Dong ran a series of articles attacking MOLISA’s proposed legislation and the National Assembly’s master plan. One day after the publication of the interview with Dang Nhu Loi, Nguoi Lao Dong issued an article entitled ‘What’s the point in establishing the group of workers’ representatives?’ (12 August 2009), which argued that such a model would weaken the working class and instigate workers to walk out in violation of the law. It was followed by four other articles: ‘Unions-the reliable representative of workers’ (13 August 2009); ‘We need unions’ (14 August 2009); ‘Workers need unions in every matter’ (16 August 2009); and ‘Establishing the group of workers’ representatives is
unnecessary’ (19 August 2009). As the titles have revealed, the union-controlled newspaper opposed the proposal for non-union representation by quoting workers, union officials and labour lawyers, to claim that the official union is irreplaceable.

The final blow to the non-union representation proposal of MOLISA was the politicisation of the issue by the VGCL leadership. The VGCL chairman, Dang Ngoc Tung, claimed that non-union labour organisation might threaten ‘to break the solidarity of the working class and the whole nation. Once the working class is divided, the social foundation of the Party will be destroyed and the leadership of the Party will be damaged’ (Lao Dong, 14 September 2009). He even implied that those who promoted the model of workers’ representatives implicitly supported the ‘enemy forces’ against the Communist Party (Lao Dong, 14 September 2009).

When faced with the political attack of VGCL and the controversy of non-union representation, MOLISA stepped down. In the ministerial meeting between the Minister of Labour and the VGCL chairman on 13 September 2009, the MOLISA leader withdrew the proposal of the group of workers’ representatives in non-unionised enterprises and agreed to let the VGCL draft the trade union chapter (Chapter 13) of the Labour Code Amendment. The second draft revision of Chapter 13, which was produced by the VGCL shortly after the meeting, abolished all provisions of workers’ representatives and granted the right to represent workers in non-unionised enterprises to the upper-level union. In fact, this right is given automatically to the upper-level union even without the workers’ consent or authorisation (Article 205, Draft 2 of the Revised Labour Code, April 2010). Also, the draft did not
specify how the upper-level union carries out their representation and whether or not workers have any voice in the upper-level union’s decisions.

In principle, the draft must be approved by the Ministry of Justice and the Social Affairs Committee of the National Assembly before it is placed on the discussion agenda of parliament. The feedback by the Ministry of Justice and its appraisal committee on the draft Labour Code, and in particular, the provisions on non-union representation, was critical. A majority of members of the appraisal committee put into question the feasibility of upper-level unions representing workers in non-unionised enterprises. The committee raised five important points in this regard:

First, in accordance with the Trade Union Law, the enterprise union leaders must be elected by workers and only such a union has the authority to represent workers. Thus, giving the upper-level unions the right to represent workers in unorganised workplaces will conflict with this principle.

Second, the Labour Code provides that the employer must consult the enterprise union in developing work rules, wage tables, work targets, collective bargaining and labour dispute settlement. The union leaders should have intimate understanding of the workers’ conditions and concerns as well as the characteristics of the company to make contributions to the employer’s decisions. This will be a difficulty for upper-level unionists, particularly when there are many enterprises operating in different fields.

Third, this proposal will result in the recruitment of a large number of upper-level unionists while the government and socio-political organisations are streamlining its labour force.

Fourth, despite the union’s efforts, 15 years after the promulgation of the Labour Code, unions have not been established in all companies. Workers in the unorganised companies lack a proper representative organisation to represent their legitimate rights and interests.

Fifth, the current Labour Code Chapter 14 has already recognised the workers’ representatives as legitimate representation of
workers during strikes and strike settlement. In resolving strikes, the authority usually required the workers to elect their representatives to negotiate with the employers. This draft, however, does not extend the roles of the worker representatives but removes totally this entity from the organisation of strikes (Ministry of Justice, Appraisal of the draft revision of the Labour Code, 1 March 2010: 4–5).

In defence, the VGCL leaders asserted that it enjoys the legal right to represent the whole labour force and therefore, the official upper-level union should have the legitimacy to represent workers in non-unionised enterprises. Yet, they could not provide proper responses to the five issues mentioned above. Consequently, the Ministry of Justice required MOLISA and the VGCL to reconsider and revise the relevant points in the draft before it was submitted to the Social Affairs Committee. The Social Affairs Committee, which followed the process of law revision closely, informally advised the leaders of MOLISA and the VGCL to postpone submission of the current draft to the National Assembly, implying that the Committee would not approve the draft without major revisions. Although the revised Labour Code was supposed to be discussed at the National Assembly in May 2010, it was officially postponed in April 2010.

The policy debate on the revision of the Labour Code, especially the political struggle over the issue of non-union representation, has captured the core momentum of the industrial relations reform process in Vietnam. The fact that VGCL was able to replace MOLISA’s proposal of workers’ representatives by its own draft in late 2009 proved that the official union organisation still had a powerful position in the political structure, even though in the workplace it had failed to represent its rank-and-file members. It also revealed the half-way position of the VGCL leaders towards union reform. They realised the need to reform the organisation to live up to its legitimacy, but at the
same time remained reluctant to let go the union’s political dependence on the Communist Party. By the end of 2009, the VGCL still chose a conservative and bureaucratic approach to industrial relations in general, and representation in particular, despite various reform initiatives already taken by provincial unions. However, the surprising postponement of the revised Labour Code evidenced the determination of the national government, which in this case includes not only MOLISA but also the Ministry of Justice as well as the National Assembly, to strive for a reform of the industrial relations system. The disapproval of these reform-oriented agencies also implied that the VGCL would not be able to follow the same route in the future and changes must be made.

**Figure 9.1: Figure of strikes in Vietnam, 1995–2009**

![Figure of strikes in Vietnam, 1995–2009](image)

*Source: VGCL strike statistics*
Conclusion

Labour activism, the economic crisis, political divergences within the Communist Party, and the influence of powerful provinces, have resulted in the transformation of the national government’s view and approach to industrial relations. From blaming the employers for wildcat strikes, the national government recognised that conflict of interests between workers and employers must be settled in a harmonious way.

However, the national union has been largely reactive rather than proactive to industrial relations issues. Under the pressure of the provincial and national government as well as the Party, the VGCL has made several attempts to reform. First, the union placed representation of members’ interests on the top of its mandate. Then, VGCL adopted a number of successful provincial experiments. Unfortunately, the union still followed a bureaucratic and formalistic approach to these initiatives, which resulted in limited meaningful outcomes. Without much success in improving its representation capacity while the pressure from below kept increasing, the VGCL turned to strengthen its political alliance with the Communist Party through Resolution 20, so as to retain its legitimacy.

The peak of the struggle between the forces that favour changes, and those that support continuity, was the policy debate of non-union representation during the revision of the Labour Code. Although the revision was still going on at the time of writing, the government’s bold proposal of workers’ representatives and the National Assembly’s decision to turn down the union’s proposed draft of the revised Labour Code showed that industrial relations reform is inevitable. However, an
abrupt transformation of the legislative framework would be too controversial to be approved.

A new IR model had yet been shaped by the time of this research. However, based on the criteria proposed by Erickson and Kuruvilla (1998) for a transformation, it is possible to make a judgement in favour of IR transformation in Vietnam. First, there has been reconsideration of the ‘deep structure’ of the IR system. Two decades after the economic transition from command to market, the IR institutions in Vietnam remained almost unchanged from the socialist system. From a system in which employment relations were basically regulated by the national law and governmental directives, the national government has gradually revised the regulatory framework to promote collective bargaining, facilitate the settlement of labour conflicts in the workplace through negotiation, and lay the foundation for tripartism at the higher levels. In other words, the ‘deep structure’ of the IR system in Vietnam has been in transition from ‘regulation’ to ‘negotiation’.

Second, as documented in this thesis, the period between 2005 and 2009 experienced rapid changes, started by the upsurge of informal labour activism and various legislative changes. Around two decades before this period, however, was one of relative stability.

Third, a diversity of experimentation has taken place primarily at the provincial level, which has been closely followed and adopted by the national agencies. However, there has not been any experiment that could emerge as the dominant form of the new IR model.
Streeck and Thelen (2005) argued that an institutional transformation can result from a lot of incremental changes without a major disruption. In the case of Vietnam, the incremental changes have been gradually accumulated, particularly since the explosion of wildcat strikes in 2006. These gradual changes have led to a point where the labour legislation must be revised. Again, upon consideration of the power relations among industrial relations actors in Vietnam, it is expected that the labour legislation will be reformed gradually through several revisions, rather than in one single amendment.
CHAPTER 10

Conclusion

Introduction
The period between 2005 and 2009 observed major turbulence in industrial relations in Vietnam — the sudden explosion of ‘wildcat’ strikes in industrialised provinces, the escalation of high labour turnover, and increasing labour shortages. In response, provincial and national governments revised labour legislation and issued a large number of directives and resolutions, while conducting various policy experiments. These abrupt, yet fundamental changes signalled the initiation of the transformation of the national industrial relations arrangements.

This thesis has two objectives: the first is to develop an integrated approach to studying the relationship between firm-level adaptation processes and national institutional changes; and the second is to describe, analyse and explain the processes and dynamics of these changes in Vietnam’s industrial relations.

The research for this thesis draws from different bodies of literature, principally the strategic choice approach, regionalism, local-national relations in governance, and incremental institutional change in industrial relations. Such a combination of theoretical perspectives provided insights into the dynamics of industrial relations in Vietnam, which could not have been sufficiently realised without analysis of changes at the firm-level, provincial and national levels, as well as the
interactions between them. The thesis argued that the process of industrial relations transformation in Vietnam has been based on three pillars: informal labour activism, provincial governments’ initiatives, and national politics.

**Informal Labour Activism**

Informal labour activism in Vietnam is often credited as the single most important momentum for IR reform (Chan and Wang 2005; Tran 2007a, b; Chan 2008). In fact, the national government only started to review its IR policy after the explosion of strikes in late 2005. Before this, labour conflicts occurred intermittently, but failed to pose significant challenge to the industrial relations institutions. The government regarded these disputes as resulting either from cultural differences between foreign management and local workers, or from employers’ violations of workers’ basic rights, rather than being due to the inappropriateness of institutional settings.

In 2005, together with the increasing severity of labour shortages, ‘wildcat’ strikes exploded in major waves. Most of these strikes occurred in the export-oriented manufacturing sector, which has been one of the backbones of the national economy. Tighter labour markets provided an external stimulus for workers’ resistance but they did not necessarily determine the form and extent of resistance (Franzosi 1995). In order to understand the nature and dynamics of labour activism, case studies of two export-oriented manufacturing firms in Hanoi were undertaken for this thesis. The two firms, well-known as pioneers in their regions in terms of employment practices, were intentionally selected as a microcosm of two distinctive economic spaces in Vietnam. Japan Electronics Vietnam (JEV) was among one of
the first Japanese companies to be established in an industrial zone in Hanoi. JEV represented the ‘greenfield’ foreign-owned enterprises which have emerged, mostly in southern provinces, since Doi Moi. Viet Garment was a typical state-owned company that had struggled to survive after being partially privatised. The two cases provided the opportunity to undertake a comparative analysis of changes in labour relations, as well as examining the underlying dynamics of labour activism.

Under severe product market pressures, both firms chose a cost-based competition strategy and applied ‘naked’ authoritarian approaches to labour relations. All formal channels for workers’ voice were suppressed. Labour controls were tightened and workers were constantly under great pressure from productivity targets while their wage levels were minimised. The official enterprise unions in both cases failed to represent workers’ interests in their negotiations with management. In both instances, the firm-level unions were largely dependent on management. At Viet Garment, the enterprise union continued to be a part of the management and reported to the Communist Party Committee within the firm, as it did before Doi Moi. The JEV union leadership was literally appointed by the Japanese management and served as the latter’s extended ‘arm’.

As a consequence of the ineffectiveness of the enterprise-level union, workers in both firms resorted to various forms of resistance against the management. However, workers of JEV were successfully mobilised for collective actions, such as strikes and mass-petitioning to confront the employer and demand higher wages. By contrast, workers at Viet Garment failed to organise, although mass exit and absenteeism were
used to express their discontent. The comparative case studies showed that in addition to the labour market situation, the following factors played an important role in the success, scale and form of labour activism:

i. A supportive worker community: JEV workers had a strong worker community, which included thousands of migrant workers employed by companies in the industrial zone, living in the same villages; yet they lived separately from managers. The workers created informal networks on the basis of geographical origin, gender, workplace, and familial ties. The workers’ community became the power base for the mobilisation of workers. By contrast, workers at Viet Garment lived in the same community with managers and top executives. The workers were also geographically distant from workers of other companies. Communication between workers within the community was constantly under management’s scrutiny.

ii. Leadership: team leaders at JEV emerged as workers’ *de facto* leaders as they shared the same interests with the rank-and-file workers as well as belonging to the same community. Workers at Viet Garment lacked a strong leadership as their team leaders were managers and did not share common interests with workers.

iii. Firm-level politics: The disunity between the top Japanese executives, the local managers, and the employees helped build sympathy among some local management and staff for the workers’ grievances. The firm-level politics at Viet Garment contrasted with those at JEV. Managers and top executives at Viet Garment were formerly workers themselves. They lived in the same community with workers. The older workers enjoyed
generous welfare benefits from the company and were reluctant to join the younger migrant workers in opposing the management.

iv. The provincial government’s conciliatory approach: JEV workers received conciliatory responses from the local government (the HEPZA administration) whenever they organised a collective action against the employer. The provincial government officials persuaded the employer to accept the workers’ demands and refrained from dismissing them so as to end the disputes promptly.

The resistance strategy adopted by Vietnamese workers tended to involve ‘voice’ followed by ‘exit’. A similar resistance strategy was reported among Chinese workers in industrial zones (Pun 2005; Chan 2009). This was explained as arising from Chinese workers’ unresolved feelings of discontent with management despite the number of strikes (Chan 2009: 348). Similarly, many workers in both Viet Garment and JEV left the companies after voicing their demands, as a result of their disappointment with the responses by management to their concerns.

In contrast with the common perception held by the Vietnamese government that informal labour activism is confined to the foreign-invested sector, the case studies demonstrated that workers’ resistance also occurred in domestic, state-owned firms, even though these workers opted for less confrontational forms of activism. Yet, workers in both types of companies succeeded in forcing management to raise wages and allow for more worker participation. Under pressure from the workers and the local authority, and due to rising labour shortages, employers pragmatically conceded to workers’ demands in order to end the disputes quickly and restore production.
The case studies of JEV and Viet Garment provided a different perspective to the strategic choice approach in three aspects. First, management was regarded as the ‘initiator of change’ by Kochan et al. (1986) for proactively adopting a new managerial strategy, while the unions and the government remained passive. In the case studies from Vietnam, management was reactive rather than proactive. They responded to the increasing volume of informal labour activism by pragmatic adjustments of employment conditions. Wages were increased and management softened their treatment of workers. There was no strategic change in the employers approach. Instead of management, it was the rank-and-file workers who initiated changes in employment relations. Although the organisation of workers in the workplace remained informal, they emerged as an independent actor of industrial relations. Through informal labour activism, including strikes, mass exit, petitioning, and absenteeism, the rank-and-file workers pressured employers to adjust their approaches to employment relations.

Second, the formation of strategic choice by employers in the United States was described by Kochan et al. (1986) as the companies’ response to the changes in product markets, while other actors were regarded as passively reacting to management initiatives without having much influence. The cases of JEV and Viet Garment demonstrated that the strategy formation process is often quite complex. While faced with the same labour market situation (both firms being situated in Hanoi), workers of JEV chose more confrontational forms of resistance than those at Viet Garment. The workers’ choice of resistance strategy in each firm depended on their
organisational base (workers’ communities), workers’ leadership, the
government’s response, and the internal politics within each firm.

Third, it has been suggested that the three-tiered strategic choice
framework can be adjusted when applied to other countries in order to
capture national variables. Rogot (1990), for example, added a fourth
level of sector bargaining when applying the strategic choice approach
to European industrial relations. Genuine collective bargaining has
failed to occur in most Vietnamese firms despite the fact that a large
number of collective agreements have been signed and registered. The
purpose of signing a collective agreement was not to regulate the
employment relations, but to satisfy the requirement of the labour
administration or to comply with corporate social responsibility (CSR)
requirements imposed on firms. Where genuine collective bargaining
has occurred in Vietnam, it has been due to informal negotiation
between the rank-and-file workers and management following strikes
and other collective actions. Where such ‘collective bargaining by riot’
(Hobsbawm 1964) does not occur, employment relations have been
regulated by the state, just as it was in the previous centrally-planned
period.

Hence, adaptation of the three-tiered framework to national variables
is necessary in order to capture the ‘locus of conflict’ in a national IR
system. Locke and Thelen (1995: 338–339) argued that within a given
country, one particular issue rather than the others may ignite intense
conflict because of the particular connections between that issue and
the foundations of the labour relations system. In other words, in order
to understand the nature of a nation’s transformation process, one
should identify and analyse the changes to the core issue(s) of each
country’s industrial relations system. The core issue of transformation of the United States industrial relations in the 1960s and 1970s was the employers’ shift away from collective bargaining as the central rule-making institution. For Vietnam, the core issue has been the transition from a socialist, state-regulated IR system into a market-based one. Informal labour activism at the firm-level has been a significant stimulus for such transition.

**Regionalism and Institutions**

The research undertaken for this thesis has shown that although informal labour activism has been an important leverage for IR reform, the relationship between firm-level strikes and the national institutions is complex. How labour activism was interpreted and responded depended first and foremost on the particular provincial governments. At the same time, the approaches of provincial governments towards labour activism have exerted different degrees of influence on the national government’s IR policy.

Although informal labour activism occurred in both domestic and foreign-owned companies, wildcat strikes were concentrated in the latter sector. This is because the internal conditions favourable for workers’ organisation, including the communities of migrant workers and the disparity between (foreign) management and local employees, were predominantly found in foreign-owned, export-oriented firms than in the domestic ones. Consequently, between 1995 and 2009, over 70 per cent of wildcat strikes (the most visible form of labour activism) occurred in the foreign-invested manufacturing enterprises (VGCL’s unpublished strike statistics, 2009). Particularly since 2005, together with the rise of labour shortages, waves of strikes exploded in
FDI-concentrated provinces such as Ho Chi Minh City, Binh Duong and Dong Nai and quickly spread to industrial zones in other parts of the country.

This thesis has argued that the concentration and escalation of strikes in the foreign-invested enterprises (FIEs) had varying impacts on different provinces, depending on the role of foreign investment in their political and economic agenda. The objective of the case studies of Ho Chi Minh City (HCMC) and Hanoi is to study the relationship between labour activism, foreign investment, and provincial governments’ approach towards industrial relations. The comparative analysis demonstrated that the relationship between informal labour activism, foreign investment and provincial economy has the following implications for industrial relations policy at the provincial level:

First, due to different local economic composition, foreign investment contributed a higher proportion of revenues to HCMC’s economy than it did to Hanoi’s economy. In fact, HCMC has long been open to large-scale foreign-owned companies, whereas Hanoi has traditionally relied more on small-sized domestic firms and household businesses. As Malesky (2008) pointed out, the more important foreign investment is in a province’s economy, the greater influence FIEs have on that province’s policies. Consequently, informal labour activism, particularly strikes, which tended to concentrate in FIEs, has acquired a higher priority in HCMC’s policy agenda than in Hanoi’s.

Second, due to the importance of FDI in its local economy, HCMC found it necessary to balance the interests of foreign investors and

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13 Ho Chi Minh City and Hanoi are administratively equal to a province.
workers. Immediately following the 2006 strike wave, HCMC realised that supporting workers and blaming employers would only result in more strikes and hurt foreign investment. The HCMC Government quickly neutralised its approach by facilitating labour-management negotiation, rather than forcing employers to accept workers’ strike demands. By contrast, the Hanoi Government supported workers and blamed strikes on the employers’ violations of legal standards. Instead of adjusting its approach, Hanoi strengthened its sanctions over foreign employers.

Finally, as the major hub of foreign investment in Vietnam, the HCMC Government has been under intense pressure from embassies and foreign business associations to protect their investors’ interests. As soon as the 2005–2006 strike waves occurred, the leaders of 13 embassies and diplomatic missions called for a meeting with HCMC leaders to request the provincial government’s support and protection for their investors. Some business associations threatened to withdraw their capital from Vietnam if the government continued to support workers at the expense of foreign employers. The HCMC Government could not ignore the foreign investors’ interests, as Hanoi did in 2008. Instead, it had to develop a new strategy to achieve a balance between workers’ interests and foreign capital.

This thesis has indicated that the provincial government has dual roles in IR reform. On one hand, provincial governments influence the local industrial relations system by responding to informal labour activism and adopting (or not adopting) new IR strategies. On the other hand, the provincial responses to industrial relations developments have significant impacts on the national IR policy, for two important
reasons: first, the decentralisation policy adopted by the national government after *Doi Moi* has granted provincial governments more autonomy and power; and second, provincial governments are in charge of the implementation of state policies and programs. Thus, their feedback on policy issues is significant for the national government to ensure the feasibility of their policies.

However, each province has different levels of influence on the national government, depending on their revenue contribution, economic importance, political power and particular policy issues. HCMC and the southern industrialised provinces have consequently become the most influential provinces with regards to industrial relations issues. They are among the provinces that contribute the highest revenues to the national budget. Such contributions from the wealthier provinces are crucially important for the national government to support poorer provinces and retain their legitimacy. The southern provinces, especially HCMC, Binh Duong and Dong Nai are also the economic powerhouses of the country. If the economic growth of these provinces is affected, it will influence the national economy as well. Furthermore, after the launch of economic reform, an increasing number of southern leaders have achieved appointments to important national positions — the southern leaders account for the majority in the Politburo, the most powerful Party body; and the current Premier and President are also from the south. It has been proven by previous studies that the south-originated national leaders tend to provide political patronage to the southern provinces to carry out policy experiments (Gainsborough 2003; Dang 2009b). The fact that industrial relations developments happened earlier and most strongly in HCMC and southern
industrialised provinces\textsuperscript{14} has made these provinces the frontline in industrial relations reform.

The national government not only gave the ‘green light’ for HCMC and southern industrialised provinces to experiment IR initiatives, which went beyond the existing regulatory framework, but they also followed these local experiments closely in order to replicate the successful ones. In particular, the proposals from HCMC, Binh Duong, Dong Nai and other strike-prone provinces regarding the changing character of strikes, from strikes over rights to those over interests, resulted in the national government’s adoption of a new concept of employment relations in the workplace. It was realised that strikes should be treated as arising from the conflicts of interest between employers and workers, rather than simply from employers’ violations of workers’ minimum rights. Consequently, instead of solely blaming employers, the national government began to provide mechanisms for labour-management negotiations.

HCMC’s Decision 35 on the settlement of unconstitutional strikes laid the foundation for the revision of Labour Code Chapter 14 in 2006. A number of local initiatives sought to engage rank-and-file workers in union activities, such as self-managing teams, core workers’ groups, and mobile legal services. These reflected a common desire to recognise workers as an independent IR actor. The initial success of these experiments paved the way for the national government to provide a role for non-union workers’ representatives in the revisions of the Labour Code in 2006 and 2009.

\textsuperscript{14} Over 80 per cent of strikes happened in three southern provinces of HCMC, Binh Duong and Dong Nai.
The IR initiatives of the strike-prone southern provinces provided a crucial connection between the firm-level adaptation process and the changes of national IR institutions. Although labour activism has provided the strongest point of leverage of industrial relations reforms, such leverage from below was mediated and interpreted by the strike-prone southern provinces. Furthermore, while labour activism created the pressure for reforms, the shape of such reforms was influenced by a diversity of local experimentation. The participation by local governments in the micro-macro interconnections, and the extent of their influence on the national level, depended largely on their interest in the industrial relations reform and their bargaining power in relation to the national government.

The role of regional governments in mediating the firm-level adaptation process and macro-level institutional changes sheds light on the micro-macro relationship. In the literature on institutional change in IR, the relationship between the firm-level adaptation process and the transformation of national institutional settings has often been assumed to be straightforward. Strategic theorists such as Kochan, Katz and MacKersie (1986) argued that the employers’ adaptation of labour relations approaches in response to the changing product markets was responsible for the corresponding adjustment of strategies by the government and the unions. Similarly, Verma, Kochan and Lansbury (1995) explained the transformation of IR institutions in East Asian economies as resulting from the need to accommodate the transition of firm-level employment relations in order to maintain economic growth. Verma et al. (1995) admitted that although many Asian governments responded to the firm-level adaptation process, the ways and the extent to which they adjusted
the national IR institutions were dissimilar. Yet Verma et al. did not offer a comprehensive explanation for such differences.

On the basis of Streeck and Thelen’s (2005) incremental institutional change model and regionalism in industrial relations, this research has demonstrated that the relationship between the micro-level adaptation process and macro-level institutional transformation is far from linear. The provincial industrial relations system has served as the intermediary between firm-level changes and national institutions. On one hand, provinces implement national policies and influence firm-level employment relations. On the other hand, provincial governments mediate the impacts of the micro-level adaptation process on the national institutions. Such a mediation process by the provincial governments has been proactive rather than reactive. Instead of passively reacting to strikes, the provinces with strong interests in foreign capital pioneered IR reforms by ‘fence-breaking’ experimentation in order to regulate the new nature of employment relationship.

It has been argued by Wailes et al. (2003) that the level of exposure to globalisation of different industries in an economy tends to influence their interests in industrial relations changes. Research undertaken for this thesis has shown that the exposure to globalisation is an important factor in determining the interests not only of industries, but also of provinces in industrial relations reform. In fact, this thesis has argued that the export-oriented manufacturing industries, which are the most exposed to globalisation in Vietnam, have experienced the most active changes in industrial relations. At the same time, the provinces that have become most interested in industrial relations reforms are those
most exposed to foreign capital and export industries. Exposure to globalisation has resulted in early changes in employment relations in these provinces. Furthermore, because of their interests in sustaining economic growth and foreign capital, these provinces have been the most active in promoting reforms of the national IR institutions.

**Pressures from Below and the National Politics**

The growth of informal labour activism under the mediation of strike-prone provinces, together with local experimentation, has created significant pressures on the national government to reform the IR institutional arrangements. In fact, informal labour activism and provincial experimentation have provided the leverage and guidance for recent IR initiatives by the national government. However, this thesis has argued that it would be oversimplistic to conclude that national policy-making is entirely driven by such pressures from below.

The policy debate over the revision of the Labour Code and Trade Union Law in 2009 revealed at least two opposing forces in terms of IR reform at the national level: one favours an IR reform, whereas the other struggles to maintain the status quo.

The Vietnamese Communist Party is not as monolithic as it sometimes appears. In fact, there are constant struggles between different factions inside the Party. The most prominent factions include the reform-minded leaders who support economic growth and democratisation of the Party, while the conservatives are concerned about maintaining the Party’s supremacy. In terms of industrial relations policy, reform-minded leaders want to promote IR reform to pave the way for further economic development and democratisation, while the conservatives find any reform of the official union a threat to
the Party’s supremacy. The national government, especially the Ministry of Labour, together with the National Assembly Social Affairs Committee, have been active in reforming the IR institutions to accommodate the changes at the firm and provincial levels. A number of provincial experiments, especially efforts to promote collective bargaining, tripartite dialogue and labour participation, have been adopted and replicated by the national government. The national and provincial governments have also placed a lot of pressure on the trade unions to strengthen their representation at the workplace level. At the same time, the government has supported the formalisation of non-union workers’ representatives in unorganised enterprises in order to protect workers’ interests. The national union has also taken quite a few initiatives to improve its representation capacity in the workplace. However, the union has failed to shift away from its bureaucratic approach, which is built upon its political alliance with the Communist Party.

The policy debates concerning revision of the Labour Code and Trade Union Law in 2009 showed that the possibility of an IR reform in Vietnam is contingent on political reform, particularly negotiations between the reformers and the conservatives within the Communist Party. The fact that the revisions of both laws were postponed suggests that the forces against an IR reform, especially the national union, remain politically strong. At the time of writing, it remains unclear what shape the new IR system will take. However, the fact that the VGCL-proposed drafts of the union chapter of the Labour Code and Trade Union Law were turned down by the National Assembly, implied that transformation of the IR system from one that was created on the basis of a centrally-planned economy into a new
arrangement that fits with the market economy, has become more likely than it was in the past.

**Limitations of the Thesis**

This study of industrial relations in Vietnam has identified the significance of a number of distinct national variables that may limit the applicability of its findings to other countries and different contexts.

First, the economic reforms, known as *Doi Moi*, gave provincial governments increased autonomy and financial authority, which significantly enhanced their bargaining power in relation to the national government. Second, the employers’ organisations in Vietnam remain poorly coordinated and weakly represented within the political structure compared with the national union, the VGCL. The weakness of the employers’ organisations contributed to provincial governments playing a more active role in industrial relations, particularly those exposed to global economic pressures.

Third, within the limitations of this thesis, the international political economy context of transformation of industrial relations in Vietnam has only been partially discussed. Vietnam’s accession to the World Trade Organisation (WTO in 2006, and its recent membership of a number of bilateral and multilateral trade agreements, has had certain impacts on the changing nature of labour-management relations in export-oriented workplaces. As a member of the ILO, Vietnam is obliged to adhere to international core labour standards, including freedom of association and the right to organise.
However, although the external environment has provided a stimulus for industrial relations reform, the dynamics of transformation have been more strongly influenced by internal factors, including informal labour activism and the mediating role of the industrialised provinces. This may change in the future as Vietnam becomes more subject to global economic and political influences.

**Conclusion**

Most of the previous studies on Vietnam’s industrial relations have focused on a specific level of the system, such as national institutions (Chan and Norlund 1995; Zhu and Fahey 1999; Qi et al. 2003; Lee 2006) and firm-level wildcat strikes (Tran 2007a, b; Chan 2008). This thesis has argued that the dynamics of industrial relations changes in Vietnam exist not at a single level, but through the interactions between levels of the workplace, provinces and national institutions. Hence, a multi-level integrated approach is the best way to diagnose and explain the process of IR transformation in Vietnam. This multi-level research has found that the momentum of IR changes in Vietnam since 2005 was not solely due to workers’ strikes; nor was it due to legislative reforms at the national level. The essence of Vietnamese industrial relations reforms has been the link between strikes in the workplace with foreign capital and the most globalised provinces, which have placed pressures on the national policy-making process.

The thesis has also argued that the strategic choice approach needs to include national variables, the IR actors, levels of collective bargaining, and ideological perspectives of each. The formation of strategic choice is a process of interaction between different actors within the
environmental context rather than simply the reaction of management to product market changes.

The thesis has offered a new approach to studying the relationship between the firm-level adaptation process and institutional changes, which are influenced by the level of exposure to globalisation and regionalism. The provinces most exposed to globalisation in Vietnam experienced more significant changes of industrial relations. Consequently, they had more interest in IR institutional changes than other provinces and influenced the direction of national IR reforms.

There are a number of avenues for further research. First, cross-national comparisons of industrial relations changes, especially with China (a country with similar development characteristics as Vietnam), would test the merits of the findings of this research; in particular the relationship between labour activism, foreign capital and provincial governments. Second, globalisation has many implications for the political economy of Vietnam. Apart from economic integration, Vietnam has been under international pressure to uphold labour rights, which include freedom of association and the right to collective bargaining. Studies on the international community’s influences on IR reforms in Vietnam will extend and enrich the understanding of the dynamics of recent changes. Third, as argued earlier, the IR transformation in Vietnam tends to be incremental and subject to political reform. Hence, a follow-up study on the policy debates related to the legislative revisions would enable a clearer understanding of the future shape of the new IR system in Vietnam.


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APPENDICES

Appendix 1: Schedule of Interviews

(Omitted from the electronic version of the thesis in order to protect interviewees’ confidentiality)
Appendix 2: Organisational Chart of Vietnam General Confederation of Labour

![Organisational Chart of VGCL](image)

Appendix 3: Organisational Chart of the Party and Government at National and Local levels

Source: Communist Party website www.cpv.org.vn
Appendix 4: Major milestones of industrial relations developments in Viet Nam

- In 1986, the 6th National Congress of Vietnam Communist Party officially announced the transition from a command economy into a socialist, market-oriented economy.

- In 1990 the Trade Union Law was promulgated, creating the legal framework for unions in both state-owned and private-owned sectors.

- In 1995 the Labour Code came into effect. Also in this year, U.S. trade embargo was lifted, opening the gate for Vietnamese exports to access world markets.

- In 2000, the new enterprise law was introduced, creating an enabling environment for and therefore spurring private sector growth.

- In 2002 the 1995 Labour Code was revised with a view to updating the labour legislation based upon tripartite discussion.

- In 2003, the Viet Nam General Confederation of Labour launched a campaign for one million new members in non-state sector, signalling its new strategy of strengthening union capacity to represent non-state sector workers.

- In 2004, the VCCI and VCGL had the first bi-partite social dialogue which produced a joint MOU on developing sound industrial relations.

- In December 2005, the first strike wave occurred in Ho Chi Minh City then quickly spread to other neighboring provinces. The Prime Minister issued Decree 03 to raise the minimum wage in the foreign-owned sector by 40 per cent to calm workers down.

- In 2006, Chapter 14 on Labour Dispute Settlement of the Labour Code was revised. The labour dispute procedures were streamlined and the local governments were authorized to handle spontaneous strikes.

- In the first three months of 2007, the second strike wave broke out in the South over the adjustment of minimum wages.

- In 2008, Vietnamese economy confronted with hyperinflation rate of 27 per cent. The annual figure of strikes reached a record of 762.
• In 2008, the Vietnam Communist Party issued Resolution 20 on the working Class in the new era of development and then Directive 22 on building harmonious industrial relations at the workplace. These two Party documents laid out a comprehensive plan to reform the industrial relations legislation and institutions.

• In 2008, MOLISA and VGCL started revising the Labour Code and Trade Union Law respectively.

• In 2009, the two draft revisions of the Labour Code and Trade Union Law were turned down by the National Assembly Standing Committee. Further revision is required.

• In the middle of 2010, the revisions of the Labour Code and Trade Union Law resumed.