



Global Economic Crisis: Implications for Social Protection in Vietnam

Panel Discussion

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Valerie Kozel, World Bank Office in Hanoi



Asia: GDP Growth is Uneven

	Q1 2008	Q1 2009 (e)
Japan	3.4	-15.2
Singapore	6.7	-11.5
Hong Kong	7.3	-4.3
China	10.6	6.1
Indonesia	6.2	4.4
Vietnam	7.5	3.1



Also in Vietnam

- At the national level
 - GDP growth rate 3.1% in 1st quarter: positive growth, but *much lower than the potential rate*
 - Strong reduction in export and FDI
- At sectoral level, sharp drop in export earnings (5M 2009) for key employment sectors
 - Garments (-19.5%)
 - Footwear (-1.8%)
 - Wood products (-19.8%)
 - Electronics (-8%)



Rapid Assessment: Mixed impacts on workers and their families

Rapid impact assessments led by VASS in curb labor markets, craft villages and one industrial park near Hanoi in February-March, and in other industrial parks and in several rural areas in April.

- **Slowdown in growth evident**, particularly for export sectors but increasingly in support sectors, informal sector
- However major adverse effects (fall into poverty, hunger, distress sales, pulling children out of school, rising homelessness) were uncommon.
- But there were many reports of **job losses**, frequent **reductions in working hours and wages**, reduced remittances, and more reliance on informal sector jobs.
- Reports of job separations (some layoffs, mainly non renewals or incentives for voluntary departures) were widespread in industrial parks in late 2008 and early 2009.



Impacts on workers and firms

- Many unskilled **migrant workers** in export sector. Reduced hours, lack of overtime, has forced workers to cut on expenses, especially in HCMC and surrounding areas, due to high cost of living.
- Hiring good, but not necessarily a sign of recovery.
- Lack of good information!

- **Firms also struggling:** many enterprises in industrial parks noted difficulties in complying with social insurance and the new system of unemployment insurance.
- Increase in electricity, water, other input costs
- Even in the enterprises that report a recovery in production, workers are only offered regular hours and shifts, with no overtime.



Who are the most vulnerable?

- Job losses were more common among **unskilled migrant workers**, also seasonal workers, and those on short-term contracts. Firms try to retain their skilled workers.
- Many rural families have come to depend on **remittances**, which suffer from cuts in pay and overtime
- **Gender differentiated impacts** e.g. men benefit more easily than women from some recovery in construction. Garments and electronics dominated by female workers.
- Related point – most unskilled workers have little occupational mobility, garment worker cannot easily move e.g. to electronics sector



Managing the Crisis

- Some workers **return to rural areas**, but rural economy cannot absorb them. Transition in Vietnam has progressed beyond this. Too little land, albeit evenly distributed. Heavy competition for existing jobs.
- Rapid assessment work suggests that virtually all coping with crisis impacts is through **informal means** – social networks and solidarity particularly important.
 - Reduced working hours and pay, reduced consumption
 - Informal credit and borrowing
 - Limited existing SSNs, not serving needs of crisis-affected
 - Strong local institutions (commune level), important, but social solidarity coming under stress
 - Managing now but... for how long?



Emerging challenges for SP: Lessons from this crisis...

- Many! SP systems underdeveloped in Vietnam, much of East Asia.
- Improve **quality of labor, facilitate and enhance skills of migrant workers**, rather than Vietnam's history of benign neglect. (ref. China)
- Address bottlenecks in LM. **Occupational mobility** is key: where will Vietnam be in 5 years? Will workers be competitive?
- Related challenges posed also by WTO accession.
- Discussions underway on social insurance, also modern social security system for Vietnam. SSNs?