



H R S O L U T I O N S V I E T N A M

# HR Survival Guide

## For Foreign Managers In Vietnam

**HR Solutions Vietnam**

# **HR Survival Guide**

For Foreign Managers  
in Vietnam

**Hanoi, January 2010**

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# Introduction

Hundreds of foreign managers are very successful and satisfied with their operations in Vietnam. They give credit to the hardworking, loyal and intelligent workforce for meeting production schedules and delivering high quality work. They give testimony to how this is the best workforce in the world for foreign investors today.

But many other foreign managers tell a different tale. They complain about the lack of productivity, low quality level, high turnover rate, frequent and unpredictable wildcat strikes and other labour problems.

## WHAT'S THE DIFFERENCE?

Two main characteristics separate the successful from unsuccessful managers:

1. *Successful foreign managers have learned to understand and respect the cultural values and practices of the Vietnamese and integrate them into their own work culture.*
2. *Successful foreign managers have appropriate human resource management practices that include ongoing communication with workers at the shop floor level and a good relationship with workers' representatives/enterprise unions.*

## YOU MAKE THE DIFFERENCE !

Good labour relation is not rocket science. Almost anyone can learn to become a smart, effective manager who has the confidence and cooperation of his/her employees. But this will only happen if you make a conscious choice and firm commitment to foster good labour relations followed by a concrete action plan.

**Your Decision** to implement the simple suggested actions in this book **Will make a dramatic and positive difference** in your relationship to your workers, and their relationship to you.

**Remember: YOU MAKE THE DIFFERENCE !**

## Chapter 1:

# General Labour Market Information

In the last two decades Vietnam has increasingly become an interesting location for foreign investors. Political stability, low labour costs and a career-oriented workforce are probably the three most important reasons for the positive image Vietnam enjoys worldwide.

But the reputation of being a low cost country can become a trap if this concept determines the mind-set of foreign managers coming to Vietnam.

To start with the facts: Vietnam is indeed a low cost country. Blue collar workers sweat for sometimes less than USD 100 gross salary per month. In many foreign companies local labour costs are marginal in comparison to other cost factors like office rent, car park, and other overhead costs related to the performance of expatriate managers.

And now the trap: low labour costs somehow makes many expatriates believe that local staff does not really matter. If found not qualified, hire and fire is often the quick solution, as “golden shake-hands” are not expensive. In

the long run, however, the (invisible) opportunity costs eat up a larger and larger portion of the cake.

Investors coming to Vietnam only because of its low labour costs may find out that their profit dreams never come true. Cheap, cheap does not constitute a strategy, not in industrialised countries neither in developing countries like Vietnam.

The other challenge many expatriate managers face is their difficulty to imagine how the people they want to work with grew up, how they have lived during the last 20 years and where they are from.

Vietnam is still an agricultural country and most of its population live in rural areas. Although the Government of Vietnam has achieved significant results in the fight against poverty, a large portion of the population still earns less than 2 USD per day. In an environment of wide-spread poverty money matters. Most employees not only have to feed their off-spring, but also their parents and other relatives. This could be the main reason why your staff are so keen on salary increases be it from you or the next employer. Turn-over rates are very high and especially at the end of the lunar year (Tet) people look for better income opportunities after having received their Tet bonus.

Another issue you need to know about is the weakness of the education system in Vietnam. Schools on all levels, from primary to tertiary education including vocational and technical education still apply repetitive teaching methods, instead of learning to think. Confucian and traditional values

in Asia foster this system which, to no surprise, does not really encourage young people to develop their analytical skills, to work in a team and to take responsibilities as a decision maker. Foreign managers need to be prepared to invest a lot of time and energy into the skills and knowledge development of their white and blue collar staff, definitely those who have never studied or worked in an industrialised country.

Having said all this, it becomes clear that Vietnam, despite being a low cost country, is not the place to make the “quick buck”. Many thought so and were disappointed. But Vietnam is a very rewarding location for your investment if you have a long term vision. Employers showing pragmatic commitment are very positive about Vietnam and the harvest they yield year after year.

## Chapter 2:

# Understanding Vietnamese workers

## I. CULTURAL PATTERNS VERSUS STEREOTYPES

When working in other countries it is critical for managers to be “tuned in” to the **cultural patterns** of the host country. Understanding the basic expectations of how people work with each other, what the workers’ unexpressed expectations are of their supervisors, how criticism is given in a way that does not humiliate the worker are all basic communication tools that the smart manager learns quickly. Equally important to understanding the broad Cultural Patterns of a country is awareness not to expect every person in the country to adhere rigidly to those patterns! When we simplistically expect everyone in a culture to act the same, we are then losing sight of their individuality and stereotyping their behavior. There is a difference to stating that “Many Vietnamese employees in a work situation tend to feel more comfortable deciding and doing things as a group” and saying “All Vietnamese think and act collectively”. Likewise, we can work on a general assumption that “Vietnamese as a whole tend to be very friendly and helpful toward foreigners in

their country”, without assuming that everyone you meet will feel so inclined.

Understanding Cultural Patterns helps us to keep our “cultural antennae” pointed in the right direction and helps us be more prepared to expect certain types of behavior and expectations from our host workforce. But it is not a substitute for respecting each individual as a unique entity and learning something new from every person that we meet.

With that caveat, here are some Cultural Patterns suggested by Vietnamese researchers that you may find useful in dealing with the Vietnamese workforce.

<b><i>Vietnamese People are...</i></b>	<b><i>But they are also...</i></b>
<i>Collective</i>	<i>Reluctant to take individual initiative or praise</i>
<i>Self confident and proud of their achievements and their country</i>	<i>Admiring of foreign technology and knowledge</i>
<i>Friendly and helpful</i>	<i>Reluctant to state individual opinions</i>
<i>Positive and optimistic</i>	<i>Short term in their vision and planning</i>
<i>Respectful and Polite to foreigners</i>	<i>Reluctant to say “no” and hesitant to disagree with the boss</i>
<i>Hard working</i>	<i>Expectant of fair treatment and reward</i>

## II. FOREIGNERS' PERCEPTION OF "BRIBERY OR CORRUPTION AT THE WORK PLACE"

Gift-giving is expectation of rewards or special treatment is normal practice in much of Asia. In Vietnam, on National Teacher's Day, public school teachers receive envelopes with substantial amounts of money from the parents of their students to supplement their meager salaries, but also to ensure that attention is paid to the child in the large classrooms. Is this bribery? Corruption? Or is it a "free for service"? The ethical line between accepting a token gift as a gesture of respect and gratitude or exploiting a position of power in exchange for some future favor is not easy for foreigners to judge. Therefore, the foreign boss should make it clear that gift giving to supervisors or managers in expectation of some future reward are not part of the "company culture". Instead, clear and transparent reward and/or promotional procedures based on job performance should be instituted.

In Vietnam, people represent their community rather than themselves. That's why people are reluctant to share their opinions right away to first find out what is the opinion of their community or supervisor. Sometimes it is difficult to get a personal opinion on things in meeting, because everyone agrees with the boss or the most respected person in the room.

In collective cultures one of the fundamental principles is respect for elders. Their opinions are respected and very young foreign experts may not be always taken seriously. But Vietnamese people do not see seniority alone as a

criterion for respect into the business life. Old people have to be respected and listened, but young people who can show their skills and ambitions gain respect as well.

### HOT TIP

#### DO's and DON'Ts

##### DO's

- ☞ *Be patient*
- ☞ *Build deep relationships*
- ☞ *Try to be relaxed and not get annoyed easily*
- ☞ *Learn to communicate calmly and to recognize indirect communication*
- ☞ *Smile a lot*
- ☞ *Use language that is simple enough avoid slang*
- ☞ *Respect and try to understand local manners and ways of living*
- ☞ *Learn a bit history and culture – it's important to Vietnamese*
- ☞ *Respect the elderly in your actions and words*
- ☞ *Use your national staff as your cultural guide*

#### ***How to be sure you are being understood by your Vietnamese Colleagues:***

Ask open-ended question (cannot be answered with yes or no)  
Summarize the agreement and have the employee repeat back to you what you think he/she has agreed to do.

## DON'Ts

- ☞ *Never lose your temper or shout at employees!*
- ☞ *Don't complain about someone in front of others (make someone lose face)*
- ☞ *Don't expect other people and society to change for your comfort*
- ☞ *Don't assume that your culture is somehow better than others*
- ☞ *Don't criticize temple traditions*
- ☞ *Don't speak ill about political figures*
- ☞ *Don't criticize the Communist Party or the government*
- ☞ *Don't speak disrespectfully about President Ho Chi Minh*

## III.ADDITIONAL TIPS TO BUILD YOUR CULTURAL COMPETENCY WITH THE VIETNAMESE

**Face-saving:** saving face is very important for Vietnamese. Being criticized in front of others may push a worker to resign. Likewise, losing your temper or shouting causes you to lose “face” and is considered a demonstration of immaturity.

**The meaning of “yes”:** nodding affirmatively, smiling or saying “yes” often means “I have heard you”, but it does not always mean “I understand” or “I agree”. If you are uncertain, politely ask the employee to repeat what you think they have agreed to do so there is no misunderstanding.

**Indirectness:** To save mutual face and maintain harmony, Vietnamese people often beat about the bush when it comes to negative issues. The listener has to read between the lines to understand what is really meant. When workers have complaints, they prefer to avoid face to face talks with managers. They tend to confide in peers or team leaders or make written (anonymous) complaints to management. (A good reason to have “Suggestion Boxes”- see Appendix).

**Reluctant to say “No”:** In Vietnam, the ultimate goal of all personal interactions harmony, not discord. Like many Asians, Vietnamese will try to avoid conflict and direct confrontation. A direct refusal or negative answer is considered impolite and crude, often leading employers to think there is agreement with their Vietnamese employees, seem when there is actually no intention of carrying out the request. From a Vietnamese perspective, this is not considered to be untruthful; it is simply means for maintaining a harmonious relationship and saving YOUR face.

**Greeting Culture:** Vietnamese people are sincere about greetings and they will feel slighted if they are not greeted. Greetings can take many forms in Vietnam apart from saying ‘hello’, a smile, a nod, a hand-shake, or even a question “where are you going?”, “is everything ok?” can be used as greetings, depending on the level of intimacy and social position.

**Family values:** Vietnamese people are family oriented. Showing that you care about others’ family problems is a way to build long-term relationships. An employer who ignores workers’ family problems may be regarded as indifferent, selfish, and not committed to long relations.

**Informal vs. Formal talks:** For Vietnamese, frequent informal talks are even more important than occasional formal meetings because they tend to build trust and express opinions during small talks. Official meetings are more rituals where no one tends to disagree with the boss. Build in opportunities for informal talks.

**Frequent communication:** Like fostering good relationships with your friends and family, relationship building in Vietnam depends largely on frequent communication. For foreign managers, talking frequently to your Vietnamese staff and workers helps you understand them better faster and removes risks of misunderstanding, uncertainty and suspicion at the workplace.

**Private questions:** Vietnamese people tend to ask about age and marital status in the first meeting to help understand the terms of the relationship. Use of the pronoun “you” is complicated in Vietnamese and is different depending on age, gender, etc.

**Death Anniversaries and other Important Rituals:** Foreign managers often complain about the frequency of days off that employees take to go back to their “home villages” for a death anniversary of a grandparent or other relative. These are VERY IMPORTANT occasions for Vietnamese, and the expectation is that leave will always be granted. To give an employee a lecture about the need for them to stay on the job due to productivity deadlines, etc. will only show insensitivity and the legitimacy of the occasion—they will know what is appropriate. One of the most authoritative references written by Huu Ngoc is noted in appendix, and is excellent guide on a wide variety of Vietnamese customs and practices.

**Body Language:** Vietnamese style of communication is indirect and you may find it difficult to read between the lines. But understanding the body language of the speaker can help you interpret what is missing.

## HOT TIP

### Understanding Vietnamese Body Language

**Less eye contact:** *Westerns often have a more sustained and direct eye contact with employees than in Asia. If you are having trouble maintaining eye contact when talking with your employees, it may be a way for them to show respect, especially to superior it does not mean lack of interest or honesty*

**Smile in reply to a question:** *When speaking directly to their boss, the speaker can often be shy, and find it difficult to answer a question directly. Smiling communicates respect, but it does not necessarily mean a Yes*

**Nodding while listening:** *Is a way to show interest it does not mean agreement with what is being said*

**Never say No:** *Sometimes a ‘yes’ can mean ‘I hear you’, ‘may be’ can mean ‘probably not’; and ‘I’ll think about it’ can mean ‘It’ll never happen!’*

**Physical contact:** A manager should never casually lay a hand on a subordinate of the opposite sex. In Vietnam, it is considered too intimate, and there is generally no touching between people of opposite sex in public (except for romantic couples sitting together on their motorbikes in the cool evenings along the lakes under tree and any other private places in the city at night!). Affectionate physical contacts (hugging, holding hands, touching) amongst friends of the same gender-both men and women-is common and generally has no sexual overtones.

Hitting a worker is NEVER acceptable, can lead to strike and will be dealt with harshly by authorities when reported.

#### IV. UNDERSTANDING MIGRANT WORKERS

Over 60% of those working in the factories in the industrialized regions of Vietnam today come from the farms and villages. They are the first generation of industrial workers who migrated from agricultural, rural regions, and have some of the following characteristics:

**Young:** A vast majority of migrant workers are within the age of 18-35. Most of them are single.

**Short-term commitment:** Migrants tend to work in the factory for 3-5 years then go back to their village for marriage or further study. However, with loosened migration policy, a growing number of migrants have settled down in the cities or industrial regions where they work. Many workers tend to switch jobs if they think another is more attractive.

**Preference for overtime work:** Migrant workers prefer to work some overtime to maximize their income. However, there is a continuous and delicate balance between their dependence on the overtime money and their fatigue with too much overtime when it reaches a critical point over time. Managers must be in close and constant contact with their employees to be sure that workers are okay with the overtime that is needed.

**Unfamiliar with industrial disciplines:** Workers who grow up in the rural areas are used to a different timetable and unfamiliar with industrial disciplines. It will take time, therefore, for them to adapt to the industrial environment.

**Solidarity among workers from the same village:** For many reasons, workers rarely migrate alone. They often travel to industrial regions in group of relatives or friends from the same village. They also tend to rent accommodations close to each other and maintain intimate, frequent contact with each other. Information about jobs, working conditions, salaries and benefits and strikes passes quickly among them.

## HOT TIP

### Interview with a Manager on Problems Working with Migrant Workers

**Adaptation of rural migrants to industrial work:** “It is a big problem. Many do not like the 15 minutes of physical exercises that is part of the company’s daily routine before starting work. They also have difficulty adjusting to food and discipline”.

**Sticking just the right balance of overtime:** “Complaints of too much overtime come from the city-dwellers, but those from the country say they need more overtime work to earn more money. Many say that without overtime they would quit. They get free dinner if they work overtime. But I must be careful because I have asked them to work 12 hours/day and 7 days/week for the last 2 months it’s the end of the year and we have had too many orders, you know and I sense that they are going on strike soon. They went on strike for 2 days last year also, when the overtime hours were too great.”

## Chapter 3:

# Keys to Good Human Resource Management in Vietnam

## I. MOST COMMON MISTAKES OF FOREIGN MANAGERS IN VIETNAM (AS REPORTED BY THEIR VIETNAMESE STAFF)

Why do some foreign companies have no problem recruiting talented and loyal employees to their workforce, while others find themselves in an endless cycle of losing their best workers

Local Vietnamese managers with much experience working with foreign bosses were asked for their feedback. For obvious reasons, they asked not to disclose their company affiliations.

### Here is a list of the 5 most common mistakes of foreign managers:

1. They forget that they are visitors in the countries where they work, and don’t take the time or effort to understand the custom, language, culture, habits of the local people.

Many foreign managers have been in Vietnam many years, yet still do not bother to learn Vietnamese.

2. They bring their management style and culture from their countries and try to force them onto the Vietnamese workers.

3. They look down on Vietnamese staff (workers and middle level supervisors) and don't consult with them. They think they know everything better than the locals and don't bother to ask their opinion or advice on matters.

4. They are only concerned about their profit and don't think it is important to build a close relationship with the common workers. Workers in Vietnam see their company as their second family, but the foreign boss sees the company only as a way to get rich. This makes the workers feel disappointed and they lose interest in their job.

5. They expect workers to be committed to working long overtime hours to meet company production demand, but don't acknowledge or reward them for their extra sacrifice.

## II. RECRUITMENT

### Recruiting skilled and unskilled labor in Vietnam can be done in the following manner:

1. **Unskilled labor:** The biggest source of unskilled labor comes from the rural area. It is difficult to reach people in the villages through modern communication applications

like newspaper, internet, radio and television. The following methods of recruitment have proved to be more effective:

- **On-the-spot recruitment:** Job notices can be posted outside your factory's gate or on the bulletin of the industrial zone. Workers can apply directly to the HR department. Normally, workers who apply through this channel are local inhabitants or workers currently employed by neighboring companies.
- **Recruitment companies:** Recruitment companies provide various services ranging from reception of application, preliminary training, to selection. Only work with reputable agencies, because some agencies charge fees to both employers and workers and the actual fees, especially for workers, can be much higher than what is reported to you. Local officials can advise you.
- **Village-based recruitment:** You send HR staff to villages and pay the village authority to advertise your recruitment calls via their loudspeaker system (all villages in Vietnam maintain this public announcement system) and collect application profiles for you.
- **Job Fairs organized by the local Employment Service Centers (see appendix) are becoming more common and proving very useful for both employers and job seekers.** They are also a gathering point to find out information about labor market condition. In 11 provinces, the Employment Service Centers have added an Industrial Relations Advisory Service Center to their functions, where employers can get labor relations consultation, advice and training.

**2. Skilled labor:** Skilled workers concentrate in municipal and industrial regions and most of them have access to newspaper, internet, job fairs, employment centers, radio and television. Some of the most popular means of recruitment include:

- **Internet Job Sites:** Such as vietnamworks.com are now growing in popularity. Ask your Vietnamese office staff-they will know about all the current hot spots.
- **Mass media:** Advertisements on newspaper are still an effective way to recruit young workers
- **Job fairs:** See above
- **Recruitment agencies:** See above
- **Training institutions:** You may either post your ads at technical schools and universities to attract graduates or sign contracts with the management of the training institutions to train workers of your specific needs. The latter is becoming a trend in Vietnam with strong support of the Ministry of Education and Training (MOET)

### III. INDIVIDUAL LABOR CONTRACT

#### 1. Types of Labor Contract

The Labor Code of Vietnam provides for 4 types of individual labor contracts, including:

1. Indefinite-term labor contract
2. Short-term labor contract (12-36 months)

3. Seasonal labor contract (3-12 months)

4. Temporary labor contract (up to 3 months)

The employer has to make social insurance contribution for all workers with labor contract of over 6 months. No social insurance payment is required for workers with labor contracts of up to 3 months but wages should be sufficient for workers to make social insurance contribution themselves.

After renewing a short-term contract twice, the employer must sign an indefinite-term contract (permanent contract) if he wishes to retain that worker.

Except for the temporary workers employed for under 3 months, employers are required to sign a written labor contract with workers.

The probationary period lasts for at most 60 days in case of highly skilled workers and 30 days in other cases. During probation, workers are entitled to at least 70% of the basic salary for that particular position.

#### Current Economic Downturn and Worker Redundancy

Faced with the current Global Economic Crisis and the resultant drop in demand for products, many employers are faced with a problem they never had before in Vietnam's booming economy: Too many workers.

This situation is challenging the creativity of managers who do not want to face the double penalty when they release workers of paying severance pay as well as possibly being short-handed when the orders begin to come back.

### **Some creative solutions are being tested such as:**

- ☞ *Job-sharing: Workers voluntarily shortening their shifts or days of work so that fellow workers will not have to be laid off.*
- ☞ *Workers agreeing to take jobs in the company's other location where work is still needed*
- ☞ *Workers agreeing to take vacation time off instead of casing out their leave.*
- ☞ *Workers agreeing to take leave without pay and return to their home villages to their farms with the company agreeing to give them first rights to work when it returns.*

The solutions to such challenges will be unique to each enterprise, but one factor is universal: Under the Labor Law, all of these remedies require the voluntary cooperation of the employee. Open and regular communication methods (which the ILO calls Social Dialogue mechanisms) are a necessary practice, if such cooperation is to be achieved.

## **2. Termination**

The employer has the right to unilaterally terminate a labor contract in the following cases:

1. The worker constantly fails to perform the assigned tasks
2. The worker is disciplined by dismissal
3. The worker suffers from sickness (but not occupational diseases or injuries) which last for 12 continuous

months in case of indefinite-term contract and half of the contract term in other cases.

4. Force majeure (natural disaster, fire etc.)
5. Business close-down

In the first three cases, the employer needs to reach agreement with the workplace union on the decision. The workplace union, in case of disagreement with employer's decision, can call it a labor dispute and initiate the legal procedure for its settlement.

### **HOT TIP** **“Employment at Will”**

*The well-established practice of “employment at will” does not yet exist in Vietnam as it does in many developed countries. Employers here have found that unilateral termination as it exists in most other countries in much more restricted by the Vietnamese Labor Code. Unless any of the above 5 conditions are met, the employer can only release an employee by mutual consent. This even applies to releasing a worker for lack of work! Foreign companies and their associations have complained for a long time to the Government about what they consider overly restrictive policies in this regard, and it is likely that current labor law revisions underway will address these concerns in the future. For the present, study these provisions carefully before you take action to release workers unilaterally. The Labor Law is available on the internet in English on the MOLISA website ([www.molisa.gov.vn](http://www.molisa.gov.vn)).*

### 3. Severance allowance

If either the employer or the worker unilaterally terminates the labor contract with legitimate reason and procedures, the employer has to pay severance allowance (half month's salary for each working year) to the worker.

If the worker unilaterally terminates the labor contract without legitimate reasons or if s/he is disciplined by dismissal, s/he is not entitled severance allowance.

If the employer fails to comply with the legal regulations in terminating a labor contract, s/he has to accept the worker back and pay a compensation of salary and allowances (if any exists) for the days suspended plus two month's salary and allowances. If the worker does not want to return to the job, the employer has to pay severance allowance in addition to the compensation mentioned earlier.

## IV. REMUNERATION

### 1. Composition of Remuneration

There are components in a pay slip that are obligatory by law such as basic salary, overtime payment, social and health insurance contribution, and toxic working conditions allowance.

**Table 1: Legal components of a pay slip**

Remuneration Cat.	Payment Frequency	Calculation
<b>Basic salary</b>	Monthly, weekly, daily	As set in the registered wage table
<b>Overtime Payment</b>	Monthly	Weekdays: 150% basic salary Weekend: 200% Public Holidays: 300% Night shift: 130%
<b>Allowance</b> Toxic working conditions	Monthly	As set in the registered wage table
<b>Social Insurance Contribution</b> Social Insurance	Monthly	<i>Based on basic salary</i> Employer: 15% Worker: 5%
Health Insurance	Monthly	Employer: 2% Worker: 1%
Unemployment Insurance	Monthly	Employer: 1% Worker: 1%
<b>Union</b> Union fund contribution	Monthly	<i>Based on basic salary</i> Employer: 2% Worker: 1%

Due attention, however, should be paid to non-compulsory parts of remuneration which are not obligated by law but they have become such common practices of enterprises in Vietnam that workers expect them as an inevitable part of their pay slip. Examples of these are noted in Table 2.

**Table 2: Legal components of a pay slip**

Remuneration Cat.	Payment Frequency	Calculation
<b>Allowances</b>		
Seniority	Annually	Flat rate, set by the management
Attendance	Monthly	Flat rate, set by the management
<b>Bonus</b>		
Performance	Monthly	Set by the management
Tet	Annually	Set by the management (at least 1 month basic salary)
<b>Welfare/Social activities</b>		
Paid for excursion for workers	Annually (normally in summer)	As agreed by the management and the union*

\*Although not mandatory, workers generally expect an annual social event for themselves and their families (if locally situated). This is based on established practices in the state-owned factories

## 2. Overtime Hours and Payment

Compared to many other countries, overtime in Vietnam is viewed by many employers as being excessively restrictive. It is an issue, however, that Vietnamese workers are extremely sensitive about, and many wildcat strikes have included workers' complaints about excessive overtime.

The labor law provides for maximum overtime hours of 4 hours/day and 200 hours/year which can be extended to 300 hours/year in special cases.

Overtime payment:

150% of basic salary for overtime work during weekdays  
 200% of basic salary for overtime work during weekends  
 300% of basic salary for overtime work during public holidays

### HOT TIP

#### Watch your Overtime carefully

- ☞ *Make careful plans for utilization of overtime hours in advance*
- ☞ *Consult and get agreement in advance with workers and the union about any extension of overtime work and overtime payment.*
- ☞ *Forcing workers to work overtime without consultation and consent is one of the most common reasons given for strikes in Vietnam.*

### 3. Wage Table

Companies are required to submit their wage tables/payrolls to the local labor administration for registration. Wage tables must satisfy four criteria:

1. The wage table should incorporate salary levels of all employees in the enterprise ranging from executive to, technical, and rank-and-file workers;
2. The highest rate of the wage table should respond to the salary of the employee with the highest qualifications and most demanding job assignment. The lowest rate should be applied to the salary of the employee with the lowest qualifications and least demanding job assignment.
3. The division of the wage table into steps depends on specific job requirements, but the disparity among wage steps should be wide enough to provide motivation to workers (at least 5%); and the time between wage step promotion should not exceed 3 years.
4. The first step of the wage table should provide for a salary not lower than the applicable legal minimum wage. Entry rate for a trained employee should be at least 7% higher than the minimum wage.

Information about wage table is kept confidential by the labor administration.

### 4. Wage table development is done in one of two ways

**Coefficient-based:** in the wage table, each position in the company has a wage coefficient. For example: the coefficient for an entering, manual worker is 1.0; the coefficient for a team leader is 2.5. The wage table should also define a basic salary rate to be set by the company. This basic rate is multiplied by the coefficient to make up the actual salary of a position. For instance: if the basic rate is 1 million, then the monthly salary of an beginning worker with a coefficient of 1.0 will be:

$$1.0 \times \text{VND } 1 \text{ million} = \text{VND } 1 \text{ million}$$

In like fashion the salary of a team leader with a coefficient of 2.5 will be:

$$2.5 \times \text{VND } 1\text{million} = \text{VND } 2.5 \text{ million}$$

<b>SAMPLE: Coefficient-based Wage Table</b>						
<b>Basic salary rate: VND 710.000/month</b>						
No	Job Position	Wage Steps and Coefficients				
1	Production Manager	Step 1	Step 1	Step 1	Step 1	Step 1
		5.1	5.36	5.62	5.90	6.26
2	Technician	2.1	2.3	2.5	2.7	3.0
3	Worker (sewing, cutting)	1.09	1.14	1.20	1.26	1.34
4	Driver	1.87	1.96	2.06	2.17	2.30

**Absolute salary level:** in the wage table, the salary level of each position in the company is stipulated by the absolute amount of salary that person receives

**SAMPLE: Wage table with absolute salary level  
Salaries of production workers in mechanics and  
electricity (Unit: thousand dong)**

No.	Job Position	Salary						
		1	2	3	4	5	6	7
1	Group I	700	820	970	1.150	1.350	1.600	+11%
2	Group II	750	880	1.040	1.220	1.440	1.680	+11%
3	Group III	800	950	1.120	1.310	1.550	1.830	+11%
	Group I: internal transporting , industrial cleaning, manual workers							
	Group II: painting, welding, assembling							
	Group III: mental checking by spectrum and ultra sound							

## 5. What is a registered wage table used for?

A registered payroll is used as the legal basic for:

1. Identifying salary levels in labor contracts;
2. Negotiating collective agreements;
3. Calculating social insurance/health insurance contribution;
4. Paying unemployment insurance and severance benefit.

## 6. Minimum Wage Systems

There are two systems of minimum wage in Vietnam:

- (i) National Minimum Wage is applied to domestic enterprises and public service;
- (ii) A separate Minimum Wage is applicable for foreign-invested companies

Currently, the Minimum Wage for foreign sector remains 30% higher than the national one. The MW for foreign sector is defined in four levels corresponding to the companies' geographical location. Following are the monthly Minimum Wages effective since 1 January 2010:

1. For those located in down-town of Hanoi and Ho Chi Minh city – VND 1.34 million.
2. For those located in Gia Lam, Dong Anh, Soc Son, Thanh Tri, Tu Liem, Thuong Tin. Hoai Duc, Dan Phuong, Thach That, Quoc Oai and Son Tay townlet of Hanoi suburbs of Ho Chi Minh city, down-town and suburbs of Da Nang city, down-town of Can Tho city, Thuy Nguyen, An Duong, An Lao (Hai Phong province), Ha Long (Quang Ninh province), Bien Hoa city, Long Khanh townlet and Nhon Trach, Long Thanh, Vinh Cuu, Trang Bom (Dong Nai province), Vung Tau city, Ba Ria townlet and Tan Thanh (Ba Ria-Vung Tau province), Thu Dau Mot townlet, and Thuan An, Di An, Ben Cat, Tan Uyen (Binh Duong province) – VND 1.19 million,
3. For those located in sub cities of provinces (not included ones are from level 2), other districts of Hanoi,

Tu Son townlet, Que Vo, Tien Du, Yen Phong (Bac Ninh province), Viet Yen, Yen Dung (Bac Giang province), Hoanh Bo (Quang Ninh province), Hung Yen townlet and My Hao, Van Lam, Van Giang, Yen My (Hung Yen province), Cam Giang, Nam Sach, Chi Linh, Kim Thanh, Kinh Mon, Gia Loc, Binh Giang, Tu Ky (Hai Duong province), Phuc Yen townlet and Binh Xuyen (Vinh Phuc province), other provinces of Hai Phong city, Uong Bi townlet and Cam Pha (Quang Ninh province), Dien Ban, Dai Loc (Quang Nam province), Bao Loc townlet (Lam Dong province), Cam Ranh townlet (Khanh Hoa province), Trang Bang (Tay Ninh province), Dong Xoai townlet and Chon Thanh, Dong Phu (Binh Phuoc province), other districts of Binh Duong and Dong Nai province, Tan An townlet and Duc Hoa, Ben Luc, Can Duoc, Can Giuoc (Long An province), Districts of Can Tho city, Chau Duc, Long Dien, Dat Do, Xuyen Moc (Ba Ria-Vung Tau province) - VND 1.04 million.

4. For those located in other regions – VND 1 million.

## 7. Upcoming changes in the Minimum Wage

After acceding to the WTO, Vietnam Government has been under pressure to reform the MW policy so as to create a level playing field for all businesses. The authority plans to merge the two MW systems into one by increasing the national MW at a higher pace than the MW for the foreign sector. It is suggested by the labor administration that the national MW will be increased by 20%/year while the foreign one will be adjusted by 10-15%/year until 2011 the time when the two systems are expected to be merged together. The new MWs are announced by MOLISA in October or

November each year and take effect on 1 January of the following year.

### HOT TIP

#### Wait for Government 's Minimum Wage Announcement before Negotiating Collective Bargaining Agreements (CBAs)

It is a smart idea to negotiate any increases in wages and benefits after the annual announcement of the change in Minimum Wage so that this increase can be calculated into your total budget and workers will view any wages as including this hike.

Other advantages:

- ☞ *Workers will be keenly aware of any raises in the MW, and usually anticipate a commensurate across-the-board wage increase on January 1<sup>st</sup> when the Government makes it law.*
- ☞ *Establishing a regular time (e.g. every September) for wage discussion can reduce the tendency for intermittent wage increase demands and their related wildcat strikes.*
- ☞ *It is wise to hear and resolve workers' expectations prior to the sensitive Tet season (lunar New Year), when many strikes tend to occur.*

## 8. What are the legal regulations on discipline?

Specific disciplinary measures must be included in the company's work rules which is registered at the local labor administration. There are three types of disciplinary measures defined by the Law:

1. Verbal and Written Reprimand
2. Delaying a salary increase, demoting the worker to a lower-paid position, or removal from a current position;
3. Dismissal from the job

## 9. Legitimate causes of dismissal

Dismissals can only be applied in the following cases:

1. Acts of theft, embezzlement, disclosure of technological and business secrets or other acts causing severe losses to the enterprise;
2. Repetition of a violation of work rules while still under a previous discipline;
3. Absence from work for five days in a month or 20 days in a year without legitimate reasons.
4. Dismissal for constant poor performance is still a very grey area in Vietnam

## 10. Disciplinary Process

1. A disciplinary meeting is held with the participation of the management, union, and the worker;
2. The management must provide evidence of the worker's violation;
3. The worker must be given a chance to defend him or herself;
4. The union and management agree upon the disciplinary measure;
5. If there is disagreement between the union and management, a neutral mediator can be requested from the mediator pool administered by the District People's Committee Chairman.
6. The record of the discipline process and outcome must be registered with the local labor authority.

## V. UNDERSTANDING THE VIETNAMESE UNION

Many employers worldwide share worries about a confrontational union relationship in their enterprises. However, foreign investors have had a much different experience with the union in Vietnam.

### *In what ways Vietnamese union differs from unions in other countries?*

1. The current cooperative behavior of the Vietnamese union stems from the close relationship between

managers and unions in the socialist state-owned factories in the recent past. Unions were taught to support the management to achieve business goals and management taught to respect the union's role at the workplace. Therefore, the union is generally supportive and cooperative with the management.

2. Although the need for the union to focus more on representing and promoting workers' interests is now being promoted by the union, many unions still consider themselves the bridge of communication and an intermediary between management and workers.

3. The management is consulted on the list of candidates for primary union leadership.

4. Up to now, the Vietnamese union has taken a non-confrontational approach to working with employers and rarely organizes strikes. None of the 1900 strikes in the past ten years has been led by union.

## 1. What does a typical workplace union do?

1. *The union's first priority is to represent the concerns and interests of workers to the employer on a daily basis.* Regular monthly meeting between the union executive board and upper management should be established. Union representatives should be given opportunity and encouraged to have ongoing meetings with the workers to keep their finger on the pulse of workers to maintain their credibility with both the workers and the employers.

2. *Negotiate a Collective Bargaining Agreement with Employers:* This is one of the most important functions of the union and an excellent opportunity for the employer to learn about the needs of the workers, share business concerns with workers, and build a long-lasting relationship with the workers and the union. The CBA is important both to the union as well as to the employer. It is where both partners document essential benefits and obligations of their relationship at work.

3. *Workers' Complaints:* The union executive board is supposed to receive complaints from members and work them out with management. The union also works with management in addressing workers' grievances.

4. *Welfare Provision:* The union fund is used to purchase gifts for members on the occasion of personal events (wedding, funeral, sickness etc.), social activities (sport or cultural events), and picnics.

5. *Education and information provision:* The union provides workers with education on labor legislation as well as other information regarding union's work. For example, the union may collect funds to assist flood victims, orphan homes or other social campaigns.

## 2. How is a Vietnamese union set up and elected?

1. After the enterprise comes into operation, the higher level union organization will send a request to the management for permission to meet with workers and set up the enterprise union.

2. Upon the agreement of the management, union officials visit the company and work with the HR department to prepare a list of candidates for the provisional union board.

3. In the next meeting between the higher-level union and workers of the enterprise, the membership of an enterprise provisional union board will be announced together with the decision of the higher-level union to assist in setting up the enterprise union.

The higher-level union (District or Provincial level) has the right to appoint a provisional enterprise union board without the consent of management if:

1. The company has been set up for over 6 months but has no union;
2. There are at least 5 union members among workers of the company.

Six months after the appointment of a provisional union executive board, a union election will be held. The provisional union and workers are both allowed to nominate candidates. Those receiving the highest number of votes will become members of the enterprise union executive committee. This enterprise executive committee will elect the union chairman and vice chairman among themselves.

### 3. Funding for Union Activities

Membership dues: 1 percent of the basic salary but not exceeding 10 percent of the MW

Contribution from the employer: domestic employers pay 2% of

their wage bill and foreign-invested companies contribute 1% Enterprise unions retain 90% of the above funding for the local union budget. They have to report to union members on the financial balance of the union budget once every year during the union congress.

## HOT TIP

### Build a Good Relationship with the Enterprise Union

An active union which is respected by the workers is your strategic partner for success in Vietnam. They will help solve problems before they spread and will help to educate workers as to the concerns of management. Remember these important facts:

- ☞ *90% of companies that experienced strikes did NOT have a union.*
- ☞ *Unions will collect and analyze workers' concerns and bring them to the employers for discussion BEFORE discontent leading to a strike grows too large.*
- ☞ *Unions have a tradition of being Helpful and Cooperative in Vietnam.*
- ☞ *Unions will help you figure out ways to solve productivity problems, absenteeism problems, worker turnover problems, morale problems, etc.*
- ☞ *Unions can help explain employer pressures and concerns to workers.*

## Chapter 4:

# Collective bargaining

It is in the nature of the market economy that workers will invariably approach you with a request for increasing wage and working conditions. Beware that in Vietnam, at workplaces where workers do not have any regular opportunity or available channel to negotiate with employers, that request may come through a wildcat strike. Therefore, proactively initiating the negotiation of wage and working conditions through a Collective Bargaining Agreement can prevent you from being trapped in a strike situation in which you are under pressure to accept an undesirable solution.

Currently, the Government of Vietnam and VGCL are actively encouraging collective bargaining, especially the signing of collective agreements that provide higher- than- minimum benefits for workers as a preemptive solution to labor conflicts. Therefore, if your company is already unionized, you may soon be approached by the union to start negotiating a collective bargaining agreement or renew the old one.

Either the management or the union can initiate the collective bargaining process; and once a request for collective bargaining had been made, the other party has to accept the request and start the negotiation within 20 days.

## Benefits of Collective Bargaining for Management

*Collective bargaining allows workers and managers to discuss issues and settle disputes through consensus and dialogue rather than through confrontation or labor disputes.*

*Employers can negotiate a “Peace Clause” that is a pledge by workers to first negotiate and mediate any dispute prior to taking strike action. An effective dispute resolution clause will lessen the risk for strikes. Workers have a voice and an outlet in the collective bargaining process that reduces uncertainty and instability in the workplace. Workers are often more motivated following collective bargaining as they have participated in the process and the outcome.*

*Collective bargaining aids in labor market flexibility by helping workers to understand and accept the need for modernization and restructuring. Collective bargaining is also a vehicle for workplace cooperation in that it can ensure, by mutual agreement, that participative practices are integrated into the day-to-day operations of the enterprise.*

### I. THE 4 STEPS TO COLLECTIVE BARGAINING

There are four basic steps for the management to succeed in collective bargaining:

## 1. Preparation

- ☞ *Appoint an **Employer Negotiating Committee** that represents all levels of types of job. Simultaneously, a **Union Negotiating Committee** should be elected or appointed by the Enterprise Union Executive Board.*
- ☞ ***Employer Negotiating Committee** consults with supervisors/ managers in different areas of the enterprise about their concerns and problems.*
- ☞ *The Employer Negotiating Committee **prioritizes** the **Issues** for discussion and presents them to the union. The specific concerns, interests and expectations of the employer can be explained in detail during the actual negotiations. The union will do likewise.*

## 2. Negotiation Phase

- ☞ *Set up a meeting schedule. Meet at least several times a week to build momentum and so people remember what they are discussing.*
- ☞ *Agree on Ground Rules for the meetings. The Ground Rules are designed to encourage the maximum amount of constructive discussion and should include mediation as the first step if a deadlock on an issue is reached*
- ☞ *All decisions are to be made by consensus of both sides*
- ☞ *As you reach agreements on each point, write it up, agree on the language, and move on with that section completed.*

- ☞ *If a deadlock is reached on an issue, the parties may invite a mediator to assist them to break the deadlock.*
- ☞ *When the two parties reach agreement on all issues makes sure that both sides agree to the language that has been written for the Tentative Agreement.*

### Deadlocks and Strikes

If an agreement still cannot be reached even with the assistance of a mediator, both sides have several options open to them:

1. The Union can take a strike vote and then go out on strike to try to pressure the Employer give in to their remaining demands through economic action.
2. The Employer can unilaterally implement his Final Offer (but risk a strike).
3. Both sides can agree to take the few remaining disagreements to Arbitration with an agreement to allow the decision to be final and binding..

## 3. Union Ratification Phase

Union holds meeting to explain the Tentative Agreement (TA) to all the workers and get approval through secret ballot vote. If over 50% of the workers ratify the contract, it then can be signed by the union and management.

If more than 50% of the workers voting do not ratify the contract, the Union Negotiation Committee will return to

negotiations with the employer representatives to explain the reason for the rejection, and to negotiate further to address those reason for the rejection. A mediator can be asked at this point to work with the two parties to reach an agreement.

### **HOT TIP**

#### **Worker Ratification of a CBA**

*Wildcat strikes have erupted in two cases because the enterprise union committee signed a CBA without first getting their members' consent. Do not sign CBA until you are certain that a majority of workers have been consulted by the union and agree with the tentative agreement for the CBA.*

## **4. Conclusion and Education Phase**

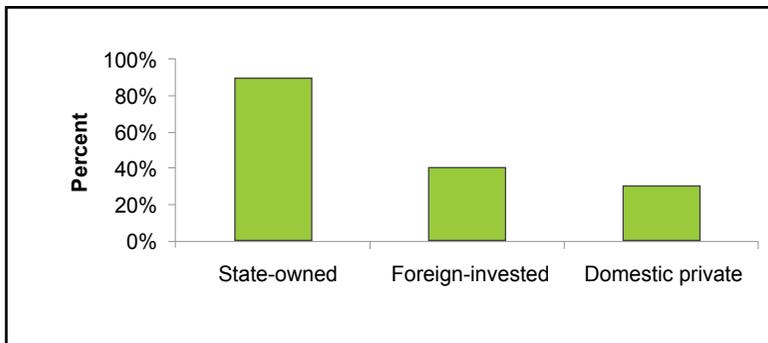
After the CBA is signed by both parties, the union holds a meeting (or series of meetings) to distribute the new CBA and explain the changes. A manager should also be present to make sure that explanations are accurate and to demonstrate that the CBA is agreed to by BOTH sides.

- ☞ *Copy to be given to local administrative authority for registration and to be checked for legality*
- ☞ *Copies to be given to all workers and posted on Union Bulletin Boards*
- ☞ *Copies to be given to and reviewed with all supervisors and managers.*

## **II. WAGE AND WORKING CONDITIONS CONSULTATION IN NON-UNIONIZED ENTERPRISES**

In Vietnam at the moment, unfortunately, collective bargaining may not be a feasible option for many enterprises because they do not have a union or the union is not effective enough to represent workers in the negotiation. The VGCL in their recent Congress, 2008, recognized this weakness in the enterprise unions and made a decision to have district level union representatives directly assist enterprise union representatives at the work place when requested. Employers should take advantage of this situation by requesting the local enterprise union to invite the District union to assist the enterprise union. In the meantime, wildcat strikes are pervasive and workers in enterprises without a practical mechanism to negotiate for higher wage and working conditions will continue to go on strike spontaneously. If caught in this situation, you may take into account some of following practical examples of foreign employers in Vietnam as stop-gap way to prevent wildcat strikes. Yet, remember that these are only short-term solutions and they can not replace all the mentioned tools (frequent communication and collective bargaining) to develop long-term workplace harmony.

**Figure: Coverage of Collective Agreement by Enterprise Ownership**



### III. Content of a Collective Agreement

The labor authority provides a template for collective agreement with provisions on employment, working time, remuneration; work safety, social insurance, and procedure for labor dispute settlement (see Box below).

The law encourages employers and unions to sign collective agreements that provide benefits beyond the legal standards for workers. This, however, is a voluntary matter left up to the negotiations between the enterprise union and management locally.

**Box: Collective Labor Agreement Template (issued by MOLISA)**

Company name Address:	The Socialist Republic of Vietnam Independence - Freedom - Happiness
<b>COLLECTIVE LABOUR AGREEMENT</b>	
To guarantee the rights and obligations of the two parties in labor relations, we:	
<ol style="list-style-type: none"> <li>1. Representative of the employer (name, title)</li> <li>2. Representative of the collective of workers (name, title)</li> </ol> agree to sign this collective labor agreement which includes the following provisions:	
<ol style="list-style-type: none"> <li>1. GENERAL PROVISIONS               <ul style="list-style-type: none"> <li>● Coverage</li> <li>● Term of the agreement</li> <li>● Commitment of the employer to guarantee union rights</li> </ul> </li> <li>2. CONTENTS               <ul style="list-style-type: none"> <li>● Employment and Employment security</li> <li>● Working time, Rest breaks</li> <li>● Wages and Salaries, Bonus, Allowances</li> <li>● Work norms</li> <li>● Occupational safety and health</li> <li>● Social Insurance</li> <li>● Other provisions as agreed by the two parties</li> </ul> </li> <li>3. IMPLEMENTATION               <ul style="list-style-type: none"> <li>● Responsibility for complying with the agreement</li> <li>● Procedure for labor dispute settlement</li> <li>● Scope of application and revocation of other regulations of the enterprise that conflict with the agreement.</li> </ul> </li> </ol>	
<i>Date of signing and registration</i>	
<b>Representative of Workers</b>	<b>Representative of the Employer</b>
<i>(Signature and Seal)</i>	<i>(Signature and Seal)</i>

This template has little meaning to workers if it is just filed out with the contents of the existing Labor Law. It will have much more importance to workers if the union interviews them directly to find out their main concerns at the work place and submits these ideas as their starting point for negotiations over the Labor Contract.

## HOT TIP

### Initiate “Real Negotiation” with the “4 Reals”!

In 2008, former Vice Minister of Labor, Madam Huynh Thi Nhan underscored the need for improvement in quality to the current perfunctory Collective Bargaining Agreement widely signed in Vietnam. She spoke frankly about the need for collective bargaining to have “4 Reals”.

1. *Real Partners: Union representatives who really represented workers’ interest and had their confidence.*
2. *Real Issues: The most burning issues for both workers and employers should be put on the negotiating agenda.*
3. *Real Negotiations: Full, serious and respectful discussions, problem-solving and negotiations should take place. Neither side should be a “rubber stamp” for the other.*
4. *Real Implementation: Once a Collective Bargaining Agreement is signed, it is a legal business document that should be widely upheld and enforced.*

As mentioned earlier, collective bargaining is not obligated by law but with increasing labor conflicts, the Government encourages companies to negotiate and sign collective agreements with higher-than-minimum benefits for workers as one important way to reduce the risk for strikes. (see Box for list of types of benefits Vietnamese companies have negotiated with their unions and included in their collective bargaining agreements that exceed legal requirements).

## HOT TIP

### How to benefit from collective bargaining

1. *Make it clear in the agreement when and how wages and other benefits will be adjusted. For instance: annual wage review in November-with the amount to depend on business performance, worker productivity and profit.*
2. *Include a clause that allows the enterprise and union to meet and confer it extraordinary external financial conditions necessitate some changes during the life of the Agreement such as a Global Economic Crisis.*
3. *Include commitments that insure regular meetings between the union and workers and the union and management (the ILO calls such mechanisms “Social Dialogue mechanisms”).*
4. *Develop a detailed procedure for resolving disputes on the collective agreement. Make it a habit to call in a neutral mediator if disputes at the workplace reach a deadlock. Also*

*use mediation to help resolve differences in interpretation of the CBA, should one arise. Consider binding arbitration as a final step if mediation fails.*

5. *Make sure that every one in the company understands the agreement, including workers recruited after the agreement is signed.*
6. *Negotiate a “Peace Clause” that promises that both sides will first exhaust negotiation, mediation and arbitration options before resorting to any economic action in event of a collective dispute during the term of the CBA. (Note: A pool of District Mediators is administered by the District People’s Committee Chair who is also responsible for their training).*

#### **IV. DURATION OF THE SIGNED CBA**

The term of a CBA ranges from 1 to 3 years. The first CBA can have a duration of less than 1 year, but it is advisable to have at least 1 year to stabilize worker expectations.

#### **Revision of CBA:**

For CBAs having a duration of less than one year, the parties may revise the CBA after 3 months through mutual consent

For CBAs having a duration between 1 and 3 years, the parties may revise the CBA after 6 months through mutual consent

#### **Renegotiation of an existing CBA**

Before the expiration date of the CBA, both parties can either agree to extend the existing CBA or negotiate a new CBA:

During such negotiation, the existing CBA will remain in effect even though the CBA expiration date has been passed

If no agreement is reached after 3 months of negotiations past the contract expiration date, the existing CBA will expire.

## Chapter 5:

# Building Workplace Productivity and Harmony

Workplace harmony is crucial to the sustainability and development of a business. It also presents the solution to many challenges facing foreign managers in Vietnam now and in the future. Sound labor-management relations bring the following benefits:

- ☞ *Minimizes risks for labor conflicts and strikes*
- ☞ *Improves workers' productivity and performance*
- ☞ *Reduce absenteeism and labor turnover*
- ☞ *Increase job satisfaction and effectiveness through consultation, especially when introducing new technology or products/services*
- ☞ *Enhances the enterprise's competitiveness*

Building workplace harmony is not an overnight task. It requires effort, time, and patience from both sides. This chapter will bring you through the most essential steps of developing sound labor relations at the workplace, from how to maintain frequent two-way communication with workers, what is the proper way to deal with workers' grievances to negotiation of wage and working conditions.

## I. FREQUENT TWO-WAY COMMUNICATION WITH WORKERS

Information-sharing and two way communication is key to harmonious labor relations. Establishing a regular two-way communication channel enables the management to understand workers' concerns and opinions, and thus, to develop policies which reflect workers' views. Frequent two-way communication also helps build trust and common understanding between workers and the management, which minimizes risk for disputes and strikes.

### 1. Breaking the ice

To start with, you should break the ice of cultural and language differences get to know your local staff, and familiarize new workers with the culture of your corporation.

#### CASE STUDY

##### ***Foreign language training***

Cultural differences were the cause of a strike at a Korean company 2 years ago. After the strike, the company organized some courses on Vietnamese language, Vietnamese customs and practices for Korean managers and courses on Korean language and culture for Vietnamese workers. Thanks to these courses, the language and cultural barriers were substantially lessened, thus creating a friendlier atmosphere at the workplace.

### ***“Xin chao” (good morning) campaign***

A foreign company found that workers were shy and self-conscious in communicating with the managers, especially the foreign ones. In addition to language difference, another reason was the workers' deference towards management. To narrow the gap between managers and workers, the management waged a “Xin chao” campaign. Every Monday morning, the General Director and all other members of the management, Vietnamese and foreigners alike, stand in line at the front gate of the company and welcome each worker by bowing and saying “xin chao” (or “good morning”). At first, workers were a little bit nervous, however they got used to the practice and began to feel honored by being greeted by the General Director and the management. Since then, workers have become much more comfortable and confident in communicating with management.

### ***“Fasa Spirit” Training***

Fasa is a multinational corporation with a strong corporate culture that is maintained in all of its factories in the world. Once every month, the new workers to Fasa are divided in small groups to attend a two-day training on “Fasa spirit” to learn about the work rules, principles, and the culture of the corporation. It is also a chance for the new workers to understand foreign culture and how to work with foreign managers.

## **2. Establishing two-way communication system**

An in-house communication system can be developed in many ways. In this handbook, we will introduce three of the most common channels of two-way communication.

**1. 10 Minute Production Line Worker/Supervisor Meetings:** 10 Minute Production Line Meetings are quick daily meetings that are very useful to help improve social dialogue and ensure that a team is communicating every day.

### **How to set up the 10 Minute Worker/Supervisor meetings:**

Explain the idea of the meeting and arrange with workers to meet at the start of production (or beginning of a shift) for 5-10 minutes in a specific location. Make sure everyone knows about the meeting.

Start each meeting by reviewing the previous day's quality and productivity results and then cover any topics relevant for that day.

Always finish with questions from workers and ask for any suggestions, concerns or problems they have noticed in the production line or elsewhere in the work place.

As you get used to the meetings, try to facilitate the discussion more and more and talk less and less.

Ensure that you share information from the meetings other supervisors that may be helpful to their area.

Keep the meetings short by noting down any issues that need to be resolved and always follow up on any questions or problems raised, if possible by the next morning.

### Topics may include but are not restricted to:

- ☞ *Yesterday's results for quality and productivity (which also provides an opportunity to reward teams/individuals).*
- ☞ *Production priorities for the day. Announcements such as shift changes, changes in production, approaching holidays, overtime opportunities etc.*
- ☞ *Problems in the line and possible solutions*
- ☞ *Any other general or specific concerns from workers (e.g. quality of food, excessive overtime demands, toilets not clean or working properly, etc.)*

### Benefits of the daily 10 Minute Worker/ Supervisor Meetings

- ☞ *Builds team spirit by giving immediate feedback on the previous day's results and focusing the line on it's current goals*
- ☞ *Gives supervisor valuable input and intelligence on any problems on the line as well as boarder concerns in the factory*
- ☞ *Shows the workers that management values their input and ideas.*

2. **Suggestion Box + Feedback Bulletin Board:** The Suggestion Box and Feedback Bulletin Board provide a good way for workers to share their ideas, suggestions and concerns with managers. The following steps indicate briefly what is involved in putting in place a suggestion box:

Place the suggestion box and an attractive bulletin board in a public space where workers will feel comfortable placing suggestion into it.

Explain and educate workers as to the role of the suggestion box.

Encourage workers to make suggestions. Critical comments are acceptable, but must be accompanied by a positive suggestion for change.

Create a joint worker/union and management committee to review all suggestions on a weekly basis and determine which ones should be recommended for implementation based on pre-defined criteria.

Post a summary of the suggestions on the employee bulletin board and indicate which ones are being considered for implementation.

Follow through with the suggestions by identifying which suggestions are feasible and then follow through to see if and how they may be implemented. If a suggestion is not feasible, identify why and share that information with the worker, or the department.

Recognize and reward workers for suggestions put forward.

Create monthly themes for the suggestion box to stimulate

continual interest on the worker's part. Use such topics as how to improve safety, attendance, productivity, save money during inflationary times, etc. Give prizes for good suggestions used by the company.

Do not penalize workers for critical suggestions.

## HOT TIP

### Benefits of the Suggestion Box

- ☞ *Although a seemingly simple device, the Suggestion Box can be used to support company-wide campaigns around such important goals as lowering accidents in the workplace, improving productivity, reducing absenteeism, lowering need for overtime work, improving attendance after Tet holidays, etc.*
- ☞ *Like other social dialogue mechanisms, the Suggestion Box gives workers a sounding board to raise issues that may be festering under the surface among the workers.*
- ☞ *A committee to discuss inputs to the Suggestion Box is another valuable basis to practice regular ongoing two-way communication between management and workers/union.*
- ☞ **Beware!** *Without constant themes and quick public response, workers quickly lose interest in participating with their suggestion.*
- ☞ **Remember!** *A Suggestion Box must be linked to a Feedback Bulletin Board!*

**3. Labor-Management Council:** The labor management council can be built on the basis of the local conciliation council which enterprises are required by the law to set up to settle labor disputes. However, the labor-management council can go beyond the dispute settlement purpose to become a useful tool to maintain frequent communication between labor and management.

**Membership:** The number of representatives can vary according to the size and structure of the enterprise. However, the council should be composed of an agreed upon equal number of representative of each side. The union members should include the local union chairman and representatives of major departments and shifts. Management members must include site management and line supervisors. Additional members can be included as required.

### Meeting Procedures:

- ☞ *First, the management and union should agree upon the frequency, dates, location and duration of meetings. Once the council is in place, monthly meetings should be sufficient. Choose an easy date to remember like the first Wednesday of each month, and commit to the date.*
- ☞ *Meetings should be limited to one and a half hours (these limits can be modified by the mutual agreement of the parties). However, the meeting procedures should be strictly adhered to and not extended unless an emergency occurs.*

- ☞ *It is suggested that co-chairs (preferably the union chairman and the Director of the company) be appointed and rotate the chairing of meetings.*
- ☞ *A secretary must be appointed. Accurate minutes should be maintained and posted so that union members and members of the management are kept up to date on the activities of the council. A bulletin or newsletter may be developed by the council.*
- ☞ *An agenda or list of topics to be discussed by the council as well as the names of the council members should be distributed to each member as well as posted in a public place like the lunch room within a reasonable period of time, but not less than 5 days prior to the meeting. This allows all members ample time to prepare for the session and affords employees an opportunity to bring any of their comments on the topics to the council members before the meeting. It is advisable to limit the agenda to three or four items per party.*

### **Typical Subjects for Labor-Management Council:**

- |   |  |
|---|--|
| ☞ <i>Work Safety</i>                        | ☞ <i>Absenteeism</i>                     |
| ☞ <i>Product or service quality control</i> | ☞ <i>Working conditions</i>              |
| ☞ <i>Reduction of waste</i>                 | ☞ <i>Improving employees' skills</i>     |
| ☞ <i>Productivity</i>                       | ☞ <i>Suggestion scheme</i>               |
| ☞ <i>Quality of food</i>                    | ☞ <i>Supervisor/ Worker relationship</i> |
| ☞ <i>Conditions of toilets</i>              | ☞ <i>Job satisfaction</i>                |
| ☞ <i>Ventilation, hot work space</i>        | ☞ <i>Training</i>                        |

Make it clear workers that the council meetings are for problem solving and communication, but are NOT a continuation of Collective Bargaining! Revision to or renegotiation of the collective agreement can only occur if BOTH sides agree that a clause in the CBA requires change, or through mutual agreement that some change is required prior to the expiration of the CBA.

## **LABOR-MANAGEMENT COUNCIL MEETINGS**

### **DOs**

- ☞ *Keep the discussion centered on the issue involved*
- ☞ *Be punctual in attending the meetings*
- ☞ *Submit and publicly post the agenda in advance to allow everyone sufficient time to investigate the problem*
- ☞ *Maintain and post accurate minutes on subjects discussed at the previous meetings that have been "completed" or "resolved" as well as those items still "open"*
- ☞ *Be specific about the problem and its suggested correction.*

### **DON'Ts**

- ☞ *Start the meeting with difficult issues*
- ☞ *Treat any issue on the agenda as unimportant.*
- ☞ *Start scheduled meetings late or drag the meeting beyond allotted time*
- ☞ *Anticipate that you know the answer to a question before it has been discussed. DO ask questions to get facts*
- ☞ *Focus on personalities*

## Dealing with Workers' Grievances

Whenever possible, a worker's grievance should be dealt with as rapidly as possible, within **one or two days**, and at the lowest possible level within the organization. Often grievance procedures may be **resolved informally** in a discussion between the worker and the line manager or supervisor. In this case, it may be a good idea for both the worker and the line manager to keep a record of what was discussed and how it was resolved in a Grievance Logbook. Any resolution should be recorded and initialed by both sides to document the resolution or lack of resolution of a grievance. If the grievance cannot be dealt with by informal discussion it should go to a more **formal procedure**. In Vietnam, this is either the Enterprise Conciliation Council or a mediator acceptable to both sides

The formal procedure for addressing workers' grievances should be defined in binding agreement between the management and labor such as a collective bargaining agreement or a work rule.

### 3. Stage in Dealing with Grievances

1. *Stage 1:* The manager who receives a grievance in the first place should make all efforts to solve the problem at his level. For example, if a worker raises the grievance, often verbally, to their immediate supervisor or line manager, the supervisor should have an informal discussion with the worker to figure out a possible solution within the day or the following day.

2. *Stage 2:* If a grievance is made in writing to the more senior level of management through the HR department, the union or suggestion box or if a grievance is not successfully solved at Stage 1, the manager should then investigate the matter thoroughly, generally by speaking with any possible witnesses and taking statements from anyone else who may have been involved. The manager should respond to the worker within 10 working days. At this stage, it is useful for the manager to really listen to the worker. Grievances that reach this stage are unlikely to just go away, and if they can be dealt with relatively early there is likely to be less disruption and bad publicity than if the grievance carries on to stage 3.

3. *Stage 3:* A meeting with representative of labor and management and the worker should be organized to discuss the grievance. In Vietnam, this should be a meeting of the Enterprise Conciliation Council if the enterprise has a union or a meeting of equal representation of management and workers and a **district labor mediator**.

4. *Stage 4:* At this stage internal procedures have been generally exhausted. The worker generally has formal legal options available by law such as arbitration. According to the newly –revised Labor Code of Vietnam, depending on the nature of grievance and disputes which are individual or collective and interest- or right-based, legal option can be Chairman of district's People's Committee, People's Court or Arbitration Council (Chapter 14, Labor Code).

## GRIEVANCE DOs and DON'Ts

### DOs

- ☞ *Be familiar with your enterprise's grievance policy and all the grievance steps*
- ☞ *Keep a separate, written fact sheet on each grievance this will help to keep you organized and able to follow the grievance through each step*
- ☞ *Stay calm and objective, have confidence in the process*
- ☞ *Act quickly and locally to resolve a problem*
- ☞ *80% of grievances should be resolved in the first step*

### DON'Ts

- ☞ *Apply the contract provisions and rules inconsistently*
- ☞ *Keep workers waiting without telling when they can expect an answer to their grievance*
- ☞ *Let emotion get in the way of orderly resolution*

## CASE STUDY: Communicating with Workers

### **Worker Satisfaction Survey**

Facing big challenges in labor management such as high labor turnover and absenteeism, wildcat strikes, struggle with competitors to retain best workers, employers find it crucial to understand workers' concerns. In Dasa, the employer asked the HR department to carry out monthly surveys on workers' concerns including work load, payment, workplace facilities, relations with supervisor, family problems. Workers are selected at random in all levels and jobs. The outcome of these surveys helps the management to adjust their policies timely to keep workers and avoid strikes.

### **Support of the Upper-level Union**

Hankok has just been established and has no union yet. The Korean employer finds it difficult to understand Vietnamese workers and what they want. Amid the wave of strikes in the late 2007, and in the face of a rumored impending wildcat strike in his company, the employer contacted the local industrial zone union (IPZ union), asking them to visit his company and survey workers' demand. The IPZ union officials came and talked to workers. They asked workers about the most important issues or concerns that should be addressed by the employers. Another round of consultations was conducted to understand priority demands. Finally, a list of demands was given to the employer. There were several meetings among the management to consider the demands. After 3 working days, the employer announced to workers which demands he was able to satisfy immediately, which ones he needed to consider further and the reasons why. Workers were happy because the employer was responsive and open to their demands, and the employer was able to avoid a wildcat strike.

## Acknowledgements

HR Solutions Vietnam wishes to acknowledge and thank the International Labour Organisation (ILO) in Geneva for having given the permission to re-print Chapters 2 to 5 of the ILO publication “Vietnam – A Foreign Manager’s HR Survival Guide” authored by Jan Jung-Min Sunoo, Chang Hee Lee and Do Quynh Chi. Without this generous support, HR Solutions Vietnam could not have produced this free-of-charge give-away booklet.

The management of HR Solutions Vietnam trusts that this HR Survival Guide can effectively help foreign managers to develop their business in Vietnam – not only for quick profit making, but for the sustainable benefit of all involved.

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