

1. Situation

Vietnam is facing consequences of the "population bomb" of the past decades, including fast increases in the working population, imbalance of the structure of labor, and social problems originating from the unemployment. They have become great obstacles to the economic growth. Although Vietnam gained high growth rates in recent years (over 7% a year) after the economic reform was launched, its development is not sustainable because of the low productivity and high unemployment rate.

In 2004, the working population included 43,255,300 people equaling 52.7% of the population, increasing by 1.13 million persons. This increase has started in the 1980s and seems to continue in the coming decades. At present, the male labor represents 51% of the working population and 24.4% of it is in urban areas; 22.5% in the Hồng Delta and 21.5% in the Mekong one.

In 2004, the employed included 42,329,100 persons equaling 97.85% of the working population. The primary sector employed 57.9%; the secondary one 17.4% and the tertiary one 24.7%. One of the most remarkable features is the great difference in the structure of labor between zones. The most progressive structure is found in the Eastern South Vietnam where the labor force is distributed reasonably among three sectors: 28.6%, 29.9% and 41.5%. It is followed by the Hồng Delta (54.6%, 22.2% and 23.3%) and the southern part of the coastal Central Vietnam (52.1%, 20.9% and 27.0%). The least developed structure is found in the northwest of North Vietnam where 86% of the labor force is in the primary sector and only 4% is in the

manufacturing and construction sector.

The proportion of labor with some training of the lowest level to the working population in 2004 was 25.5% (9,739,600 persons). If only laborers graduating from technical schools are taken into account, the proportion reduces to 11%, or 4,749,200 persons. Those two

and 40-44 age brackets rose slightly in comparison with 2003.

2. Problems with the employment

Firstly, the size of and increases in the working population are still high because of the population boom in the previous decades. Difficulties caused by the population boom will persist until the birth rate is kept low for a long time. The birth rate, however, rose in 2003 and 2004 (1.47% and 1.45%). This is a threat that requires measures to keep it under control. Increases in the labor force when the productivity is low will become a great obstacle to the economic growth and full employment.

Secondly, the structure of labor in terms of zones, industries and sectors is slow to change. The main reason is the increase in the supply of labor, especially one from rural areas. This increase makes the per capita farming land reduce, which prevents application of technical advances and improvements in the productivity. In addition, the number of new jobs in more modern sectors is not big enough because new development projects, as evaluated by the 9th National Assembly at its 6th session, include too many shortcomings, corruption, embezzlement, misuse of resources and poor productivity. And as a result, migration of labor from rural areas to cities and from the primary sector to others for jobs has led to social evils, worse living and working conditions, and many other social problems.

Thirdly, most laborers fail to meet job requirements. This has become an urgent problem to the education and training service. The higher education is not linked with the market requirements and its output is not as abundant as in

Problems with employment in Vietnam

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figures are high in the Hồng Delta (31.9% and 15.1%) and the Eastern South Vietnam (31.8% and 14.2%), and very low in the northwest of North Vietnam (11.3% and 8.5%) and the Mekong Delta (14.3% and 6%). In the whole country, illiterate laborers represent 5.01%; laborers with junior secondary education 32.8%; and ones with senior secondary education 19.7%. Generally, the proportion of trained laborers has increased but it is still low in comparison with the market requirements.

The unemployed in 2004 included 926,100 persons, equaling 1.5% of the working population (from 15 years of age and above). This proportion in urban areas was 5.6% as compared with the 5.78% rate in 2003. This rate rose to 6% in the Hồng Delta and the Eastern South Vietnam. The idle time in rural areas fell from 22.06% in 2003 to 20.66% in 2004. It's worth noting that the unemployment rate among the youth in urban areas of the 15-24 age bracket still stayed at 14%. Some 74% of the youth who have just come into the working age in urban areas was unemployed. The unemployment rates of the 30-34

regional countries. Indeed, many graduates couldn't find jobs because they lack necessary expertise, practical skills, motive and discipline. Many of them have to go to more schools in order to equip themselves with skills and knowledge required by employers, which cause a great waste to their families and the society as well. In addition, many graduates try to find jobs in cities instead of going to rural areas. This situation makes the training service and production in rural areas go from bad to worse.

Fourthly, the unemployment rate in urban areas is still high, about 6% according to official statistics. This figure implies many meanings. Besides the unemployed included in statistics, there are many laborers who could only get seasonal and poorly-paid jobs because they lack necessary skills. The high unemployment rate will lead to inequality in the labor relation while there is no social security scheme for them. And as a result, these laborers and their families face a lot of difficulties and tend to fall into bad habits and social evils.

Fifthly, the idle time in rural areas is still high, at 21% on average. Simple calculations allow us to estimate the idle labor at some seven million laborers (33 million rural laborers*21%). Most jobs in rural

area require manual labor that produces only a little value added. This is an obstacle to the socioeconomic development in the long run. The problem to policy makers is how to make the best use of this labor force and improve its productivity. The problem is more urgent because the birth rate in rural areas is usually rather high.

Sixthly, the productivity and personal income in Vietnam is very low. Official statistics show that the per capita GDP in 2003 was slightly higher than US\$400, compared with US\$820 in Indonesia; 1,000 in China; 12,581.3 in Taiwan and 31,293.4 in Japan. Our calculations

show that the per laborer GDP in Vietnam in 2003 was VND8.212 million on average: VND2.877 million in the primary sector; 19.126 million in the manufacturing sector and 13.781 million in the service sector. Generally, the average income shows an upward tendency but it seems to slow down in the manufacturing sector because of bad investment, slow privatization and fluctuations in the public sector.

Seventhly, the proportion of wage-earners to the working population is low, somewhere around 20% and contract laborers represent only 13.8%. The national security scheme fails to cover all



laborers and give perfect care to those who are included in the scheme. The wage and salary represented only 32.7% of the total income of a family. This figure in urban areas was 44.15% and 24.8% in rural areas. This means that the labor market hasn't developed well.

Generally, these problems are long lasting and not easy to solve in a short period of time. Policy makers should take them into consideration in order to work out measures to solve these problems in both long and short runs. These measures should be based on laws of economic relations and proper development of markets, including the labor one ■