



VIETNAM SEMINAR

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THE STUDY FOR IMPROVEMENT OF LIVING CONDITIONS FOR WORKERS AROUND INDUSTRIAL ZONES IN SOCIALIST REPUBLIC OF VIETNAM



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The Study for Improvement of Living Conditions for Workers around Industrial Zones In Socialist Republic of Vietnam

Ministry of Planning and Investment / JICA / JICA Study Team

1 Background of the Study

1.1 Background of the Study

The workers in industrial parks are compelled to live under poor housing conditions, and it has become a hindrance to acquiring a skilled labor force for the companies operating in the parks. Stagnating the improvement of worker living conditions causes the constant outflow of employed workers and impacts on employing and training environments for workers. It results to lower the value of Vietnam as the investment destination compared to the surrounding countries. The negative economic influence can be the income gap within Vietnam.

Although the Ministry of Construction in the Vietnam has promoted the development of social housing including that of workers in industries through the provision of incentives to the local government and the private sector, the local governments are unable to implement these schemes. The improvement of housing conditions for workers in industrial parks and establishment of related policies has become a pressing issue nationwide.

1.2 Legal Frameworks for the Improvement of Living Conditions

As a measure of improving of the living conditions of workers in industrial parks, and balance between supply and demand of housing unit, following legal frameworks are introduced.

- Decree No.100/2015/ND-CP (2015)
 - IP operators (investors) in the industrial parks and operators to prepare a development plan for an adequate number of housing units for workers according to local contexts.
 - In order to provide social housing (here in after SH) units at an affordable price to the workers, Article 61 of the Housing Law stipulates the methods of determining the rental rates, lease-purchase prices or sale prices of SH units constructed by the non-state entities. (A sale price within a profit range of 10 %, and rent price within a profit range of 15 % of investment)
 - Real estate developers to construct social housings by using 20 % of land for development in the new urban and commercial housing developments
 - The decree stipulates the incentives which permit the construction of commercial facilities as a part of a SH project.
- Housing Law (Law No.65/2014/QH13)
 - In order to accelerate the provision of social housing, Article 58 of the Housing Law stipulates the incentives to the owners of SH projects. (Exemption or reduction of land-use levy, Exemption from or reduction of value-added tax and enterprise income tax, Preferential loans, Financial support from the PPC)
- Construction standards in Vietnam
 - Residential unit floor area: 25~70 m² per residential unit
 - Required area per person: 8 m² (construction standard for high-rise housing), etc.

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Issues with the Living Environment for Workers in Industrial Parks

The concerns for the improvement of living conditions for industrial workers are shown below.

Housing of Workers in Industrial Parks (IP) has issues about

- Quality of the living condition,
- Housing business support,
- Low profitability affected on “housing affordability” of residents.

Table2-1 Summary of issues with the Living Environment for Workers

	Issues	Detailed Contents
1) Issues of Spatial Planning and Building Design (Issues of Quality of the Living Environment)	Selection of inappropriate housing location	Low occupancy rate due to the housing location being far from IPs, villages and cities. This issue is found especially in the IPs in rural area
	Competition for low-quality housing among workers	Price competition for poor quality rental rooms in the surrounding villages hinders the growth of decent quality housing. This issue is found in IPs over Vietnam
	Lack of developers	The number of developers who only work on housing construction is limited for the IPs that was established in the local areas before 2009.
	Lack of affordable housing for worker.	The dwelling unit for social housing is determined as 25~70m ² . The price is above the affordable cost of housing for workers.
	Strict house rules and regulations.	Strict house rules for workers leads to a low occupancy rate.
2) Issues of Organization Regarding Housing Construction, Improvement and Enhancement of Social Housing Business (Issues of Housing Business and Support)	Lack of developers	Shown as above.
	Disparity in business support from the public.	Differences in provincial support for housing business and public-private partnership. This issue leads a living environment gap between provinces.
	Management of residents	Many housing facilities for workers in IPs in Vietnam are managed by IP operators or large factory operators. Many development cases have been implemented by large-sized operators, and few are implemented without them.
3) Issues of Business Profitability (Issues on Business Implementation and Operations)	Business profitability	Imbalance between affordable housing cost for workers and construction cost. Especially, in the IPs located in local areas face the difficulty for making profits by real-estate business, and it causes the slow housing construction.
	Profit regulation	The same profit regulation is applied evenly to social housing business without consideration for differences in business schemes and profitability. Differentiating a regulation is important for various situations like high profitable social housing cases in urban area and low profitable cases in outer area.
	Business support	The applications of business support measures are different in provinces. This issue leads a living environment gap between wealth provinces and provinces with financial difficulty.
	Contribution to the housing cost by factory operators	It is declared in Decree No. 100, and considered to be applied in the implementation of the housing projects

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Housing Development Measures in Vietnam and Surrounding Countries

3.1 Examples of the Improvement of Housing Development in Vietnam

- Introduction of Low Rise Housing

The development with small-sized buildings enables to restrain what would otherwise be a high initial investment cost and to afford productive public space.

- Improvement of Housing Administration

The biometrics gate control system of residents in IP residence enable to relax by change of the security system of the entrance and the exit to automatic security systems from the control by the human.

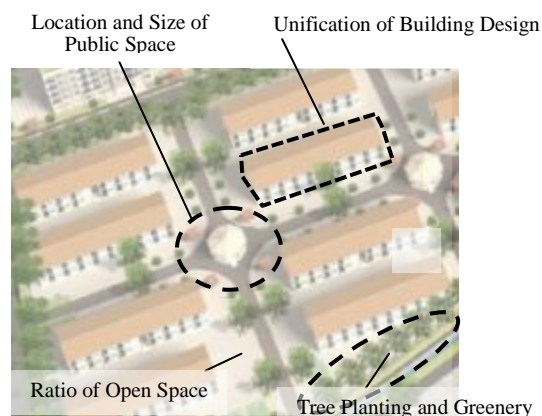


Fig3-1 Spatial Planning for Low Rise Rental Housing and

3.2 Examples of Housing Development Measures in Surrounding Countries

- Financial System

- Rule No. 10 (Ashray Nidhi (Shelter Fund)) (India):

The developers must deposit a fee in the shelter fund for providing urban basic services and financial support to persons belonging to the economically weaker sections (EWS).

- Spatial Control System

- 1-3-6 and its Amendment 1-2-3 Rule (Indonesia):

This regulation requires private developers to provide housings for mix settlement in a ratio of six small houses and three medium houses for every large house built in large housing development site of 200 ha or more.

- KASIBA–LISIBA Scheme (Indonesia):

Mixed planning management between local governments in high level planning and private development in low level planning. KASIBA is a system to determine the area for housing development within an organized environment. The public does the construction of infrastructure and their management. LISIBA is a small sized development area within KASIBA, and private operators provide and manage housing under the KASIBA management committee.

- Administrative System

- CODI (Thailand):

It assists communities in implementing their developments, and broadens their capacity to access finance for improvement. The CODI coordinates the roles of the National Housing Agency (NHA), Government Housing Bank (GHB), the representatives in community, residents and NGOs, and establishes a working system between public agencies and communities. In addition, it coordinates the development of financial institutions.

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Recommendations for the Improvement of Living Condition of IP Workers

The main recommendations for improvement of IP workers' living environment are summarized as follows.

4.1 Recommendations for Spatial Planning and Building Design

1. Improvement of Social Housing Provision

- The study proposes the building regulations and design guidelines for social housing for lighting, ventilation, etc.
- The legal dimensions 25~70 m² for IP worker housing in Vietnam is larger than that of foreign countries in the rule. In addition, the requirements of social housing supply are less retracted by comparing with other countries. For the purpose of enhancement of social housing supply in the long-term perspective, it is desired to readjust housing dimension rules and social housing supply requisite in the housing development business to worker's housing affordability.

4.2 Recommendations for Institutional and the Legal System

1. Articulated Coordination with Public-Private Partnership

- The support from IP business companies and local governments is indispensable for social house development with urban and social infrastructure development for workers. It is necessary to clarify the contexts of joint ventures based on the roles of government and private operators (decree No.100, Housing Law Art.57).
- Central government formulates and disseminates guidelines for local government and IP ventures for the supply of housing for industrial workers.

2. Support in Housing Business Management and Operation

- The owners of rental housing achieve the construction requirements supported by the central and local/district level governments. "The subsidized rental apartment with high quality" in Japan is the correspondence.

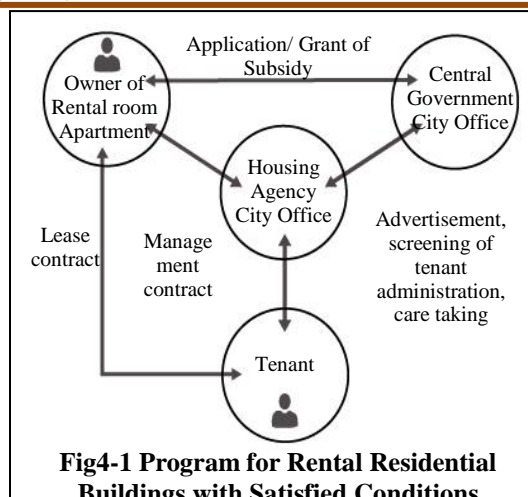


Fig4-1 Program for Rental Residential Buildings with Satisfied Conditions

4.3 Recommendations for Related to Business and Financial Planning

1. Introduction of Rental Coupon System

- "Rental Coupons" can be used as a part of rent payment for housing, which meet the construction requirements. The owners, who received coupons, attain reimbursement in exchange for the coupon from the public entity.

2. Relaxation of the Business Profit Regulation

- For ensuring profitability in the housing business, it is necessary to consider exemption of the profit limitation on 10 % (sales), 15 % (housing rent) of total project cost based on decree No. 100 as a long-term improvement. Because this regulation prevents the involvements of housing developer into the social housing business.

3. Introduction of Low-Interest Loans

- In relation to social housing projects, introduction of appealing interest rates that are lower than the current 5 % a year are an effective incentive when the projects satisfy the construction requirements.

4. Improvement of Incentive Systems for Commercial Use of Social Housing Sites

- 20 % of the land area or the equivalent floor areas against the total project area ought to be reserved for social housing projects in order to obtain better profits from commercial activities.
- In order to attain commercial viability in social housing development in the local area, the following considerations are recommended; i) Relaxation of commercial area ratios in the social housing development, ii) Expansion of commercial activities (ex. public facilities such as vocational training schools).

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5 Plan of the Model Site

5.1 Outline of Workers Housing

The study formulates housing plans for the model site as following:

- Location: South of Phung Chi Kiem Commune, My Hao District, Hung Yen Province
- Area: 18.23 ha, Current land use: Paddy Field
- Planning population and buildings:
 - Single worker 2,756 (916 rooms in Low rise building, 231 rooms in Medium rise building)
 - Family 5,160 (1,290 rooms in Medium rise)
 - Commercial facilities for residents
 - Educational Facilities (Kindergarten, Schools)
 - Public Facility (Medical center)
 - Park, infrastructure space

5.2 Spatial Planning Concept

In order to enhance and assure the quality of living of workers, following planning matters are considered for creation of an integrated compact living environment with surrounding areas.

- Preparation of housing land considering connectivity with neighboring villages and cities
- Share of social infrastructure (educational facilities, parks and commercial facilities) and urban infrastructure (water supply and electricity facilities etc.) with existing villages and towns.

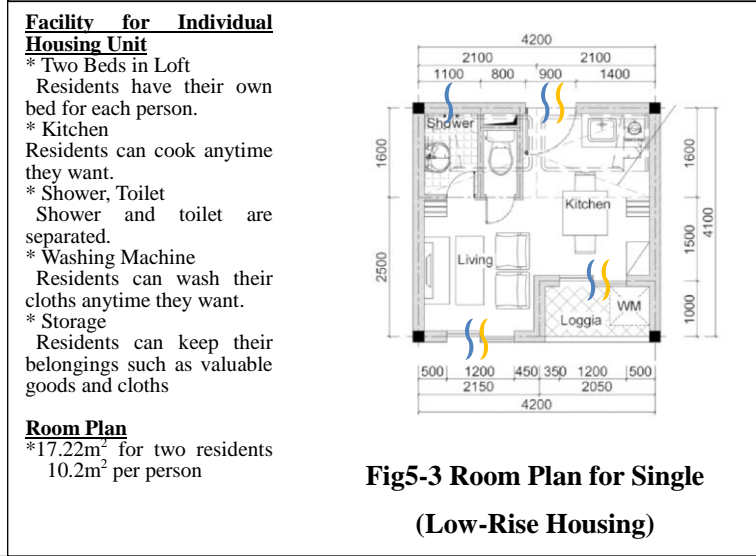
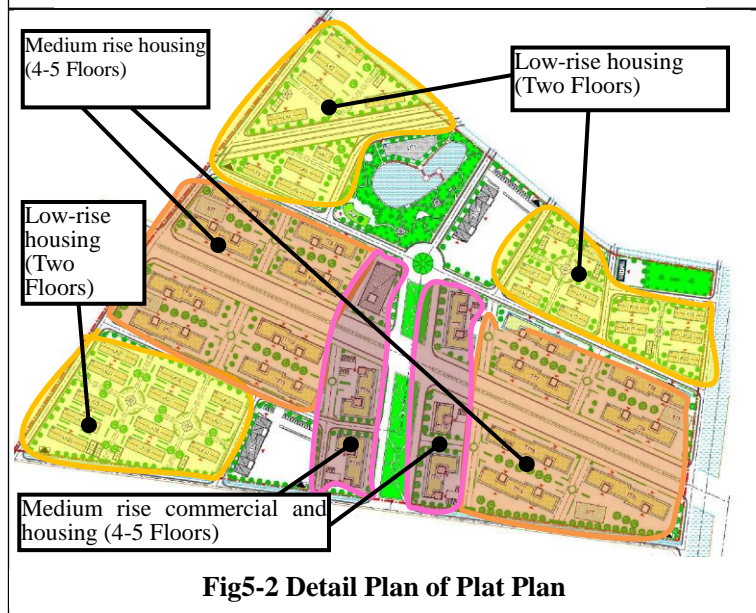
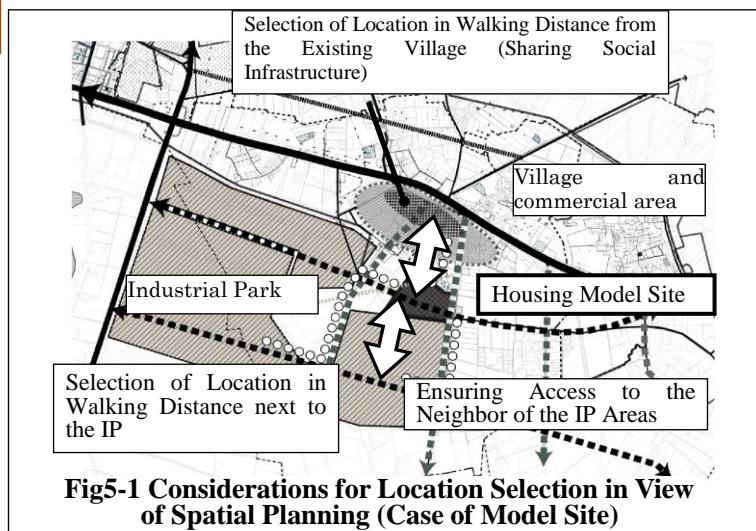
5.3 Land Use Planning

- Involvement of many housing developers and entities in housing supply and application of several housing types together with creation of districts of various capacities and sizes
- Prepare the site corresponding to land subdivision corresponding to the small-scale investment by local investors, for their advantages such as decent price settings and local operator participations.

5.4 Housing Planning

Following considerations are reflected on the housing plan.

- Residential unit per person: 8 m² minimum.
- Kitchen and bathroom for each unit.
- Allowance of natural light and ventilation for each living space.
- Installation of wastewater treatment system.



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Business Planning

6.1 Business Implementation System

It will be presumed that the project scheme within the model site will follow the private-public collaboration approach. The business scheme in the figure below is a basic one.

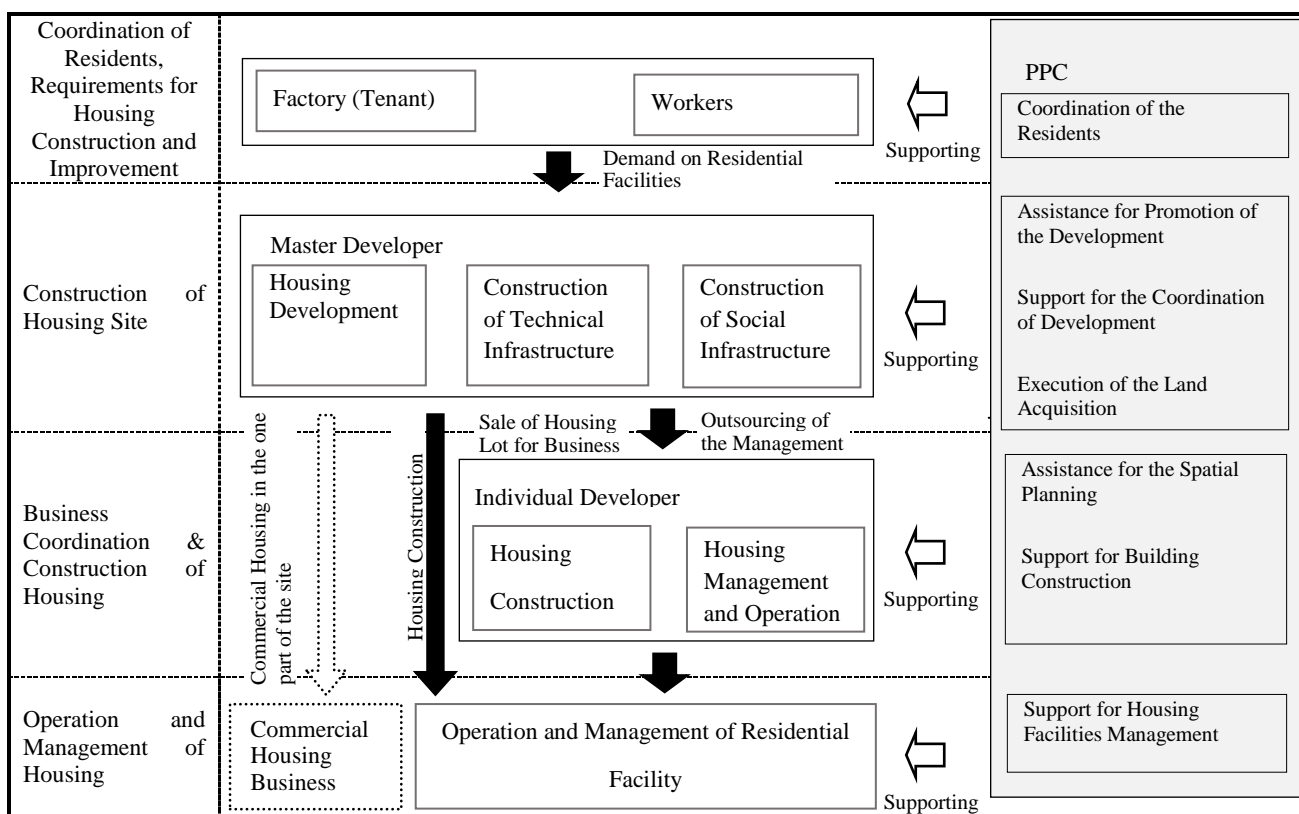


Fig6-1 Supposed Project Schemes in Model Site

6.2 Financing Plan, Sensibility Analysis

Expected amount of the affordability by the beneficiaries in terms of rents and purchasing is 955,973 million VND, while the social housing business scheme's total cost is VND 1,311,418 million considering the basic costs for land acquisition, land preparation and infrastructure development that are necessary before construction of building. These business income balances and the shortage of cost need to be solved.

Following shows different business conditions and business schemes; a) Use of project site for general profit business, b) Initial business contribution by factory owner, and c) Interest rate of loan for the project.

General Assumption

Conditions for borrowing from credit institution: annual interest rate of 5 %, over a 20 year repayment

Occupancy rate of Housing: 95 %

Resident: amount of rent of current affordable cost: 446,500 VND(single worker), 1,066,500VND (family worker)

Corporation (tenant): housing cost allowance (up to 500,000VND/month, pers.), business cost contribution

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Table 6-1 Result of Provisional Allocation of Investment Funds (Sensibility Analysis)

Expected Business Case	Allocated Amount (Contribution of Initial Business Expenses of Stakeholders)						
	Interest Rate	Resident	Company (Housing Allowance, Contribution Cost)	Local Government (Land Acquisition, Preparation)	Other Operators (Commercial Facility Operators, General Profit Business Operators)	Total sum	Shortage Cost Amount
		a	b	c	d	a+b+c+d	
	%			(mill VND)	(mill VND)	(mill VND, %)	(mill VND, %)
1a Housing Allowance 500,000 VND/per month	5%	Rent: (single workers) 446,500 VND/month pers. (family workers) 1,066,500 VND/month pers.	Housing Allowance 500,000 VND/month pers.	Land Acquisition 25,929 mill/VND	Income from Daily commercial facility 25,761 mill VND	1,009,127 76.9%	302,291 23.1%
1a Housing Allowance 300,000 VND/per month	5%		Housing Allowance 300,000 VND/month pers.			855,504 65.2%	455,914 34.8%
2a-1 20% of Site for Sale	5%		Housing Allowance 500,000 VND/month pers.	Land Acquisition 25,929 mill/VND	+ Site for sale 260,181 mill VND + Family housing for sale 239,737 mill VND	1,049,489 80.0%	261,929 20.0%
2a-2 20% of Family Housing for sale	5%		Housing Allowance 500,000 VND/month pers.			1,042,681 79.5%	268,737 20.5%
2b-1 Contribution Cost for Company 55mil VND/per person	5%		Housing Allowance 500,000 VND/month pers. And contribution cost 55 mill/VND pers.	Land Acquisition Land Preparation 138,219 mill/VND	Income from Daily commercial facility 25,761 mill VND	1,302,607 99.3%	8,811 0.7%
2b-2 Land Preparation Cost born by Local Government	5%		Housing Allowance 500,000 VND/month pers. And contribution cost 35 mill/VND/pers.			1,308,177 99.8%	3,241 0.2%
2c-1 Interest Rate 1%、 Housing Allowance 400,000VND/month	1%		Housing Allowance 400,000 VND/month pers.	Land Acquisition 25,929 mill VND		1,315,402 100.3%	-
2c-2 Interest Rate 1%, Housing Allowance 300,000VND/month	1%		Housing Allowance 300,000 VND/month pers.			1,311,896 100.0%	-

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Conclusion

While the worker housings around IPs after 2009 keep the decent qualities, the worker housings, especially established before 2009 in Vietnam still face the issues in the fields of quality of the living conditions, housing cost gap between the worker's affordability and the costs, housing business supports and business implementations and operators. To overcome these issues, Vietnam is enabling to take lessons from various other successful cases in Vietnam and other countries. The low-rise housing example in Vietnam shows one of solutions to balance housing quality and investment costs. The examples from other countries can deliver new systematic ideas in law, finance and administration. Moreover, the new policies are recommended throughout Vietnam for further improvement by regulating spatial planning/building design, implementing new types of legal/institutional system and increasing business and financial supports. Another study result outcome is suggesting the model site plan in Hung Yen province, and it presents the integration of low/medium-housings, public facilities and greenery within one site to enhance living quality of workers. In addition, its business planning estimates the business sensibility with various situations and requirements to seek the most efficient and effective way to plan and avoid financial issues. Finally, the policies of local government for improvement of living environment are suggested. This study is capable to draw and implement the future plans for workers in Industrial Zones. Creating better lives for the workers who carry the economy over Vietnam positively impacts on change in Vietnam and leads nationwide development.