

The Influence of Business Owner Ethics on the Vulnerability of Low-Income Labor Currently in Some Industrial Cities of Vietnam

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The business ethics of business owners directly affects the vulnerability of low-income laborers and their benefits. Business in a global era can only be sustainable if profit targets and developmental strategies are adjusted by the self-awareness of enterprises. These enterprises must respect business ethics to ensure a stable source of labor. However, this cannot simply be calculated by self-awareness of the business owners, but also there must be some supporting measures and sanctions.

WHY DO LOW-INCOME LABOR IN THE DEVELOPING COUNTRIES AND MIDDLE-INCOME COUNTRIES HAVE MANY VULNERABLE FACTORS?

According to the latest forecast, it takes Vietnam (VN) a decade to get out of the current state that attracts foreign investment by low-cost labor and outworking. Now and then, low-income continues tend to be a barrier that prevents labor from full opportunities in their society. According to the report of HCMC Labor Federation for the last 6 months, the average salary of HCM City labor in December 2008 was approximately VN Dong 1,400,000, equal to \$ 90/month; in December 2009, this amount rose to VN Dong 1,800,000; but with the exchange rate between VN Dong and USD in December 2009, this amount was still equivalent to \$ 90/month (Ho Chi Minh City Confederation of Labor, 2009, 2010).

The under-average salary generally manifests with vulnerable labor groups such as women, low-level workers, common labors and the labor moving from rural to urban areas who no longer have enough land to cultivate as in the old days due to urbanization. Most of these laborers concentrate in areas of textile, garment, footwear and consumer goods. Easily seen that the majority of them lack of skills/industrial manners; their education level is below the average; low ability to find jobs; influenced by the reallocation of employment forces, etc.; these factors lead them to become vulnerable by economic events. Vulnerability of low-income labor becomes more evident when a legitimate salary is mostly dependent on the attitude of employers and the terms of the labor contract.

Common problems of countries wishing to grow fast, or give priority to growth are environmental issues, where legitimate benefits of labor and social welfare are sometimes less important than output expansion, exports, attracting foreign investment and all for increasing income per capita. Unfortunately, the consequences of this are disturbances to the environment, water supply and natural resources after a period of time, as well as the seriousness of unequal income distribution. Average income obtained after a few decades is not equally distributed to all people but falls to only a few people, while the majority receive the basic income level, often not changing much. Therefore, the accessibility of public services such as education, health or the ability to give opinions in society are limited. The disease of giving priority to growth is indispensable in making laws to benefit investors; or at least, these laws do not create

difficulties for them. The dispensing of this conduct is evident by investors who easily manipulate the laws to benefit themselves when the conflicts exist between their benefits and those of laborers, even though this loophole may violate benefits of the majority of laborers.

In HCM City in particular and Vietnam in general, one can now see such cases like this. In the years 2008, 2009, hundreds of thousands of laborers were affected by irresponsible attitudes and behavior of investors. The two most common forms are salary debt and social insurance debt. Unfortunately, most of these enterprises are foreign investment. As reported by the functional agencies in HCM City, foreign investment business owners fled more in 2009 than in 2008. There are 10 enterprises that have fled and closed the social welfare or insurance of workers. There are four enterprises in district 12 (Simb Company of South Korea, S/M Company of England, Hoang Tam Company & Huynh Tram Company of Vietnam) ran away, leaving the giant salary debt; Hoang Nghiep Company with capital of Malaysia, Kentwen Company with capital of British in Binh Tan, Binh Chanh District, Duc Quan Company of Taiwan also fled in 2009. Recently, The Hanson Vina at Binh Duong Industrial Zones left, leaving a debt of 1.1 billion VN Dong of salary, 1.8 billion VN Dong of social insurance fee, and 100 billion VN Dong to the banks; causing enormous suffering to more than 700 workers (Youth Press, 2010). In a different situation, some enterprises did not flee, but were not able to resolve the long lasting salary debt situation, social insurance debt and jobless allowance debt, such as the Anjin Company of South Korea in Binh Tan District.

BUSINESS ETHICS OF BUSINESS OWNERS TOWARDS THE VULNERABILITY OF LOW-INCOME LABOR

Although workers or their representatives, the Trade-Unions, organized the lawsuit and proposed the government to seal assets of the companies and provide temporary support for them, there have not been any final resolutions. Within the country, cases of business owners fleeing, leaving great salary debt and insurance debt has been reported by Vietnam General Confederation of Labor at the end of the year 2007. In December 2008, the country had forty percent of the total number of employees had some benefit to compulsory social insurance participation, but were unable to receive it, chiefly because business owners deliberately evaded the responsibility of paying as stipulated by law. This situation has basically not improved much, as of 2009.

According to the Report of VN Social Insurance Trust (VNSIT), business owners owed as much as 1,734 billion VN Dong (more than \$ 110 million) in 2007; 2,286 billion VN Dong (more than \$ 138 million) in 2008. By the end of December 2009, that number had grown to 2,094 billion VN Dong (Lao Dong Press, Jan 20, 2010, p.2). Vietnam regulations state that business owners have the duty to keep six percent of the laborers total monthly salary and pay this directly to VNSIT for the social insurance fee. How could such circumstances happen? The VN government believes that if the law gives laborer the right to pay social insurance fee freely, the majority of them would keep the money, spending it elsewhere. This is the popular story of low income wages and high demand. In fact, the government regulations are based on the assumption that the business owners will be the more responsible than the laborers. Thus, when business owners choose not to pay such fee, they in fact not only steal the money from the laborer, they also violate the law.

The question is how can companies can seriously violate labor contract and owe salary and/or social insurance fee of labor until they flee the country? Obviously, the main reasons are unfair behavior, irresponsibility, the lack of business ethics of business owner. They violate the human rights when they sign labor contracts with workers, owe them a salary for years, do not pay social insurance fees and health insurance fees to the extent that cannot pay, then simply leave. Moral decay of foreign investment business owners from South Korea, Taiwan, Malaysia and even Europe have pushed many workers and families into the difficult situations, continuing to exacerbate unemployment causing an impact of global economic recession in the years 2008-2009, in Vietnam and particularly in HCM City. With 21,844 workers who lost jobs and 16,929 employees who only work part time in 192 enterprises in HCM City in 2009, there are 180,000 jobless in the country (Department of Labor, Invalids, and Society, 2010). The

number of employees from foreign enterprises exhibiting a lack of business ethics accounts for more than half the estimated unemployed.

It is true that legal loopholes have abetted the poor ethic business. But the business owners who pay the long-term benefits are valued and help sustain development, not focusing on increasing short-term revenue, but respecting the rights of workers to ensure stability of human resources for production. These companies will certainly remain a top priority regardless of the laws.

WHERE IS THE SOLUTION

In 2009, 75 labor disputes occurred in Ho Chi Minh City (decrease 123 cases in compare to 2008), in which 32 cases occurred with the foreign investment enterprises (15 Korean, 10 Taiwanese, two British, one Japanese, one Malaysian, one of Hong Kong, one of France, one of Pakistan) including a large number of workers. The main reason was the unpaid salaries, rewards and other reasons such as work overtime out of the contract, overtime with unreasonable rewards, refusal to pay social insurance fee, poor quality meals, unclean drinking water, and inappropriate communication with workers. When asked for reasons why the number of labor disputes had fallen, Ho Chi Minh City Confederation of Labor declared two critical points:

- 1) The workers understand the difficulty of fabrication and export as a result of economic crisis, then actively share with business owners to maintain employment, do not express the negative reactions as much as in 2008;
- 2) The business owners are convinced by the Union they need to respect the rights of workers to maintain labor stability while the employment situation in HCMC is increasingly difficult.

Thus, when cultural behavior changes on both sides, the rights of workers are more guaranteed as well as being less vulnerable. Program "Together with enterprises in 2009" initiated by the City Confederation of Labor, has attracted the participation of more than 1,000 enterprises and 30 union organizations, have pulled the workers and the enterprises together. It heightens the businesses' awareness of the importance of the workers' support and sharing, as well as their obligations to ensure the rights of the workers. This activity has significantly affected the psychology of business owners.

In addition, the unions stand up on behalf of workers and take legal action against businesses violating the law, owing salary, insurance; and petition the government to resolve a blockade of the property, handling pay for debt. In the situation of production oriented countries who are gradually globalizing, economic risk can always be a consequence, and Vietnam is no exception. Thus, the vulnerability of jobs and income becomes increasingly more sensitive. There are a number of measures that can strengthen business ethics for foreign enterprises:

- 1) Continuously write and review laws related to business ethics, rights and obligations of enterprises with employees such as the Enterprise Law, Labor Law, Social Insurance Law, Economic Law, Civil Law to keep up with the changing of global business environment and its daily characteristics arise, especially the Punishment Articles to business owners violated the Law. Remember the HCMC officer's comment that the main way to stimulate business owners violating the Social Insurance Law is by punishment giving by the Resolution of Resolving Official Violation (the Resolution of April 22, 2008). It only gives the government the right to punish violating business firms up to 30 million VN Dong (just more than \$ 1,500) per violation. That amount of money has no value in comparison with the money business owners can take from their workers in one deal (Lao Dong Press, 2010).
- 2) Ban the sale of goods produced by those companies violating unethical business practice, or goods that are used the manufacturing process which are violating the ethical standards and environment;
- 3) Proposed WTO expanded Black-List of international businesses violating the business ethics (eg. salary debt, social insurance debt, labor welfare debt, destroys the environment, etc.) as well as providing information to public. This pressure will force the global enterprises to adjust their development strategy, not targeting profit over ethical business practice.

In short, strengthen the role of mediation of unions at all levels; continuous propaganda showing the advantages of good business ethics for the sustainable development of enterprises. Also, continuously improve the institutions of law, use the global rules to create pressure on the international business which will have both immediate and long-term effects in strengthening ethical business practice and reduce vulnerability of low-income workers not only in the industrial cities but also the whole country of VN over the next decade.

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