

AGGREGATE SUPPLY OF AND DEMAND FOR LABOR IN HCMC

by Prof. NGUYỄN THỊ CÀNH & THÂN TRỌNG NAM

After the introduction of market economy, many factor markets—including the labor one—came into being in Vietnam, and in HCMC as well. This article is intended to look at this market from three aspects: aggregate supply of labor, aggregate demand for labor and labor commodities in HCMC.

I. AGGREGATE SUPPLY OF LABOR IN HCMC

To assess the aggregate supply of labor, we had better study the growth of population. According to the HCMC Statistics Department, up to July 1996, the HCMC population was 4,880,435 and some 2.8 million of them were of working age. Its population could reach somewhere between 6 and 7 million if migrants and visitors were added. In the years 1990-1996, the HCMC population grew constantly.

Table 1: Population Growth in HCMC

	1990	1991	1992	1993	1994	1995	1996
Population (thousand)	4,113	4,259	4,426	4,582	4,694	4,764	4,880
Growth rate	4.34	3.55	3.92	3.52	3.35	3.51	3.60
Birth rate	1.52	1.61	1.61	1.58	1.59	1.57	1.42
Increase rate by migration	2.82	1.94	2.31	1.94	1.76	1.94	2.18

Source: *Các số liệu chung về dân số lao động việc làm* (Population, Labor and Employment Statistics), a report by the HCMC Service of Labor

Statistics show that in the years 1991-1995, the population growth was high, around 3.7% a year. This growth rate means that the HCMC economy started developing in this period and attracting migrants from surrounding provinces.

According to *Số dân thực tế cư trú ở TP.HCM* (HCMC Residents), a report made by the HCMC Labor and Employment Information Department, the HCMC population increased from 3.3 million in 1976 to 4.8 million at present (or by 45%). In the period 1986-1990, from 100,000 to 200,000 people were added to the population every year, half of them were migrants. From 1976 till now, 714,840 migrants came to live and increase the supply of labor in HCMC.

Table 2: Increase in HCMC Labor Force (1990-1996)

	1990	1991	1992	1993	1994	1995	1996
Working population (1,000 persons)	2,351	2,460	2,540	2,603	2,676	2,750	2,848
Local residents (persons)	37,735	39,610	40,890	41,130	42,584	43,180	39,827
Migrants (persons)	63,300	47,720	56,670	50,500	47,970	53,350	62,086

Source: Reports of HCMC Service of Labor and *HCMC Statistics Yearbook*.

Of 714,840 migrants to HCMC, 275,220 persons (or 38.5%) were granted permanent residency. Of these new residents, 16.3% of them have lived in HCMC for at least 10 years; 59.7% for 5-10 years and 24% for under 5 years. At present, one out of seven residents in HCMC hasn't enjoyed permanent residency. Migrants to HCMC are from all over the country: 36% of them from the South Western Vietnam; 26.48% from South Eastern Vietnam; 19.28% from Central Vietnam and 18.36% from North Vietnam.

Migrants could go to HCMC with their families or go alone and start to make a living before their families join them. In HCMC, there are 205,456 households with migrants and 73,328 households of migrant. In other words, one out of four households in HCMC now houses migrants.

Documents supplied by the HCMC Migrant Administration show that most residents without permanent residency status lived in Tân Bình, Thủ Đức, Bình Thạnh and Gò Vấp. They found cheap accommodation in suburbs and jobs in city center. Flows of migrants made the supply of migrated labor more abundant than the local one.

Of migrants to HCMC during the period from 1976 till now, 38.5% of them were granted permanent residency. This percentage, however, changed over time: from 68.2% in the years 1976-1980 to 64.5% (1981-1985); 43.2% (1986-1990) and 19.7% (1991-1995).

Migrants who were granted permanent residency constituted an army of skilled labor because most of them were well trained and had long experience of their fields.

Besides these sources of labor, there were many foreign laborers working in HCMC. According to the HCMC Service of Labor, War Invalids and Social Affairs, labor cards have been granted to foreign laborers since 1994 as required by the Decree 233 issued by the Council of Ministers in June, 1990. The amount of foreign laborers with labor cards increased from 596 in 1994 to 1,423 in 1996.

These foreign laborers were well-trained and held important positions in foreign-invested companies or joint ventures with foreign parties. In addition, there were some 1,300 rep offices employing some 5,000 skilled and experienced people. As the foreign investment develops, the amount of foreign laborers tends to increase year after year.

II. AGGREGATE DEMAND FOR LABOR

Due to new economic policies adopted by the Government, the demand for all kinds of labor in HCMC is on the increase. Besides the Foreign Investment Law, Companies Law and Private Companies Law issued in 1990 also allowed formation of foreign-invested compa-

nies, private companies, limited companies and joint stock companies, that is, non-public sectors have come into operation since.

Companies in HCMC could be divided into the following classes:

- State-run companies formed and operated according to the State-run Companies Law.

- Family businesses (making handicrafts, trading or supplying services) registered according to the Decree 66/HĐBT.

- Cooperatives regulated by the Decree 66/HĐBT and Cooperatives Law.

- Private companies include private companies set up by registration under Private Business Law, or limited companies and joint stock companies under Companies Law.

- Joint ventures formed jointly by the State and private parties (both local and foreign ones) under the Decree 28/HĐBT and the Foreign Investment Law.

regular employment. Statistics also showed that in the years 1975-1995, job creation programs produced good results.

This achievement was due to policies to develop a mixed economy, especially policies that encouraged domestic investment, thereby creating jobs in new industries, recovering old ones and making the best use of existing labor force. The following table would show the relation between domestic investment policies and job creation. (See Table 5 next page)

Industrial estates, export processing zones, new towns and new factories have been built and started to attract laborers. Up to December 1996, there were 496 joint ventures with foreign parties and 1,172 rep offices employing over 65,000 workers. The HCMC Service of Labor also revealed that 93 companies in Linh Trung and Tân Thuận EPZs employed some 12,000 workers and 327 private companies formed in 1996 in HCMC employed some 20,000 workers. The amount of state

Table 3: Increases in Amount of Companies (1988-1996)

Industries	1988						December 1996				
	State Company	Foreign-invested company	Private company	Cooperatives	Manufacturing group	Family business	State Company	Foreign-invested company	Private company	Cooperatives	Family business
Manufacturing	530	3	22	677	2,566	16,982	306	286	1,223	74	29,840
Trading and service				2,992		50,000	296	144	5,401	93	118,967
Construction and Transport	959	2		150			90	55	584	71	14,155
Agriculture				188			31	13	0		(*)
Others							42	7	52		
	1,489	5	22	4,007	2,566	66,982	765	505	7,260	238	162,962

(*) Not including some 120,000 farmer families in HCMC suburbs (HCMC Statistics Department and HCMC Economics Institute)

Up to December 1996, there were 31,271 manufacturing concerns in HCMC: 122 of which were run by central governmental bodies, 146 by municipal authorities and 59 by district governments; 827 were privately-owned and 29,840 were family businesses. This development showed that right policies had encouraged the private sector to invest in manufacturing industry.

According to statistics, the working population of HCMC in 1996 was 2.8 million, and 1.75 million of them (or 62.76%) got employed. The public sector employed some 420,000 workers and non-public sectors employed 75.84% of the workforce. In this year, 174,921 workers got employed and 162,291 of them obtained

and private companies engaging in trading or light industries in on the increase and attracting a lot of laborers from other provinces.

Urbanization and infrastructure development programs in HCMC along with many job creation schemes also created more 30,000 new jobs and helped to increase the amount of laborers employed by non-public sectors (from 64% in 1989 to 76% at present).

Thus, both the supply of and demand for labor in HCMC have increased remarkably in recent years. The most important problem to the Government, in our opinion, is how to deal successfully with the supply-demand relation

Table 4: Jobs Provided in the Years 1975-1995 in HCMC

	Total	1975-1980	1981-1985	1986-1990	1991-1995
Total jobs provided	2,075,383	737,807	365,972	467,096	504,508
Jobs provided by economic concerns	891,523	329,768	190,785	122,682	248,288
Jobs created by local authorities	440,332	129,780	52,318	148,060	110,174
Jobs created in new economic zones	145,178	111,401	23,818	3,817	6,142
Laborers employed as guest workers	13,865		2,886	9,877	1,102
Other job creation programs	584,485	166,858	96,165	182,660	138,802

Source: HCMC Statistics Department

Table 5: Labor Employment in Non-public Sector in HCMC (1996)

	Companies				Laborers		
	TOTAL	Manufacturing and construction sector	Trading, hotel and restaurant	Other industries	Total	Female	With college degrees
TOTAL	217,467	153,383	39,282	24,611	649,836	355,708	37,767
A. SELF-GOVERNED COMPANIES	5,791	1,846	3,305	640	195,896	94,803	24,851
Companies run by public organizations	319	202	78	39	18,526	3,725	292
Private companies	2,188	327	1,589	272	28,938	15,452	3,027
Joint stock companies	69	28	16	25	6,024	2,989	1,532
Limited companies	2,725	986	1,507	232	91,208	43,233	11,212
Companies run by VCP Committees	42	28	12	2	2,986	934	160
Foreign-invested companies	448	275	103	70	48,214	28,470	8,628
B. BRANCHES	2,961	614	1,209	1,138	48,345	27,583	6,954
Companies run by public organizations	810	166	585	59	3,418	1,526	54
Private companies	143	50	75	18	2,616	1,175	122
Joint stock companies	86	12	19	55	2,304	1,424	329
Limited companies	729	233	397	99	24,840	16,954	1,094
Companies run by VCP Committees	131	27	91	13	2,974	1,405	23
Foreign-invested companies	80	40	26	14	6,926	3,112	529
Representative offices	982	86	16	880	5,267	1,987	4,803
C. FAMILY BUSINESSES	208,724	151,123	34,768	22,833	405,595	233,322	5,962

Source: HCMC Service of Labor

(to be continued)

