

Salary Reform to Meet Requirements by the Integration

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1 Requirements for laborers in the international integration

When all economies all over the world tend to integrate with one another, the requirements for laborers are become higher. They should get necessary knowledge of foreign languages, computing and Internet, international laws and business practices, ability to handle information and business opportunities, etc.

Foreign experience shows that laborers and companies need more capabilities than required to take investment or profitable opportunities. Thus, the international integration requires laborers necessary education and ability to educate themselves to improve their knowledge and skills.

2. Labor as a commodity

Both sellers and buyers of this commodity have their own requirements:

a. Sellers: The laborers, for their labor, demand a wage or salary big enough for them to lead a stable life for themselves, support their families and other social relations, and improve their living standard.

b. Buyers: When hiring laborers, they want jobs to be done properly, laborers to help enhance both tangible and intangible interests of the organization and obtain high performance.

During the international integration process, lines between sectors and mechanisms started to fade: state-owned and private companies all operate under the market economy where a fair competition makes its appearance, government support is removed, and national treatment become a must. In such a situation, the laborers become suppliers who have rights to demand reasonable interests for themselves when they ensure good performance and work ethics. In this trend, the wage and salary must not only be equal to the labor supplied, but also aim at encouraging the laborers to improve their knowledge and skills, thereby ensuring stability for the laborers' families and the whole society as well.

3. Wages and salary in Vietnam in recent years

The official salary scale has experienced many adjustments (the first

time was in 1960 and the third one in 1993) with the following features:

- The official salary scale revealed traces of the centrally-planned mechanism in which the pay was too low in comparison with the per capita national income with the result that most laborers in the public sectors had to engage in, and paid more attention to, subsidiary jobs.

- The salary policy also had traces of a wartime when everybody was ready to make sacrifices: differences between occupations and scales were small, which led to wrong concepts of social values (manual labor was preferable because intellectual labor requires more time and energy and earns the same wages) and erosion of ambition to succeed among the youth.

To make the reform in salary scale suitable for the international integration, more attention must be paid to segmentation of both buyers and sellers of labor.

a. Buyers: they are from two sectors according to the Vietnamese laws:

- Public sector: it includes state-owned companies operating according to the State-Owned Companies Law and governmental agencies and services regulated by the National Budget Act. This sector reflects power of authorities in all of its organizations run by the VCP, Trade Union, Fatherland Front, Hồ Chí Minh Youth League, etc.

- Non-public sector: it includes limited and joint stock companies under the Domestic Investment Law, joint ventures and foreign-invested



companies under the Foreign Investment Law.

b. Sellers: They could be divided into two groups:

- Domestic group: it includes untrained laborers or graduates with no skills suitable for the integration process (such as computing and foreign languages). This group is big, mainly works for local concerns, get wages and salary according to the official rates and will be affected greatly by the reform in the salary scale.

- Integrating group: it includes persons with expertise and skills appropriate to the integration process. They could work for foreign-invested companies and even multinationals. This army is small but well-paid and

- Public sector: Laborers in this sector have carried out political tasks in the development process of the country. They get salaries from the national budget and their income will be affected greatly by the salary reform. Realities show that this group has the following characteristics:

- + Their performance isn't taken seriously because their task is to achieve political objectives set by the Government. Nobody has been jailed for bad use of public funds even if their organizations suffer losses or go bankrupt.

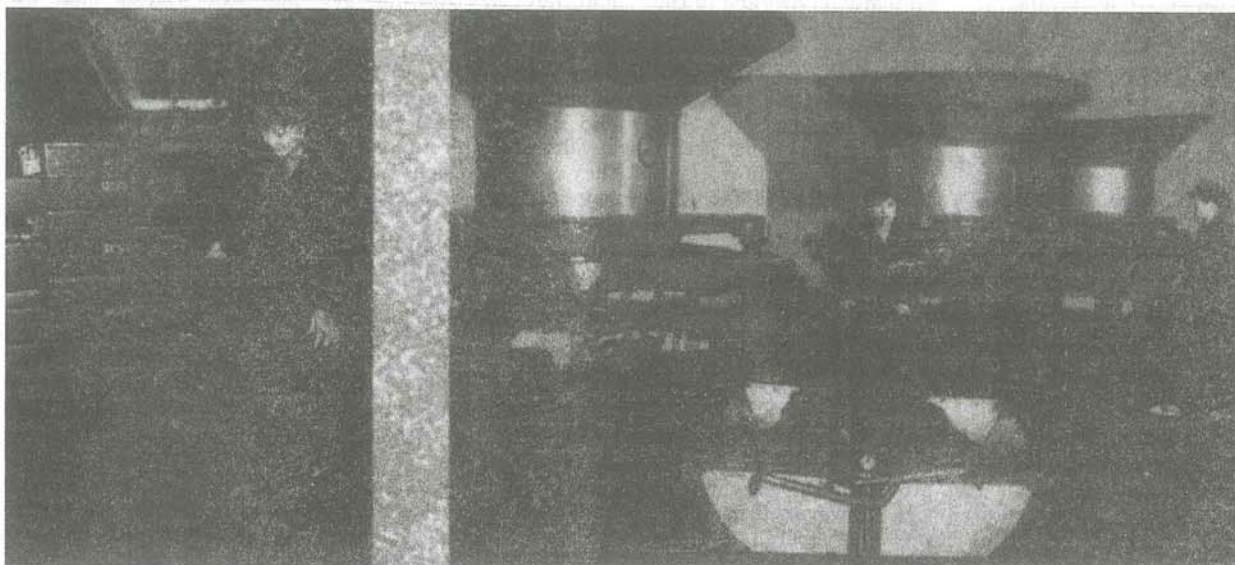
- + Their salaries are of the lowest levels but they hold a lot of power and enjoy benefits from public funds. Office-holders are authorized to use

accounting and financial departments of public services and make the best use of the system of state-owned commercial banks.

To carry out the salary reform requires suitable sources of finance. The following are some measures to get necessary sources of money:

- + Reducing the size of the army receiving salaries from the national budget by downsizing public services. For example, functions and tasks of all public services must be reviewed to determine necessary cuts in their workforce; competent workers who can undertake various tasks are to be recruited and incompetent ones to be fired.

- + Offering business or employment opportunities to privileged



they are slightly affected by the salary reform in Vietnam.

Thus, the salary reform must be based on supply-demand laws and full attention must be paid to interests of the domestic groups with a view to preventing the gap between those two groups from widening and stopping the flow of skilled workers from the public and domestic sectors to foreign one.

4. Main directions for the salary reform

a. Based on the above-mentioned remarks, the salary reform must deal appropriately with different sectors:

- Non-public sector: Workers in this sector receive reasonable pay based on their performance. Thus, the salary reform and social security in Vietnam will affect those persons after their retirement.

resources allocated to them by the Government and in many cases, it's hard to determine whether they use resources for private or public purposes. This mechanism makes the use of resources less effective.

b. These analyses allow us to work out the main directions for the salary reform that are as follows:

- Business performance must be linked with benefits received. For example, raises will be determined by performance instead of seniority, and benefits and salaries for office-holders will be based on the performance of their offices.

- All benefits and preferential treatment must be converted into money and included in the salary paid through banks. This practice is easy for the public sector and allows the Government control income of civil servants, reduce workload of all

groups (families of revolutionaries, war invalids, etc.) instead of giving monthly allowances.

- + Perfecting the public financial mechanism in order to reduce wastes and allocate financial sources more reasonably in order to use public funds more effectively.

These directions could be associated with long-term plans with specific tracks and suitable measures instead of shotgun solutions in a vague long-term orientation. In the next ten years when the GDP rises to a higher level, the salary could be high enough for laborers to spend more on their education and improvements in their skills, which allows them to reduce the gap between themselves and their counterparts in other Asian countries, thereby integrating more effectively to the regional and international markets. ■