



Rapid Assessment Report

SKILL NEEDS AND HUMAN RESOURCE DEVELOPMENT FOR THE VIETNAMESE LOGISTICS SECTOR IN THE CONTEXT OF COVID-19

April 2020



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1 - INTRODUCTION

As part of the bilateral cooperation between the governments of Vietnam and Australia to promote human resource development in Vietnam through the Vietnam-Australia-Vietnam Human Resource Development Program (Aus4Skills), the Logistics Industry Reference Council (LIRC) was established as a coordination mechanism for representatives from central and local government agencies, Vocational Education and Training (VET) providers, socio-professional organizations, employers' associations, business associations and logistics businesses to share information and engage in policy advocacy in workforce skill development, and industry engagement in VET. Amidst the global COVID-19 crisis, the socio-economic situation of many countries throughout the world has been severely impacted. The logistics industry is one of the first and hardest to be hit by the pandemic. The unpredictability and duration of the pandemic has presented multiple layers of challenges for logistics businesses in both the short and long terms, jeopardizing the viability of many businesses (especially SMEs) and the jobs of millions of workers.

Through the active cooperation and contributions of its members with the initiative and coordination of the Vietnam Chamber of Commerce and Industry - Branch in Ho Chi Minh City, LIRC has prepared this rapid assessment on the impacts of the pandemic on logistics business activities and VET training in Vietnam. Given time and data constraints, the report only aims to provide a rapid assessment and to share innovative responses with LIRC members and its business partners, VET colleges and regulatory agencies at the central and provincial levels. The LIRC would like to convey its sincere thanks for the comments and inputs on this report received from members of the Vietnam Chamber of Commerce and Industry - Branch in Ho Chi Minh City, the Ho Chi Minh City Department of Labor, Invalids and Social Affairs, Gemadept, Saigon New Port, Lita Expresss, Gonsa, Transimex, Vietnam Shipping Gazette, and Thu Duc College of Technology.

2 - IMPACTS ON LOGISTICS BUSINESS ACTIVITIES AND VOCATIONAL EDUCATION AND TRAINING IN VIETNAM

a. Impacts on Logistics Business Activities

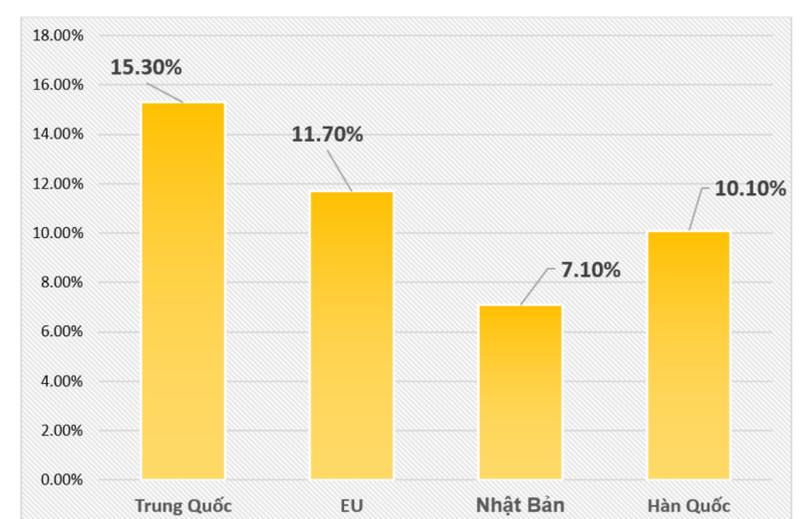
The COVID-19 pandemic has had widespread and obvious impacts on the entire Vietnamese economy, including supply chain and logistics services. The disruption of raw material supply for production from China in the first two months in 2020 directly affected the value chain and production in Vietnam. China is the regional economic center accounting for 12% of global trade in supply parts. The disruption of this supply increased product costs due to a shortage of raw materials/inputs.

According to the Ministry of Agriculture and Rural Development, the total export value of agriculture, forestry and fisheries in the first two months of 2020 was an estimated USD 5.34 billion, down by 2.8% compared to last year. This decrease has been experienced across all of Vietnam's major export markets including China (accounting for 38.8% market share, down by 15.3%), the United States (accounting for 23.8% market share, up by 15.8%), EU (accounting for 12.2% market share, down by 11.7%), ASEAN (accounting for 9.7% market share, down by 0.3%), Japan (accounting for 8.2% market share, down by 7.1%) and South Korea (accounting for 5.8% market share, down by 10.1%).

In addition, lockdown measures have led to a sharp decline in the demand for essential commodities in the country. Stagnant production and decreased business will lead to a sharp increase in unemployment in the logistics and other sectors.

Vietnam is now deeply integrated into the global supply chain with the logistics sector playing a key role in this supply chain, such that Vietnam is not only affected by disruptions in direct trade with China, but also by disruptions to exports, imports and cross-border trade with third markets, and to domestic trade.

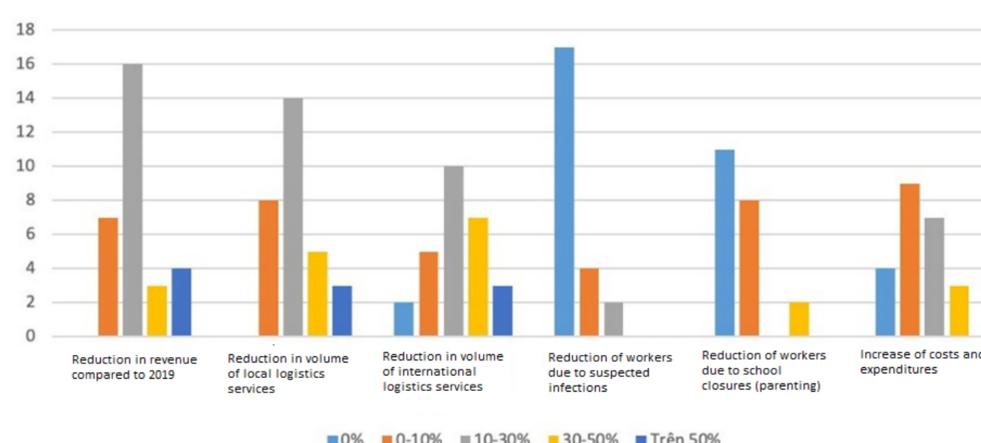
Figure 1: Declining export output of agriculture, forestry and fishery products in the first two months of 2020



According to statistics from the Vietnam Business Logistics Association (VLA), approximately 15% of businesses in Vietnam have suffered a 50% reduction in revenue and half of businesses have suffered a 15-30% decline in the number of services offered as compared to the same period last year.

Logistics activities such as transport have decreased due to closed borders, while warehousing services and freight rates have also been seriously affected. Border posts with China, which were normally busy and overcrowded, are now even more backlogged due to the complicated and time-consuming vehicle and customs clearance processes. This has caused damages to goods and transportation difficulties, jeopardizing consignors' finances and posing new challenges for logistics businesses.

Figure 2: Impacts on logistics businesses (Percentage)



Short-term analysis

According to reports from the Ministry of Transport, Vietnam's logistics businesses face many difficulties from transport providers, specifically:

Shipping lines:

From mid-January to mid-March this year container shipping companies have cut 23% of commercial routes, particularly in Asia, replacing large vessels with smaller vessels to reduce empty haulage. Global container capacity has dropped by 7% from 16.8 million TEUs to 15.5 million TEUs. It is expected that from the end of March to the end of April there will be 386 containers on empty haulage due to reduced supply.

Figure 3: Loading capacity of container shipping companies from January 1 to March 18, 2020

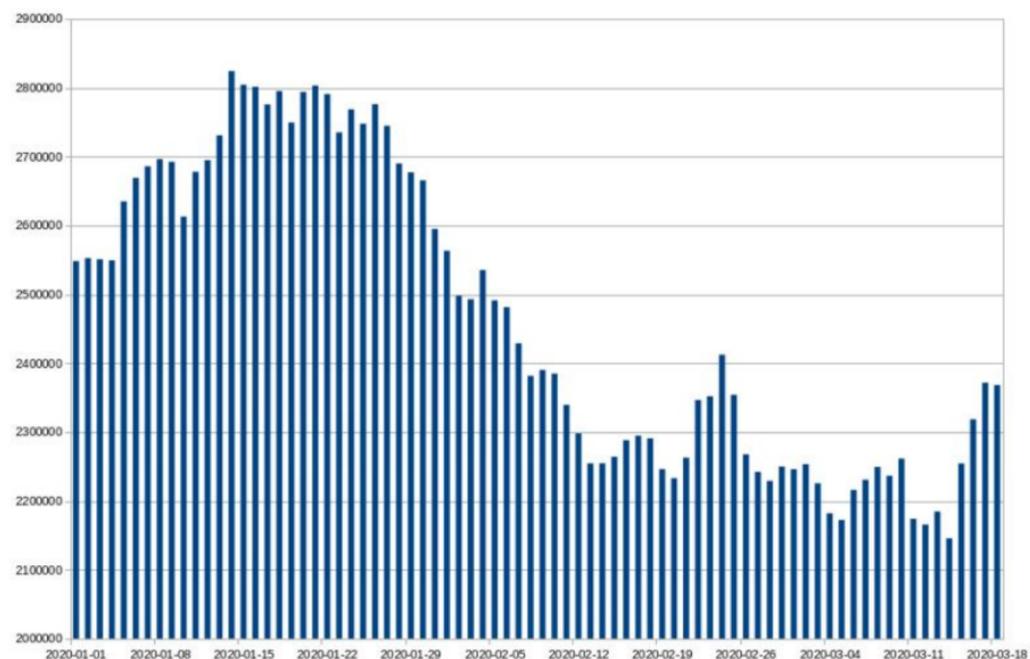


Table 1: Losses in Quarter 1, 2020

| Airlines | Seaports | Inland water transport | Trucking transport | Rail transport |
|---|--|--|---|--|
| Initial losses of Vietnamese airlines due to suspension of flight routes are estimated to be over VND30 trillion. | The number of vessels entering and leaving Vietnamese ports dropped by 15% while international passenger vessels decreased by 30% compared to the same period last year. | Inland water transport declined by 10.7% in terms of cargo volume and by 2% in terms of passenger traffic in January 2020. | Cargo and passenger transport have decreased by between 40-80% compared to the same period last year. | 152 passenger train lines have been terminated resulting in a VND84 billion loss in revenue while revenues from rail cargo transport also decreased by VND6 billion. |

Long-term analysis

According to the International Monetary Fund (IMF), the world economy is faced with unprecedented severe damage caused by the COVID-19 pandemic and potentially negative growth in the near future. This global economic recession is comparable to the global economic recession of 2009.

The US economic output is forecasted to decrease by 24% in the next 6 months due to the supply chain crisis with the world's "input factory" - China, causing long-term damage to the U.S. and other countries, including Vietnam.

Vietnam is a small, open economy which is heavily dependent on its international trading partners. These trading partners are not only partners and output markets but also input markets for the Vietnamese economy.

Therefore, the serious financial and economic implications of COVID-19 on U.S., Asia (South Korea, Japan) and Europe will have lingering impacts on the Vietnamese economy.

In addition, as a small economy specialized in processing and exporting to partner countries, Vietnam's economic recovery will depend heavily on the recovery of the global economy and, in particular, on the recovery of the Chinese economy. So far, the Government of Vietnam (GoV) has been very effective at curbing the pandemic. GoV support to prevent mass bankruptcy, particularly for small and medium enterprises, will be a prerequisite to Vietnam's post-pandemic economic recovery.

b. Impacts on Vocational Education and Training

The COVID-19 pandemic continues to evolve in a complicated and unpredictable manner, with the risk of community spread remaining substantial. Ensuring the safety of students should be a top priority. In implementing the social distancing policy of the World Health Organization (WHO) and under the direction of the GoV, all educational institutions remained closed until April 15th, 2020.

The second academic semester of the 2019-2020 school year which was scheduled to commence on February 3rd, 2020 and to finish on May 16th, 2020 (plus a two-week contingency, the initial semester closing date is May 30th, 2020) has been substantially impacted and is now two months behind schedule (delayed commencement from early February to early April 2020).

Particular impacts on logistics VET are as follows:

Short-term impacts

VET providers suspended all teaching activities under the direction of the GoV and local People's Committees to minimize the risk of pandemic spread while working on a plan to postpone the school year 2019-2020. VET providers have in turn had to adjust the curriculum, training plans and operational/ administrative approaches. These changes have had a significant impact on the quality of teaching which has shifted from traditional to online approaches and learning now that internships must be postponed until further notice. This has posed a huge challenge for VET providers who lack contingency plans for such events. In addition, the prolonged school closure can affect student morale and willingness to return to school when post- COVID-19. The pandemic also has a significant impact on trainers and lecturers from private VET providers who risk losing their jobs.

This is also the prime time of the year for admission consultations. VET providers now mainly provide admission advice online, using video clips, Facebook and fanpages as ads. This has posed certain constraints and prevented colleges from communicating all information to targeted applicants. Admission times will also need to be adjusted to provide more options to accommodate professional development and upskilling needs to help workers find new jobs after the pandemic.

Long-term orientations

Notice No 66/TB-VPCP dated February 28, 2020 on the Prime Minister's conclusions at the regular Cabinet Meeting on COVID-19 prevention and control stated clearly "the evolution of COVID-19 disease in the coming time remains complicated and unpredictable, therefore we need to stay alert and prepared". Given the unpredictable and potential risks of nationwide spread, it is difficult to propose any solution or orientation for higher education

adequate professional competency for learners without putting too much pressure of learning and assessment on them in the current context. Specifically, these are some options that can be considered.

Investment in professional online training systems including e-learning, learning management systems (LMS), learning content management systems (LCMS) with open source technology solutions such as Blackboard, Moodle, Canvas, etc. will be required to achieve both immediate and long-term training goals (Extract from Official Letter No. 587/TCGDNN- ĐTCQ dated March 17, 2020 by the Directorate of Vocational Education and Training (DVET) on guidelines for IT application in training in the context of COVID-19 pandemic).

Lecturers hold the key to effectively implementing online teaching. First, lecturers need to carefully study the contents of the lectures, select the most essential knowledge to prepare lesson plans and learning materials that are suitable for students, and choose online teaching platforms that are most accessible for students to acquire these documents. During the teaching process, teachers need to plan time to interact with students as well as explain, guide and answer questions to ensure learning objectives are achieved. Online training may address theoretical aspects of a subject, but competency-based training cannot be delivered without simulations or practical training sessions within logistics enterprises.

Parents must be encouraged to supervise their children's online learning. Maintaining contact and interaction with parents through social networks such as Zalo, Viber, Facebook, Messenger, and Fanpage are among the effective ways that need to be maintained and promoted to help institutions communicate school notices and learning materials with parents and students, and support parents in supervise their children's online learning.

With respect to mid-term and final exams and graduation assessments in the context of remote learning and supervised self-study, VET providers must follow the guidance in Circular No. 09/2017/TT-BLDTBXH applicable to college and diploma degrees and Circular No. 42/2015/TT-BLDTBXH for post-secondary certificates.

The examination and screening requirements for graduation may be conducted face-to-face or online but must ensure objectivity, transparency, and proper evaluation of the learners' competency, knowledge and skills accumulated during the learning process (Extract from Clause 2, Article 9 of Circular No. 33/2018/TT-BLDTBXH dated December 26, 2018 by the Minister of Labor, Invalids and Social Affairs).

As for policies to support VET providers, the GoV should consider exempting public and private VET providers from paying taxes for the first and second quarters of 2020 and facilitate access to capital support as provided under Directive No. 11/CT-TTg of the Prime Minister dated March 4, 2020. It is proposed that the State Bank of Vietnam provide zero-interest credit packages for private VET

providers to finance their recurrent expenditures (pay salaries, space, rental, electricity, water, and other operating costs), thereby securing employment for staff and contributing to social security and stability. In addition, the GoV should adopt support policies (free, discounted) in the telecommunications sector (Internet connection, free software) to help VET providers organize online training activities. The Ministry of Labor, Invalids and Social Affairs may consider issuing a Circular to regulate online training and recognition of online training results. In addition, it is also necessary to create incentives for VET providers to offer more courses and training online.

Impacts on Vocational Education and Training in Ho Chi Minh City

Like most localities across the country, VET in Ho Chi Minh City is not an exception to the extensive impacts of COVID-19 on all aspects of social life and professional activities. VET providers were not prepared to deliver training programs amidst such a complicated pandemic. The suspension of VET activities has directly affected revenue sources and created deficits among VET providers.

Traditional approaches to admissions by VET providers are dependent upon institutions having direct contact with students.

Many VET providers are not qualified and experienced enough to deliver online training, leading to a disruption in learning and loss of acquired knowledge and overall training quality during the prolonged school closure. Majors that require practical skills and practicum components have been even more heavily affected.

c. Impacts on the Labour Market and Issue of Supply & Demand

According to the above analysis, the COVID-19 pandemic has seriously affected the entire labor market, especially the logistics industry. The risk of mass bankruptcy among logistics businesses and disruptions to supply chains have seriously hurt the labor market.

The pressing need to respond to the spread of COVID-19 by means of social distancing has forced retail stores and trade centers to close, leading to a decline in productivity, and a shift in the operating models of distribution systems and logistics supply chain. While this has posed the risk of millions of job losses, the need for new skills to help businesses adapt to new form and scale of business has emerged.

While VET providers struggle to adopt new forms of training, cooperation with enterprises is temporarily interrupted, leading to limited training of students in new skills and competencies to meet market demands. In addition, a huge challenge faced by VET providers and logistics enterprises is the need to develop strategies for training, retraining and upskilling for workers in the context

of pandemics which ensure public health and safety while providing the labor market with the necessary skills and competencies to secure employment for workers and promote business operations. This requires joint efforts of all stakeholders, including VET providers and businesses.

3 - IMPACTS ON LOGISTICS SERVICES AMONG APEC ECONOMIES

According to a report from Dun & Bradstreet, 938 companies on the Fortune 1000 were affected by the pandemic. Many big companies like Apple, Microsoft, Nissan, and Procter & Gamble were forced to close or reduce production in China.

China is Australia's largest export market (for minerals and agricultural products). In 2017-2018, the total import and export turnover between the two countries amounted to 200 billion Australian dollars. According to data from the Australian Bureau of Statistics, the export turnover for December 2019 was AUD 13.89 billion, equivalent to 34% of the total Australian export turnover for the month.

As production in China decreased significantly, trade between the two countries also declined, leading to a sharp drop in the demand for logistics services. Items such as food, household appliances, electronic components are often imported through 3 major ports of Botany, Melbourne and Brisbane. The declining number of containers from China has also affected demands for logistics services (road, air and rail transport).

Recent slight recovery of production in China is not enough to offset more stringent inspection requirements imposed by the Australian Government on the time to inspect goods transport by sea to control the spread of COVID-19, affecting import activities at ports. State governments have issued different rules about waiting times for freight vessels. For example, the Queensland Government required that all cargo ships which departed a port outside Australian Territorial Waters would not be able to enter a Queensland pilot age area until 14 days after the ship left the port. However, New South Wales allowed ships to enter the port but required sailors and staff to remain on the ship for 14 days. With the charter fee of AUD 25,000, the new rule also added to shipping costs. These rules may change depending on the COVID-19 situation, nevertheless, the shipping costs will be impacted this year.

Logistics and transportation services are considered essential services and have not been interrupted by the social isolation requirements of the federal government. All services in the supply chain (retail) are affected by the impacts of the pandemic on economic and commercial activities.

4 - CONCLUSION

COVID-19 has taken its toll on national and regional economic development in a fast and unpredictable manner. Adverse impacts and damages to logistics/warehousing, maritime, aviation, rail and road services have yet to stop.

This report aims to suggest measures to help VET providers to adapt to the new environment, remote learning and Directive 16 on social distancing. By sharing disease response information and responses of LIRC member business and VET providers, the LIRC can better support its business partners, business associations, VET providers and related agencies.

To ensure sustainable and long-term business, a paradigm shift is required in the long run involving industry 4.0 technology and diversification of supply chains. An important factor for businesses is to ensure a supply of skilled labor, especially after the pandemic. This will require joint efforts of all stakeholders VET providers, the GoV and businesses.

Recommendations:

In Quarter 1 of 2020, prior to the global spread of COVID-19, warehouses accommodated substantial goods and materials to supply production and business. In Quarter 2 and 3, the quantity of goods in warehouses dropped significantly, and may continue worsen in the second half of 2020, so businesses and related parties need to be prepared and take proactive coping measures.

Businesses should focus on flexible response measures while ensuring safety for workers. Industry 4.0 technology should be introduced, taking advantage of lessons learned during the pandemic response to devise long-term development and crisis management strategies.

VET providers need to strengthen remote learning methods, design flexible curriculum and adopt new teaching and assessment methods. It is also necessary for businesses to coordinate and share information on labor demand. Training institutions need to update admission processes and expand to other admissions age groups. Training programs need to be based on industry engagement and occupational standards/occupational skills standards for the logistics sector. Unexpected and sudden changes from traditional teaching methods to remote learning method will create some shortfall in the acquisition of knowledge by students. VET providers need to compile content to address such gaps.

It is recommended that the LIRC, the VCCI-Ho Chi Minh City Branch, the Vietnam Logistics Business Association and industry partners provide information and recommendations to the central and provincial governments on overcoming the impacts of the pandemic on labor market and supply and demand in the logistics industry.

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5 - ANNEXES

1. Measures, Changes, Adaptations and Development to Respond to the Social Distancing Measure in the Context of COVID-19

Measures aimed at changing existing processes and application technologies to allow employees, customers and suppliers to maintain reasonable separation as part of their daily tasks and avoid coming into contact with surfaces that could have been touched by others.

Suspension of tasks that require direct contact

Part of the distribution process is to collect Proof of Delivery (POD), which is generally done by signature, but which is counter to social distancing objectives because drivers and customers have to share the same device. Alternatively, a picture can be taken of the goods and the person delivering the goods who would have normally signed giving a “thumbs up” (Figure 1) or standing next to the goods delivered.

Going paperless is also an option. COVID-19 may live for hours on surfaces, including paper. Thus, there's no need to continue to generate paper receipts and documentation and hand them to customers, drivers and employees. Going paperless has been proven to reduce operating costs and shorten payment cycles. This is something important right now as cash is so critical to many companies facing severe disruptions in their business during this time.

Automate check-in and arrival processes.

Use real-time GPS-based truck tracking of your fleet and carriers to send arrival notifications to limit the number of times your fleet and commercial carrier drivers have to enter your own facilities or those of your customers' and suppliers. Frankly, physical notification is an outdated process that can be eliminated because it adds time to the total stop time but no value. Electronic notification also allows the customer to be prepared in advance to receive goods when they arrive, which reduces stop time.

2. Restructure the Fleet

The pandemic is creating extreme delivery imbalances. Some businesses are facing severe shortage of delivery capacity while others are experiencing a dramatic slowdown of their business and have excess capacity.

For some companies, the challenge is the dramatic need to become more productive and bring on new capacity, while for others, the challenge is the need to minimize fleet costs.

Strategic modelling scenarios can optimize routes with compelling results in terms of increasing productivity and capacity and decreasing costs – both of which can happen simultaneously.

3. Re-evaluating Sourcing

COVID-19 has revealed weaknesses in sourcing strategies of many companies. Whether the company is currently looking for new supplies or seeking to minimize risk in the future, it is always beneficial to diversify supply networks.

4. Focus on Quick Wins

Due to the severity of the pandemic and government-imposed regulations, companies should: Pivot their businesses as quickly as possible. Minimize the time required for procurement, storage and delivery. Review existing resources and check if it's enough to support company's core business.

protective uniforms

Gemadep:

Thousands of Gemadep logistics employees have adopted measures to fight the pandemic. The Prime Minister's order on social distancing entered into force on April 2nd, 2020 and at the same time Gemadep initiative a number of projects to support its customers. The company's logistics employees are equipped with protective gowns and face masks to ensure safety for both employees and customers.



Online Registration of Port Entries and Exits

Since April 14th, Saigon Newport Corporation has adopted online registration procedures for port entries and exits. With five simple steps, this solution has helped to reduce direct person-to-person contact, the risk of infection and registration time of port entries.

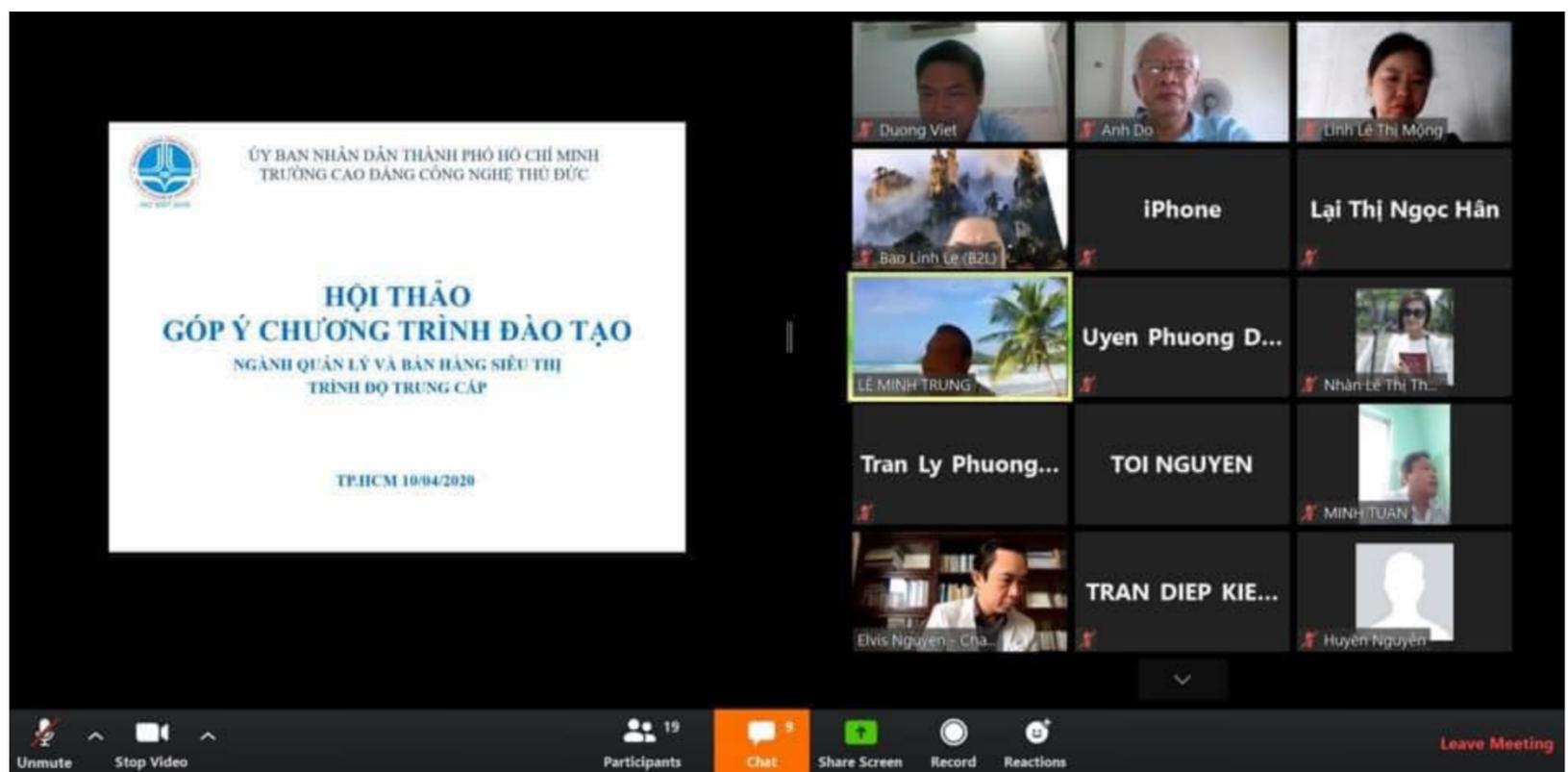
Student admission

COVID-19 has affected the training and admissions process of VET institutions. In this context, the Ho Chi Minh City College of Technology has implemented new solutions to maintain admission rates during the pandemic. Enrollment in VET courses is now done using online tools which engage secondary and high school parents and potentials students, businesses and workers who want to improve their skills. This solution strictly follows Directive No. 16/TT-TTg.



Virtual meetings and workshops

April 10, 2020: Thu Duc College of Technology organized an online seminar (using Zoom) to consult and collect feedback on the revised curriculum on Supermarket Management and Sales - Diploma level (Code: 5340132).



BUSINESS CONTINUOUS PLAN OF TRANSIMEX

| | |
|---|---|
| <p>Communication</p> | <p>Awareness raising on steps to prevent COVID-19 spread using standees, photos posted in offices, warehouses, ICDs, including: 6-step hand-washing practice, suggested measures by the Ministry of Health on COVID-19 prevention, instructions on how to properly wear medical masks; symptoms of coronavirus infection, and other guidelines and recommendations by the Ministry of Health.</p> <p>BCP sharing to all employees and monitoring of BCP compliance.</p> |
| <p>Preventive measure</p> | <p>Implement temperature screenings, request that all employees and customers practice good hand hygiene before going to work or entering the company premises.</p> <p>Distribute cloth masks for all employees and medical masks for those working outside.</p> <p>Provide antibacterial soap at all toilets in the Company for frequent hand washing.</p> <p>Provide sprayers and chloramine for drivers to disinfect offices, warehouses and ports on a weekly basis, and their trucks after each trip.</p> <p>Provide protective gowns for ship agent personnel who have direct contact with international crews.</p> <p>Arrange tables for incoming mails and documents to avoid direct contact between mail agents those working inside the office. Those tasked with receiving mail and handling paper correspondence must wear gloves.</p> <p>Employees should be restricted from taking trips to infected regions/countries if not needed.</p> <p>All internal meetings and meetings with partners should be conducted online.</p> |
| <p>Measures to ensure business continuity</p> | <p>Rent additional office space, make arrangements for WFH staff to be divided into multiple groups, ensure business continuity in the event that workers' residential area is blocked or there is an employee who is infected with the virus which results in multiple F1 and F2 individuals to be quarantined (staff members of different offices avoid direct contact with one another).</p> <p>Switch employees of offices and warehouses of member companies that provide the same services in case of blockade or quarantine.</p> <p>Adopt social distancing between departments at different suites and floors to minimize direct contact.</p> <p>Rearrange seating to ensure a distance of 2m in between desks/workspaces in offices, warehouses, ports and canteens.</p> <p>Provide risk self-assessment of coronavirus infection for BCP updates to ensure low risk probability and uninterrupted operation. Currently, the risk probability is less than 17% for most of Transimex's facilities, standing at 24% only for one.</p> |

