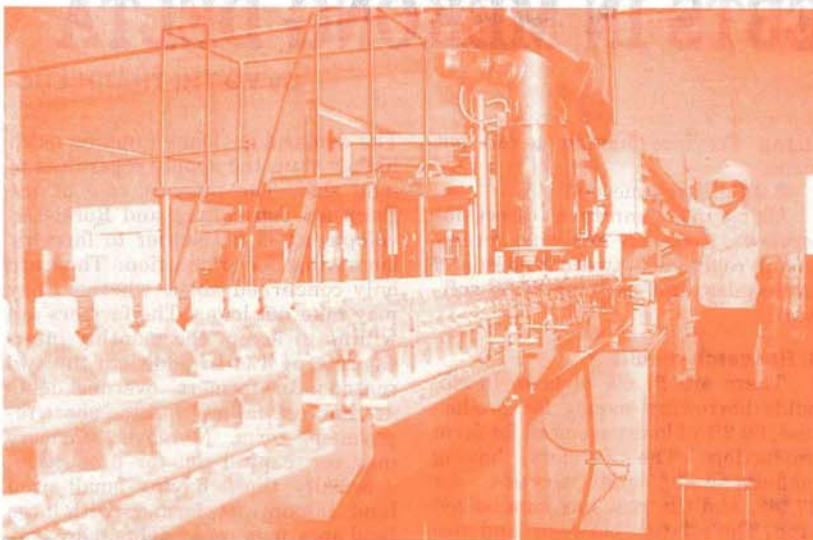


WAGES IN MARKET MECHANISM

by THÂN TRỌNG NAM



Wages in the market mechanism are a sensitive matter, it attracts the incern of the government, enterprises' owners and workers. We wish to begin this matter with the nature of wages.

1. In the market economy, wages, usually expressed in money, are the compensation received by workers for rendering their productive services during specific periods of time. They may be called price of labor. The law of supply and demand will lead to the equilibrium that both employers and employees with divergent benefits are ready to accept. A basic condition to determine wages is the role of competition in the market mechanism.

The competition process may be seen in rise and fall in labor supply and demand as well as efforts to improve the labor quality.

As a result, wages in different regions and periods are affected by the law of labor supply and demand. The low purchase and high sale is one of targets people often pursue. However, the cause of fluctuations in labor price is the cost of productive services. In addition to these factors, wages are also determined by non-production factors such as individual reputation or limits on the labor supply elasticity. The wage gap between

working cohorts is derived from many factors and is necessary to compensate the difference in working conditions, human capital and skill. As such, in the market mechanism with goods production, income of each person is not fixed as easily as other commodities. The wage classification and determination cannot be rectified daily to secure full employment. The labor market does not make immediate changes right when the demand and supply relation faces imbalance, but slow changes in line with that situation.

In the market economy, the wage rate accepted by worker and employer is the equilibrium of demand and supply relation. The wage is based on the following factors:

- the average living standard in the society and for each industry,
- the employer's payment capability,
- the competition in the labor market,

Wages have direct influence on workers' life and their minimum living standard, material and spiritual, must be satisfied. When their income is lower than that value, the workers will work more hours and increase their productivity. If the workers are laid off, they must reduce their living standard, even force their children to

drop out. The workers may become impoverished and crimes happen.

2. As we know, proper wages will have good effects on economic development. In recent years, the government management on wages has exhibited many shortcomings in the market mechanism. There is a wide gap in wages between the state sector and others. Our suggestions to settle this problem are as follows:

- Improving macro-economic policies on finance in the trend of market liberalization and wage flexibility, and expanding local and foreign markets.

- The Government should increase the legal minimum wage, abolish the restriction on wage maximum, restore the real wage due to price hike, and take effective measures to overcome deficiencies in income.

- The Government should devise appropriate tax policy for income distribution, securing benefits of workers, enterprise owners and the State.

- Avoiding unfair income distribution that leads to differentiation among social strata and preventing too high wages in ineffective state-owned enterprises.

- Building the appropriate system of income distribution among economic sectors.

- Determining the SOE's contribution to the budget, if fulfilling that obligation, the enterprise is allowed to pay to the workers at its will without the government control. In contrast, if not fulfilling, its wages will be reduced accordingly.

- Fixing the minimum wage rate based on rise in price index and consuming habits and giving fringe benefits.

In respect of administrative agencies:

- Continuing to streamline the state machine because it is still cumbersome and ineffective and determining the payroll properly.

- Reducing administrative costs to lowest and making use of revenues to increase wages for public servants with various fringe benefits.

- Establishing the funds for the unemployed and the poor to help train them and create new jobs.

- Stabilizing prices and markets, especially service prices to secure the real wage■