

# On The Vietnamese Labor Market

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**F**or a long time, the labor was not considered as a commodity that could be sold and bought and employers were usually seen as exploiters of surplus value created by the labor. This way of thinking prevented laborers from choosing the right and appropriate jobs. In addition, the obsolete wage salary failed to encourage laborers to enhance their skills and productivity because it treated both skilled and untrained laborers equally. In such a situation, the labor market almost didn't exist.

The formation and development of the Vietnamese labor market has been associated with the natural diversification of the small-scale production. From the 1970s to the early 1980, the labor market took the form of employment based on oral and temporary contracts. Employment of workers based on bilateral contracts was not widespread and existed mainly in the South. Generally, the labor market before the economic reform (1986) was very small and unruly. The mobility of labor was very limited. In the public and collective sectors, the life employment was ensured with the result that changes in the labor market had no effect on these sectors. After decades under the centrally-planned mechanism, the labor force of these sectors

became larger while its productivity wasn't improved, which caused great waste of labor and resources.

When the economic reform was launched by the 6th VCP National Congress in 1986 along with many progressive and open policies, the labor market started to develop. The 1995 Labor Code introduced many new concepts and regulations on the use of labor, which allow laborers more freedom in choosing their workplaces and help protect their legitimate rights. The Labor Code also turns rules set by the 1992 Constitution into concrete and detailed regulations on the State control over the employment of labor and relations between employers and employees and their duties when entering labor contracts. In short, the Labor Code has created legal infrastructure and favorable conditions for the development of the labor market nationwide.

The international integration and globalization also accelerate this development in terms of fluidity because the labor could be exported now. The following are noteworthy changes in the labor market in recent years.

## 1. Increases in the demand

The proportion of the employed to the working population is on the increase, especially in Vital

Economic Zones. In 2004, the employed represented 25.6% of the working population. In the years 1998-2004, the army of the employed increased by 1.1% a year. High employment rates, naturally, are found among groups of better-trained laborers

More and more Vietnamese laborers work in foreign countries now. In 2003, some 75,700 laborers went to work abroad making a 240% increase in comparison with 2000. The number of Vietnamese guest workers rose by 36% a year on average in the period from 2000 to 2003, increasing by 480% as compared with the 1991-2000 period. Most of Vietnamese guest workers go to Asian countries: 53.47% work in Malaysia, 37.76% in Taiwan, 5.7% in South Korea and 3.1% in Japan.

Besides improvement in the export of labor, the quality of this labor force has been enhanced over years.

## 2. The gap between supply and demand

A survey of employment and labor force in July 2004 shows that 5.4% of the working population of the 15-60 age bracket in urban areas was unemployed and this figure in rural areas was 1.1%. As for the 18-60 age bracket, the

Table 1: Proportion of the employed to the labor force by expertise in 8 big provinces and cities in April 2004

	Average	Hà Nội	Quảng Ninh	Đà Nẵng	Khánh Hòa	HCMC	Bình Dương	Bà Rịa - Vũng Tàu	Cần Thơ
Total	52.9	69.3	56.9	46.9	47.9	49.2	55.6	50.0	37.0
With no training	34.1	35.3	27.2	27.9	31.7	35.9	42.9	37.8	26.0
With basic training	54.3	59.2	76.6	46.2	50.6	50.7	61.7	52.2	41.6
Technical school	80.3	78.0	79.3	83.5	80.8	80.0	76.9	87.7	95.5
Higher education and postgraduate	89.7	94.3	94.8	92.4	90.0	82.7	88.1	93.3	93.3



unemployment rate was 5.6% in urban areas and 1.1% in rural one. In comparison with July 2001, the unemployment rate reduced by 0.73% in urban areas and by 0.55% in rural ones for the first age bracket; and by 0.7% and 0.68% respectively for the second one.

In urban area, however, the lower unemployment rate was only found among laborers with basic training while this rate tended to rise among graduates from technical

and according to the expertise and skills. According to the survey of employment and labor in April 2004, the average monthly pay, including allowance, for a wage earner was VND845,000 increasing by 9% compared with 2003. A university graduate usually earns twice as high as a laborer with no training does. However, the pay for wage earners doesn't differentiate enough to encourage improvements in skills. In short, the pay hasn't played well

its role as an instrument for regulating the supply and demand of labor.

Generally, developments of the labor market are not as high as expected. In comparison with other markets, its developments are inadequate.

In the coming years, to develop the labor market to the fullest, the following groups of measures must be given priority:

- Measures to bridge the gap



high schools, colleges and universities. The unemployment rate among basically-trained laborers fell from 3.54% in 2001 to 1.8% in 2004 while this rate rose from 3.5% in 2001 to 4.4% in 2004 among technical high school graduates; and from 3.3% to 3.8% in the same period among university graduates.

The gap between the supply and demand tends to expand when the demand for well-trained labor is on the increase because more and more foreign-invest companies do business in Vietnam.

### 3. Rises in the pay

The average pay for the employed also increased over time



between the supply of and demand for well-trained labor.

- Measures to encourage transactions on the labor market.
- Measures to perfect and enhance the information service on the market.
- Measures to perfect the legal infrastructure for the development of the labor market.

Policies on the labor market in Vietnam not only support the laborers but also help the employers to secure the much needed well-trained labor with a view to making the best use of resources and improve the competitiveness of the local labor force ■