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# The impacts of the global economic crisis on migration patterns in Viet Nam

Findings from rapid assessments in five provinces and cities  
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## **Introduction**

Over the past decade, Viet Nam has made significant progress in terms of its development and poverty reduction. However, the current global economic crisis is negatively affecting the Vietnamese economy and potentially threatens to undermine Viet Nam's impressive poverty reduction record. To assess and monitor the ongoing impacts of the crisis on poor people, over the course of 2009, Oxfam and ActionAid Vietnam, in close collaboration with the Viet Nam Academy of Social Sciences (VASS), and with significant support from AusAID, have undertaken a series of rapid assessments of the effects of the economic crisis on migrant workers and their families in both formal and informal sectors. Findings have been used to inform government agencies and representative bodies at different levels.

This paper discusses the results of these assessments including the diverse regional structures of the migrant population. It highlights the major changes in urban labour markets, and how they relate to changes in rural welfare and in rural-urban migration. The first assessment brought up the importance of "linkages" to the rural areas and clearly showed the interconnectedness of labour markets in urban/peri-urban areas and rural welfare. The second assessment showed the importance of rural areas in providing a strong foundation for the country in coping with the economic crisis.

## **Methodology**

The rapid assessments were organised by Oxfam and ActionAid Viet Nam together with local partners. A qualitative methodology was used which involved focus group discussions and in-depth interviews with enterprise managers (mainly in garment and shoe-manufacturing industries), migrant workers (working, retrenched and returned), local community leaders at commune and village levels, informal labourers and representatives of poor/near poor households.

The first assessment was conducted in March-April 2009 in Ha Noi (jointly with VASS), Hai Phong city and Nghe An province. In total the survey team carried out group discussions and interviews with 174 people (90 men, 84 women) comprising 27 local community leaders (23 men, 4 women), 15 enterprise managers, 2 hostel owners, 51 migrant workers (14 men, 37 women), 48 informal industry labourers (28 men, 20 women), and 31 poor/near poor households (14 men, 17 women).

The second assessment was conducted in July-August 2009 in Ha Noi, Hai Phong city, Ho Chi Minh City, Nghe An and Tra Vinh provinces. In each city or province, one representative ward or commune was selected for a rapid survey over 3-4 days. In total the survey team carried out group discussions and interviews with 315 people (149 men, 166 women) comprising 88 local community leaders (60 men, 28 women), 21 enterprise managers, 6 hostel owners, 56 migrant workers (18 men, 38 women), 122 informal labourers (44 men, 78 women), and 22 poor/near poor households (9 men, 13 women).

## **Key findings**

The two rounds of assessments indicate a lack of balance in the demand and supply of labour markets in labour-intensive industries in large urban centres. On one hand, companies are now lacking adequate labour forces and are thus, trying to maximize the usage of the existing labour forces to meet work demands. On the other hand, migrant workers, who have been suffering from less work and reduced incomes during the peak of

the crisis are now turning to alternative income sources rather than returning to grueling, low paid work. However, in all cases, migrant labourers are particularly vulnerable to recent external shocks and are bearing the early adverse impacts of the economic crisis. The rapid assessments also confirm, that given the limited livelihood alternatives migrant labourers face at home, rural-urban migration is inevitable in Viet Nam even during times of economic crisis. The impacts on labourers do of course vary depending on their fallback positions such as education, skills, productive land and gender.

## **I. The diversity of research sites reflects the complex rural-urban linkages**

***The diversity of the research locations showed various levels of impact of the global economic crisis and highlighted the diverse regional structures of the migrant population.***

Ho Chi Minh City and Ha Noi are the major receiving destinations, whilst Tra Vinh and Nghe An provinces are important departure points for migration. Meanwhile, 'migration' in Hai Phong city is largely understood as 'internal migration', whereby the destinations are factories and industrial zones in urban and peri-urban areas, and the departure points are primarily peri-urban districts.

Migrant workers in Dong Anh (Ha Noi city) mainly hail from Nghe An province northwards, whilst those in Go Vap (Ho Chi Minh City) mostly come from Thanh Hoa province southwards. The diversity of migrants' places of origin is greater in Go Vap than in Dong Anh.

***The departure points show significant differences in local livelihood structures, and regional differences indicate various impact levels. Rural-urban linkages are a major factor in the dispersal of the impacts of crisis.***

Most households in My Thanh commune (Nghe An province) still have ownership of limited areas of land that can provide sufficient food for their household needs. They also maintain their husbandry (pig farming) activities as one main source of income. Meanwhile, around half of the households in Thuan Hoa commune (Tra Vinh province) do not have productive land, most of their livelihoods are totally dependent upon non-agricultural incomes, predominantly from migrant remittances. Thuan Hoa is the only location in this research that has a significant ethnic minority population (Kh'mer group).

The abovementioned regional differences help interpret, link and confirm many findings relating to the impacts of the global economic crisis in these research sites. The urban sites such as Dong Anh (Ha Noi), Go Vap (Ho Chi Minh City) and Hai Phong, where there is a greater dependency on various aspects of the global economy, show more self-evident effects of the crisis. The direct impacts of the crisis on rural areas, like Cau Ngang district (Tra Vinh province) or Yen Thanh district (Nghe An province), are less tangible. However, the rural-urban linkages, with flows of people, capital and information, are the main factor linking and spreading the impacts of the current global economic crisis. This linkage factor has particularly evolved due to the multi-location livelihood strategies that Vietnamese households have been practicing in the post-WTO era which result in a complex division of labour among the household members.

## II. Major changes in urban labour markets

***Enterprises have been recovering slowly from the crisis, and this varies from one enterprise to another. The majority of surveyed enterprises are still operating at around 50 percent of their full capacity. There is also a disparity between supply and demand of labour markets.***

Enterprises have been recovering from the crisis, albeit, slowly for many. The traditional clients have returned and goods orders have increased in the garment and shoe-manufacturing industries. This trend is most evident in sub-contracted enterprises during the second quarter of 2009, as compared with the difficult period since October 2008. The first assessment indicated the initial recovery of orders began in early April 2009. The second assessment confirmed a stronger recovery of orders since August 2009. However, the majority of surveyed enterprises are still operating at around 50 percent of their full capacity, which is far below their operational levels at the same time in 2008.

The recovery of enterprises in the electric, electronic, mechanical and automotive industries has been slower. Only the second assessment in July-August 2009 detected a modest recovery of orders in such enterprises whilst the first assessment in March-April 2009 yielded no evidence of recovery.

The first assessment in March-April 2009 revealed two concurrent trends. Firstly, the enterprises had reduced their workforces, reduced working hours and placed a freeze on hiring of new labourers to save labour costs. Secondly, at the same time, many migrant workers, tired of reduced wages and unable to afford the increased costs of living including house rental costs, voluntarily resigned and returned to their rural home villages. This has created a new challenge for enterprises seeking to employ large numbers of workers for simple low wage jobs.

The second assessment in July-August 2009 confirmed that many enterprises are now suffering labour shortages to meet the increasing orders of the recovery period. There are two strategies that enterprises are using to respond to this challenge.

Firstly, the urgent labour demand has led enterprises, especially in Go Vap (Ho Chi Minh City), and at a lesser degree in Hai Phong, to compete by way of employment incentives to attract workers. These incentives are not only in terms of welfare, but also include concessions on the maximum recruitment age (from 25 to 35 or even above 40) and educational qualifications (from junior secondary to primary school level or even simply literacy). Some enterprises are broadening their geographical area of recruitment. They are moving away from industrial zones to mobilize workers in agricultural areas, or even remote areas and targeting ethnic minorities who are known to be diligent workers who are able to sustain difficult conditions, have few livelihood opportunities, and limited information on minimum work standards. Some companies have developed incentives to encourage their staff to recruit workers from their home villages. In addition, companies have been developing cooperative arrangements with provincial vocational divisions or providing commissions to local community leaders to recruit workers on their behalf.

Secondly, enterprises, particularly foreign-invested enterprises in Bac Thang Long Industrial Park in Ha Noi, are attempting to maximize the use of their existing labour force to meet the additional work demands generated by the recovery. Rather than lowering their qualification requirements these enterprises have chosen to try and recall retrenched employees, recruit new workers, and provide small increases in overtime allowances. With the pressure on employees to work increased overtime hours, there is a risk of an increase in employer-employee conflicts. Such conflicts had frequently been reported in the pre-

crisis period, but were rarely reported in the most difficult period of the crisis in late 2008 and early 2009.

***Many migrant workers have restructured their options. Despite significant obstacles, migration to cities to seek formal or informal employment remains the key livelihood option for many. Movement between formal and informal jobs is one of the coping mechanisms to deal with the impacts of the crisis.***

One key reason for the current labour shortage in labour-intensive enterprises is the changed options of migrants during and after the crisis period. Many women have realised that the garment and shoe-manufacturing industries are significantly less attractive employment options due to the difficult conditions and low wages. Migrants (both men and women) have become more selective in seeking employment. Through their informal migrant networks, they seek more details in terms of the salary and welfare conditions before applying to an enterprise. An emerging tendency is that many younger people, particularly women, are opting to attend vocational schools with the hope of finding more secure, better paid jobs. They may migrate to work and study at the same time.

In Go Vap (Ho Chi Minh City), the majority of workers (both men and women), who had been retrenched or voluntarily resigned from enterprises during the most difficult period of the crisis in late 2008 and early 2009, reported that, instead of returning home and with limited savings to support them for any period of time, they had chosen to switch to new livelihoods in private domestic situations and informal sectors. In the recovery period many of these migrants have chosen to continue to work in the private domestic and informal sectors despite the many recruitment announcements from enterprises elsewhere in the city.

In Kim Chung (Ha Noi), around 60-70 percent of the redundant workers (mostly women) have sought ways to stay in the city and have been seeking new higher salaried employment in other companies. Among the workers who returned home to work on farms, only a few suggested that they will stay home for long as their households do not have sufficient productive land, nor agricultural incomes to support them. The majority of those who returned home are awaiting better opportunities to return to the city.

The first assessment in March-April 2009 showed that day labourers standing at the mobile labour markets in the city suffered reduced income and under-employment during the crisis, but not total unemployment thanks to their high social capital. The majority of the day labourers are mature, married people from poor rural areas without adequate education and skills, and the livelihoods of their whole families are significantly dependent on the income from their day labour in the city. Coming to the labour markets to do simple work as seasonal migrants has become the most popular choice for earning income in between farming seasons, so, they will try to continue this type of work, even at reduced income levels due to the economic crisis. In difficult times, the gender dimension of the labour division is less evident as the female day labourers are ready to do the jobs, which are normally reserved for men, and vice versa. In fact, they often work in groups with both men and women, and earnings are equally divided. However, the differentiated gender impact is not fully understood given the limitations of this assessment.

The second assessment in July-August 2009 moved away from surveying the mobile labour markets, but instead sought to examine the changes in the composition of the rentees in hostels in the surveyed areas in Ha Noi, Hai Phong and Ho Chi Minh cities. These surveys showed a greater number of migrants as occupants of the hostels, as opposed to students or informal labourers, suggesting that the informal sectors in the cities have been, even at the peak of the crisis, functional, albeit with lower incomes. The surveys in Nghe An and Tra Vinh provinces also confirm that many migrants moved from

the formal sectors (permanent migration) to informal ones (seasonal migration) as a coping strategy.

### **III. Changes in rural welfare and in rural-urban migration**

***The impacts of the crisis on basic rural welfare are largely intangible but there is, variation between locations.***

The first assessment brought up the importance of “linkages” to the rural areas and clearly showed the interconnectedness of labour markets in urban/peri-urban areas and rural welfare. The second assessment confirmed that the rural areas provide a strong base for the country in coping with the economic crisis.

Nghe An province is an important departure place, where all households in the research site possess agricultural land and still view rice cultivation and husbandry as their ‘core’ activities to ensure food security. Migrant remittances, though important and necessary, play a supplementary role as a source of household savings for expenditures in terms of durables, child education, medical services, and risk mitigation. Therefore, the impacts of the global economic crisis on the basic rural welfare are less serious, as food security is still maintained.

In Tra Vinh province, in general, the local living conditions remain stable as the majority of migrants work in informal sectors that have been functional during the crisis. Consumption of meat and fish was reduced, but only a few households that had been heavily dependent on income from formal sectors faced serious hardship. These families that faced serious hardship did report suffering from occasional hunger, taking children out of school to reduce expenditures and have more spare labour. In these cases, women bore the additional burdens.

***An emerging concern of social impact in rural areas is a possible increase in the school dropout rates, particularly right after or before junior secondary graduation. This raises concerns over the emerging danger of child labour.***

The total number of children dropping out of school may not have overall increased significantly, but there was an increase in the cases of school dropouts linked to migration (boys and girls share roughly an equal ratio in the number of dropouts). The reasons for this trend may include children accompanying migrating families, or being attracted by the urban image presented by local workers, or a lack of motivation to continue studying due to enterprises lowering of education-related recruitment requirements. There is an emerging danger of a child labour market as some children are working in private garment-making (thread-cutting) or other workshops in Ho Chi Minh City, or are following their families to work on farms in south eastern provinces to support themselves and their families. This is of particular concern in the Mekong Delta with an existing high rate of children dropping out of schools, particularly amongst ethnic minority communities. Reasons for dropout are no longer confined to household poverty, as conventionally understood, but are becoming more complex, which may undermine various efforts to improve local education. If these emerging barriers in school retention and the education sector are not adequately addressed, school dropouts will continue and further generate cheap, unskilled labour for labour-intensive industries on a long-term basis in a vicious development cycle.

In Kim Chung (Ha Noi), the difficulties brought to the surface by the crisis, indicate the emergence of some groups that are highly vulnerable as the country continues to integrate into the global labour division system. These vulnerable groups are rural service providers for migrant workers from industrial zones, including hostel owners, and retailers in food and

foodstuff, clothing and other daily necessities. These “used-to-be-farmer” service providers had previously lost their agricultural land to the industrial zones, and are now dependent on such zones and their employees.

***An increase in rural people migrating, as a consequence of decreased agricultural incomes, of last year’s inflation after-shocks, and of compensation schemes for partial loss of migrant remittances.***

The rapid assessments confirmed that rural-urban migration is inevitable in Vietnam even in a period of economic crisis. After staying home for a while during the early months of 2009 when the crisis was at its worst, the returned migrants continued to migrate in subsequent months. Many younger people, that have this year reached the labour age in rural areas, are still choosing migration as an opportunity to be exposed to a new lifestyle, and to replace the difficult farm work at home.

The first assessment in Nghe An province in early April 2009 revealed that up to 20 percent of migrants returned home in late 2008 and early 2009. But the second assessment in Nghe An in August 2009 showed that the current number of domestic migrants (both men and women) is greater than the figure last year. From February (after Lunar New Year (Tet)) to August 2009, there was an increase in the number of local people migrating. This increase is likely to be a consequence of several factors including decreased agricultural incomes, last year’s inflation after-shocks, compensation schemes for partial loss of migrant remittances, and of the increased labour demand in the large cities.

In Tra Vinh province, more migrants still flock to Ho Chi Minh City or Dong Nai (mostly women). Tra Vinh does have an industrial zone and a number of small processing establishments, but the number of locally generated jobs cannot meet the local demand. Some Khmer women workers encourage their home-village girls to work in their garment and shoe-manufacturing factories in Ho Chi Minh City. This trend corresponds to the emerging corporate strategies in those sectors, which target ethnic minority groups.

***The initial impacts of efforts to balance regional development are minimal. The "brain gain" effect of return migration is still very limited.***

Some emerging flows of migrants who return to invest their savings in farm and non-farm work at home indicate the initial impacts of efforts to balance regional development. However, in general, the impacts are not yet obvious. These efforts to balance regional development are supported by local policies on infrastructure investment and business development for job generation in purely agricultural provinces, which have been seen as important solutions to reducing population pressures in major urban areas. The movement takes place not only between cities and agriculture-based provinces, but also between urban and peri-urban areas within a city (for example, Hai Phong).

Over the past year, especially after Tet, some migrant groups have returned to work in industrial zones in their homelands to be closer to their families. This corresponds to the culture that respects blood-based and community relationships in rural Vietnam. Although their incomes are lower than what they could earn in the city, many returnees have substantial savings as they do not have to rent accommodation, and their costs of living are considerably lower than as compared to cities such as Ho Chi Minh City, Ha Noi, and the inner city of Hai Phong.

Even some workers in provinces with industrial zones have not returned to these zones due to the distance from their home villages and resulting costs in travel and accommodation. In addition, the newly established industrial zones do not have many

enterprises, and new businesses have not generated many jobs. Local socio-economic conditions to promote production and services remain limited. Increased services generated by the returned migrants may result in over-supply, which, therefore, is unlikely to be beneficial for local job generation or a sustainable improvement of local living conditions. Thus, the "brain gain" effect of return migration is still very limited.

## **VI. International migration**

***The return of guest workers, may have caused substantial risks for sending households, particularly poor ones. Illegal migration harbours multiple risks and long-term implications.***

The decrease in the demand for export labourers, especially in newly industrialized countries such as Malaysia and in labour-intensive sectors such as construction, is clear from both rounds of rapid assessment. The return of guest workers may be resulting in significant effects on sending households, particularly poor ones. Some have lapsed into bad debt, or are slipping further into poverty as a consequence of migration costs and their migrant workers returning home empty-handed. Some poor households may be losing the opportunity to escape poverty; especially as popular receiving destinations like Malaysia become unattractive or are not recruiting Vietnamese workers. This may create a potential barrier for Programme 30a that promotes labour export from ethnic minority communities within the country's 61 poorest districts.

In addition, illegal migration to the Eastern European nations arose in the latest two rounds of assessment in Nghe An province. This trend has been an issue of increasing significance since early 2009. In receiving communities, illegal migrants usually take up work in the retail and other services sectors, or may seek opportunities to transit to wealthier European Union countries like Germany, France or Britain. This type of migration promises considerable remittances to improve household conditions. However, it harbours multiple risks and long-term implications, such as en-route life risks, chances of detention and accumulation of debts in case of unemployment, or illegal employment for debt service, which may also negatively impinge upon the image of the overseas Vietnamese community.

### **Key recommendations from research sites**

**Improvement in the monitoring system:** It is necessary to improve the national and local monitoring and database system, especially in regard to the labour flows and remittances. Such improvements should provide a system of early detection and rapid response to unexpected problems, such as the current crisis. Gender disaggregated data are needed to ensure effective targeting and decision-making.

**Assistance to households with migrant workers:** The current social protection system does not provide a community-based safety net or critical preventive and control measures for migrant workers and their households when their employment and incomes are suddenly negatively affected.

**Information on policies and laws:** Enterprises need to be provided with adequate information regarding unemployment insurance to provide appropriate explanation to their workers (for example, regarding benefits after a year of contribution and claims procedures). A lack of access to this information is one of the issues that has delayed the full enforcement of the Unemployment Insurance Law in the surveyed enterprises, despite some businesses' willingness to pay insurance premiums for their workers.



**Assistance for workers:** Factory workers lack information channels. When a company breaks its promises or there are other employee-employer conflicts, most workers do not know how to seek advice or where to take their grievances. As a consequence of the lack of grievance process the grieved employees become frustrated and choose to terminate their employment and move to other companies. Furthermore, migrant workers make substantial contributions to local economies but have not received due attention when they face difficulties. There is also a lack of assistance provided to factory workers trying to simultaneously balance work and study.

**Balance of regional development:** Local infrastructure investment and business development policies for job generation in purely agricultural provinces have been seen as important solutions to reduce population pressures in major urban areas. Local socio-economic conditions to promote production and services require stronger investment to be effective, not only in male-oriented sectors, but also on female-oriented ones.

**Reduced contributions in difficult periods:** Over the past year, non-agricultural incomes, especially from migrant remittances, have declined, but in some areas, required household contributions remain unchanged. In difficult periods, if these contributions are reduced or made exempt, it would provide timely assistance.

**High-risk groups require attention:** Other high-risk groups, including farmers whose arable land has been acquired and now totally depend on rental and retail income from workers, have been largely overlooked by many relating agencies. Meanwhile, enterprises in industrial zones are not obliged to make any direct financial contributions to socialization in areas where agricultural land has been acquired. However, developing a mechanism to formalise corporate obligations is a sensitive issue as it raises the possibility of 'capital flight' in the global financial system where capital becomes highly mobile.

## **Conclusion**

The research undertaken so far demonstrates the importance of "linkages" between rural and urban areas and highlights the strong interconnectedness of labour markets in urban and peri-urban areas and rural welfare.

The two rounds of assessments indicate a lack of balance in the demand and supply of labour markets in labour-intensive industries in large urban centres. In all cases, migrant labourers are particularly vulnerable to recent external shocks and are bearing the early adverse impacts of the economic crisis. The rapid assessments also confirm, that given the limited livelihood alternatives migrant labourers face at home, rural-urban migration is inevitable in Viet Nam even during times of economic crisis. The impacts on labourers do of course vary depending on their fallback positions such as education, skills, productive land and gender.

It also highlights the need for a broad and timely information base to measure and monitor the impact of the global economic crisis. Formal and informal social safety nets are required for those who are negatively affected in times of crisis. Trends and patterns of employment, domestic migration and rural-urban linkages should be the key indicators for monitoring the ongoing social impacts of the economic crisis in the coming period.