

# **LABOUR AND SOCIAL ISSUES AFTER VIETNAM'S 5 YEARS ACCESSION TO WTO AND POLICY RECOMMENDATIONS**

***Dr. Nguyen Thi Lan Huong***  
***Institute of Labour Science and Social Affairs***

# **Part I**

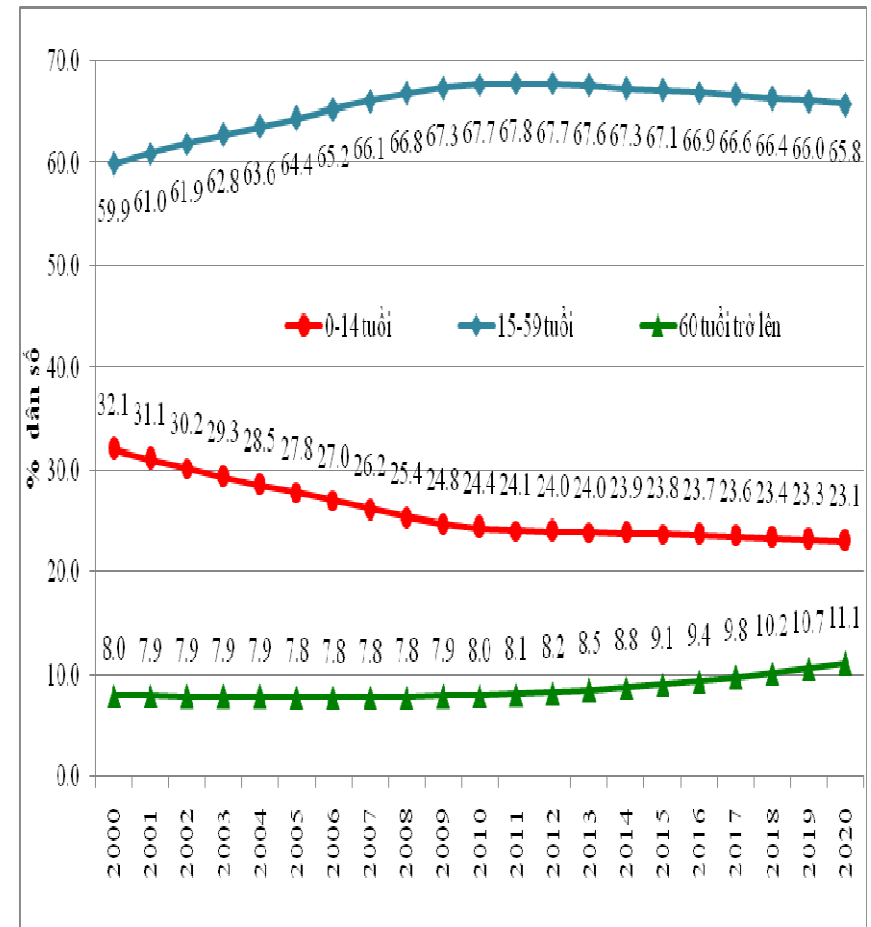
## **General assessment of labour and social issues, 2007-2011**

# 1.1. Viet Nam continues to benefits from golden population structure

- After WTO accession, the population growth rate gradually reduced, from 1.17% to 1.06% (and 1.04 in 2011).

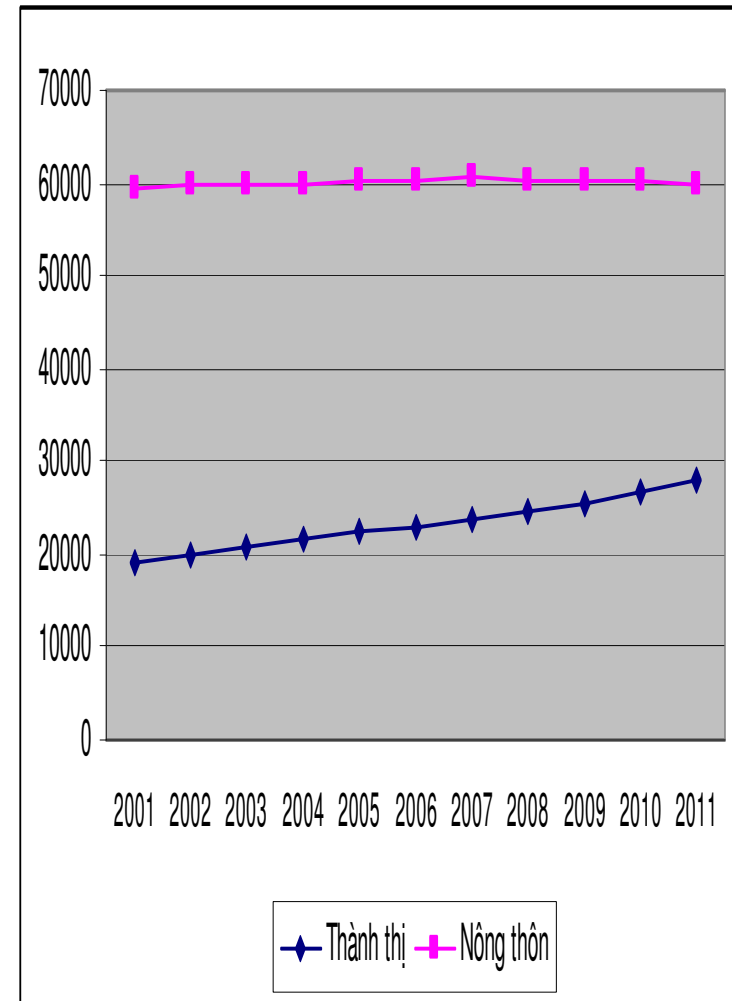
Labour force increase more rapid, 2.67%/year (prior to WTO, 2.61%)

- Labour force increase by 1,255 thousand people (prior to WTO, 1,094 thousand people).



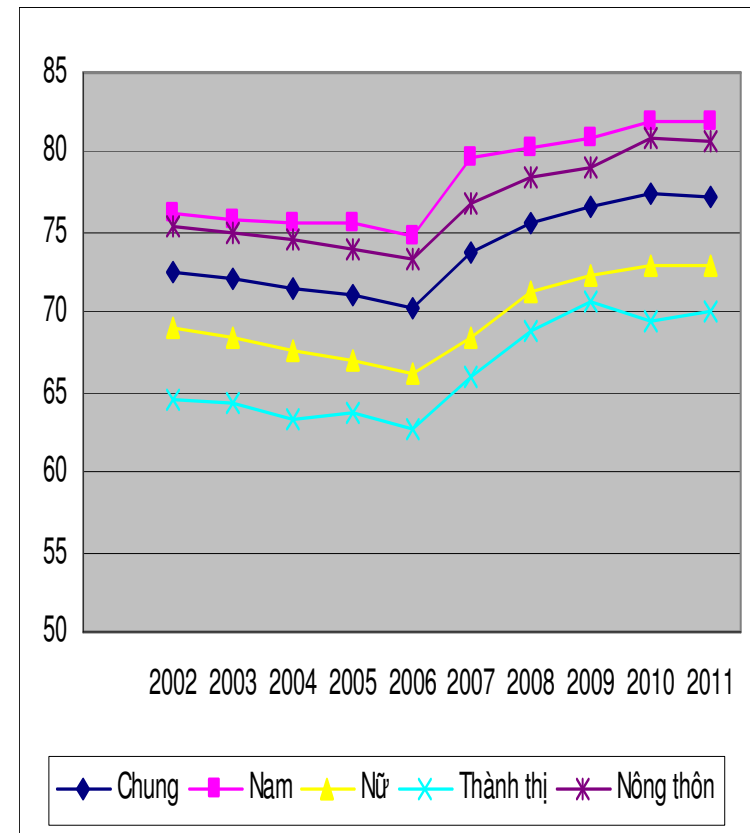
# 1.2 Labour force

- Rural labour force reduces sharply, at 1.63%/year (as compared to 2.67%/year of the last 5 years). Urban labour force attains high growth 5.67%/year (as compared to 4.16%/year of the last period)
- **In 2011, reach the first curve** (rural labour reduces both by number and strcuture), attaining >60 mil., accounted for >50% total population
- Female labour force increase more slowly than male >> continue to reduce the female share in total labour force, from 48.59% in late 2006 to 48.4% in 2011
- However, the growth rate is slower (the share of female labour increase by 2.59% after 2007 (as compared to that of 2.17%/year in 2002-2006) >> supporting the argument of H-O that women are benefited from integration



# 1.3 Participation rate is better after WTO accession

- The active participation rate increased from 70.3% (2006) to 77.4% (2010), slightly reduced in 2011 (77.3%), or increased by 7 percentage point in 2007-2011.
- The active participation rate of rural labour is much higher than that of the urban labour: in 2011 attained 80.6% as compared to the 70% of 2006 (76% and 64.8% respectively).
- The participation rate of male labour is higher than that of female labour (82% vs 72.8%) as compared to 76.8% and 69.6% respectively of 2006)



# 1.3 Challenges on the labour quality

- Skilled labour increase slowly: in 2007-2011, increased by 1,393 thousand/year, equivalent to 7.6% (compared to 2002-2006: 1569 thousand and 14,9%/year) >> creating “obstacle” of the human resource >> “income trap”
- Training structure: mostly low-skilled (primary, skilled without certificate); the share of skilled labour “with certificate” increase slowly
- Inconsistency between MOLISA and GSO

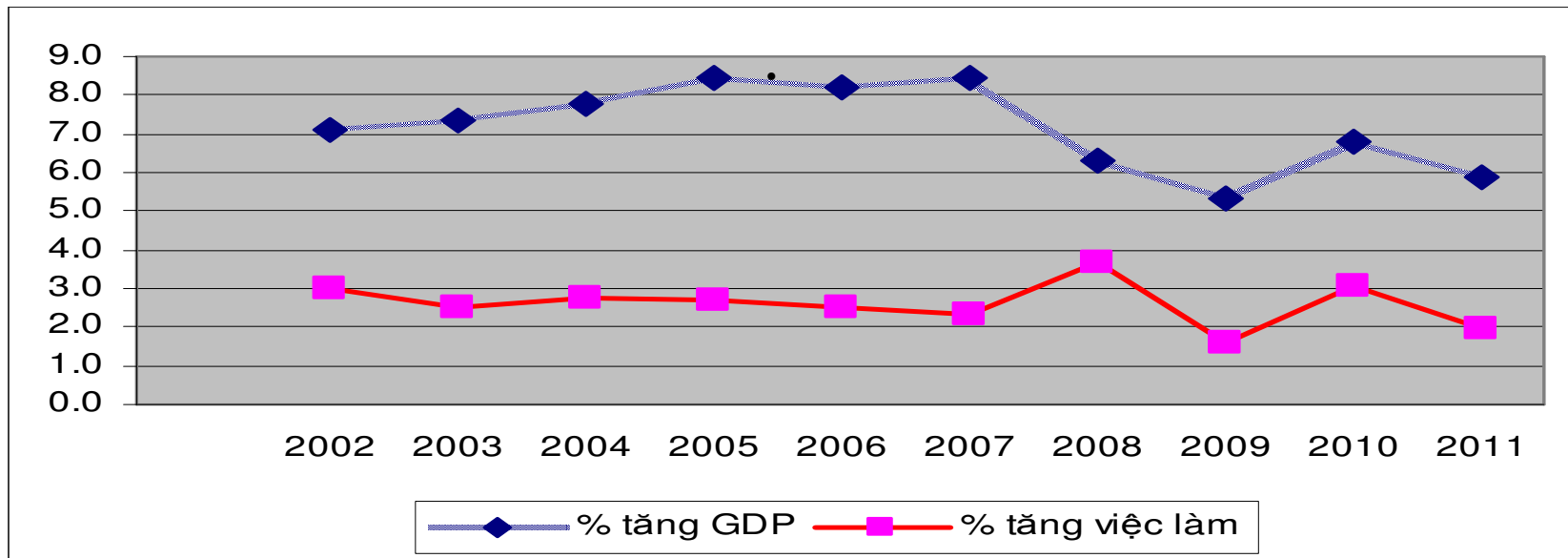
	2002	2006	2007	2010	2011
% skilled labour/total LF	19.7	31.5	34.7	40.0	42.0
% skilled labour with certificate/total LF	11.4	14.3	16.4	15.0	16.3
% labour with certificate/skilled labour	57.9	45.4	47.0	37.5	38.9

# 1.4 Fragmented labour allocation

- **In shortage of labour for IPs, IPZs (in the South)** due to the limited supply of local labour and the in-migration in rural area (2008-2009); the large area in the north has not been exploited with low proportion of labour.
- **Gap of qualification:** In 2011, only 13.5% of female labour was trained formally, 3.6 percentage point lower than male labour.
- **The qualification of rural labour in rural area** is lower than that of the urban area, especially for high qualified group (In 2011, the share of urban labour having university/college and above was 18.9%, 5 times bigger than the 3.7% of the rural labour).
- **Big difference in the allocation:** The share of labour having university/college accounts for 20% in Ha Noi, Ho Chi Minh city, 11-13% in South East and Red River Delta, only 4.33% in Mekong River Delta, 6% in Highlands and Northern Mountainous Areas.

## 2.1 Employment

- From 2007-to date, the economy is under W model (with some bottoms and sudden changes): GDP growth rate reduces, attaining 6.1%/year (as compared to 7.8%/year prior to WTO)
- The employment rate only attains 2.6% (as compared 2.7%). Particularly in 2009 and 2011, when the economy was at its bottom, GDP was 5.3% and 5.8%, the employment rate was at its low, only 1.6% and 2% respectively.
- In 2011: total employment was 50.5 million people, increasing 1 million people as compared to that of 2010, 260 thousand lower than the average of previous period (1.26 million employment prior to WTO accession).
- In 2011, more than 80.000 closed, on average, employment reduced by 7.5%, some enterprise reduced by 10-20%, even 70%. 1/3 of the enterprise have to cut 24% of employment down, 2 times higher than the 2009 survey (only 16% of enterprise).





# Impact of integration on employment

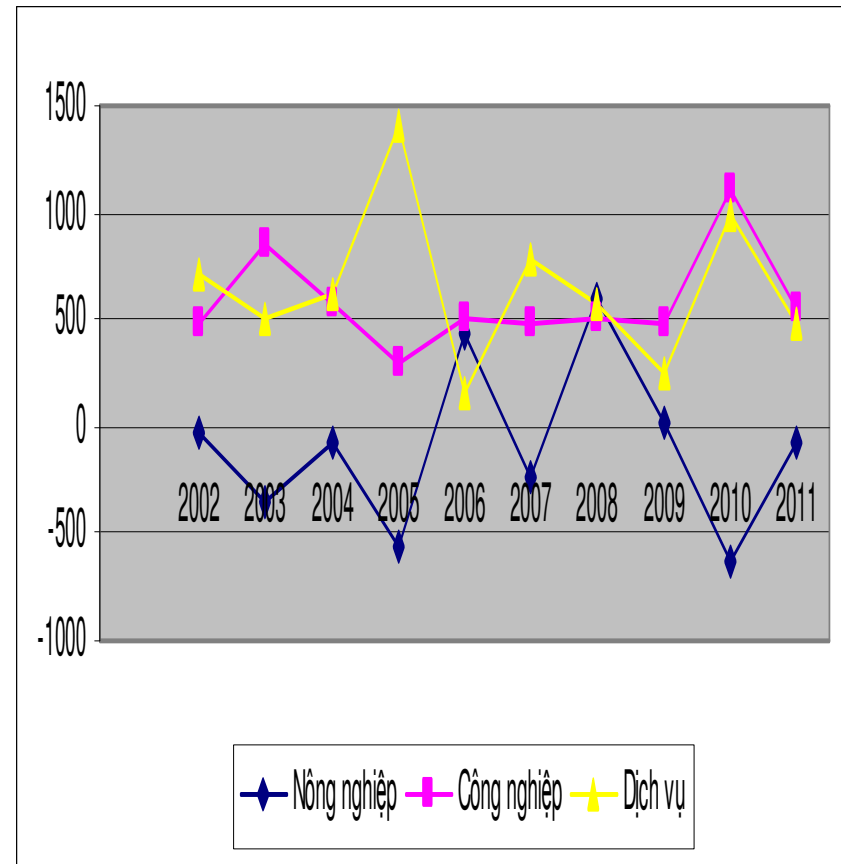
- ***ILSSA's study (2012):***
- The labour demand in response to enterprise's growth (2010-2011) is weaker than the overall demand of the whole country (2007-to date).
  - When the added value (Inva) of enterprise increases by 1%, ceteris paribus, the labour demand only increases by 0.1%; meanwhile elasticity of the whole country is 0.34,
  - Due to economic difficulty, the expansion of production is limited, the elasticity is low.
- Investment has positive impacts on creating jobs (2010-2011)
  - If investment increases by 1%, labour demand increases by 0.49%.
  - The increase in investment facilitates the expansion of production, leading to a rise in the labour demand.

## Impact of integration on employment (2)

- The labour demand in exporting enterprises is larger than that of the non-exporting ones (68%).
  - The ratio of export/GDP has impacts on labour demand. If it increases by 1%, the labour demand increase by 0.369% (lower than prior to WTO, in 2007 it was 0.46)
  - Reduction in export has large impact on decreasing the labour demand of enterprises
  - Labour demand of exporting-agricultural enterprises is larger than other enterprises (80%) >> Main export of Viet Nam includes agricultural and sea products,...
- The import ratio has the tendency to reduce employment
  - If the ratio of import/GDP increase by 1%, labour demand will decrease by 0.042%, (larger than a study in 2007, ranging from -0.011 to -0.026)

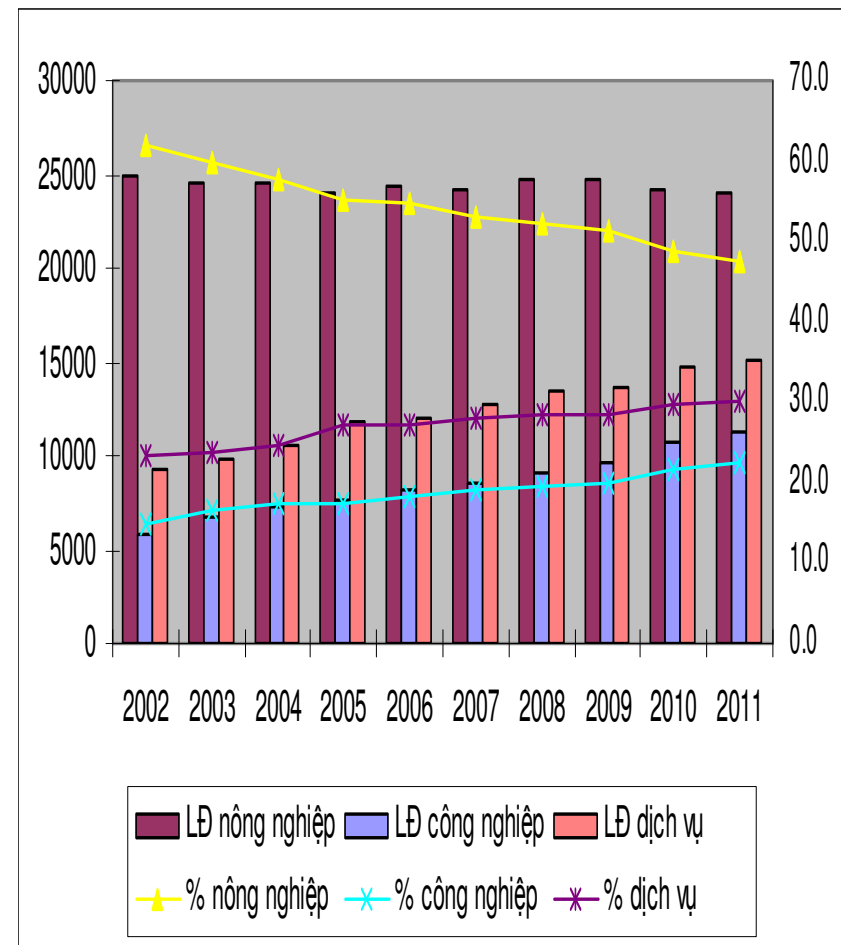
## 2.2 Structural shift of employment by economic sector

- The labour structural shift is slow down after integration, agriculture and service sector experience the high
- The continuous economic crisis has led to the rise in employment in the agriculture sector in 2008 and 2009.



## 2.2 Structural shift of employment by economic sector (2)

- From 2007 to date, on average, labour reduces by 65 thousand people in agricultural sector (as compared to 117 thousand people of the previous period). The first curve appears in 2011 (reduction both in quantity and ratio)
- Labour in industrial sector increase more rapid, on average of 624 thousand people/year (as compared to 548 thousand people of the previous period),
- Labour in the service sector increases by 623 thousand people, lower than that of the industrial sector at the same period and that of the service sector of the last period (678 thousand),.
- In 2011, more than 24 million labourers working in agriculture sector, accounted for 47.6% total employment



## **2.2 Structural shift of employment by economic sector (3)**

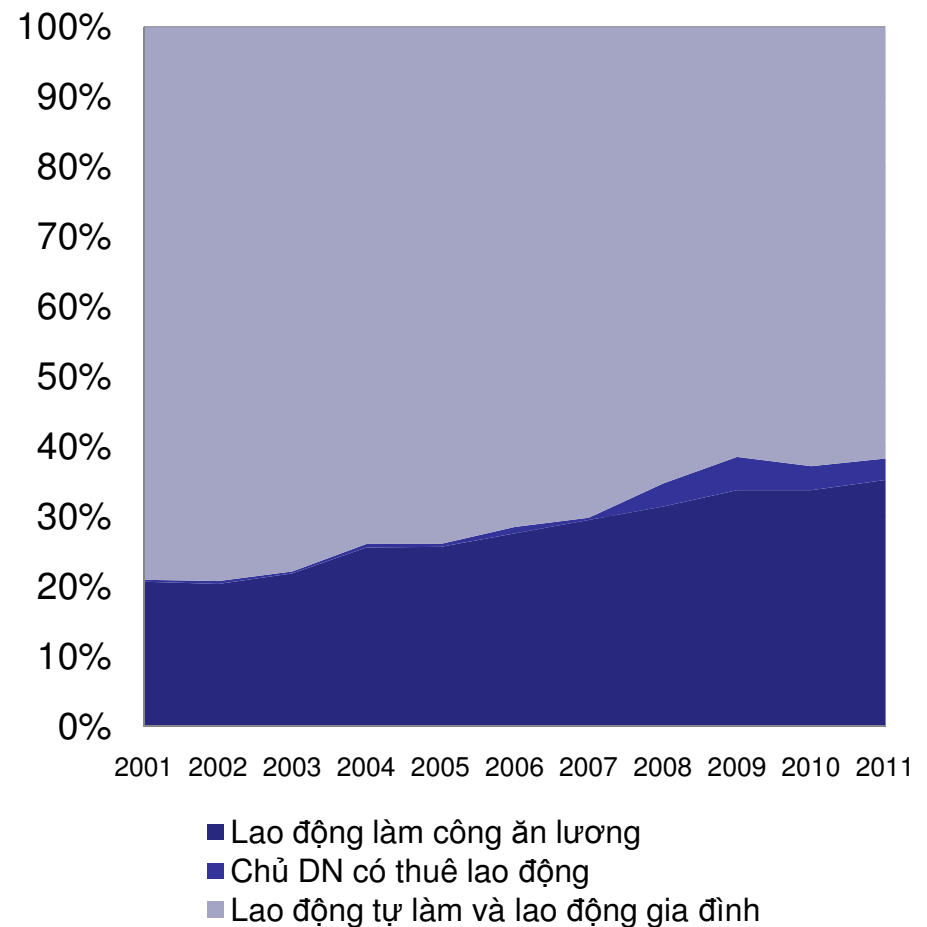
- The growth rate of employment in service sector is at the highest after integration, especially in new and advanced services such as science and technology (25.4%/year), banking, finance and insurance (9.6%/year), construction (8.1%/year).
- The growth rate in the manufacturing sector is lower, at 7%,

## 2.3 Structural shift of employment by qualification

- Low-skilled labour is high, > 40% (2011)
- Particularly in less developed areas: Northern Highlands and Mountainous, Central Highlands: 66% and 53% respectively), 19.7% in South East >> obstacle for economic development
- High growth in qualified group, 35%/year, following by operational staffs (26%/year); and Assemble technicians and maintenance (22%/năm)
- Managers increase by 15.6% in 2002-2006 (under the impacts of Enterprise Law), decrease by 13.2%/year (2007—to date), as many enterprises stop their business in economic crisis.

## 2.4 The share of wage-earner increase rapidly

- Annually, economic growth creates nearly 1.1 million employment for wage-earners (as compared to 847 thousand prior to WTO)
- The share of wage-earner increases from 20.4% (2002), to 28% (2006), and 35.3% (2011).
- Self-employed share decreases from nearly 80% (2002), to 71.5% (2006), and sharply to 62% (2011) >> however, till 2011, more than 31 million people working in the informal sector



## 2.5 Structural Shift of Employment by Ownership

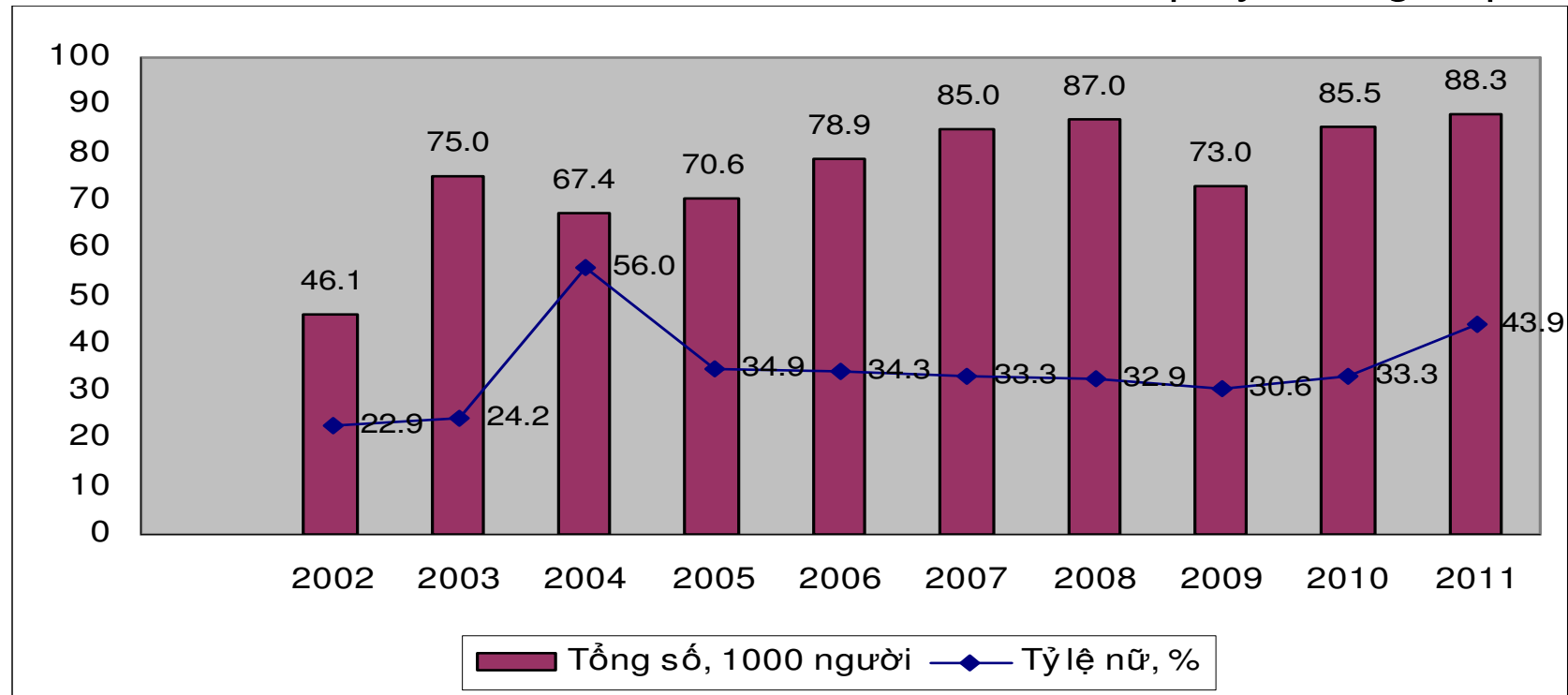
- The cut-down of personnel in state sector has some problems: after integration, labour in state sector increases both in number and proportion 276 thousand people/year, rate of 4%/year
- The employment in FDI sector increase rapidly: 192 thousand people/year, 19%/year >> facilitating the structural shift of rural labour and increasing the quality of labour, however, the roadmap is affected by increasing strikes.
- Private sector develops rapidly in 2002-2006, standstill after 2007-date>> the modest role of creating jobs
- *Informal sector* (un-paid jobs and self-employment) accounts for high proportion (>80%) and on the increase after WTO accession

	2002	2006	2007	2010	2011
State	10.2	9.5	9.3	9.7	10.6
Collective	15.6	1.6	0.5	0.7	0.3
Private	3.6	8.1	7.9	7.6	8.2
Individual	68.7	78.9	80.3	78.5	77.6
FDI	1.1	1.9	2	3.5	3.3



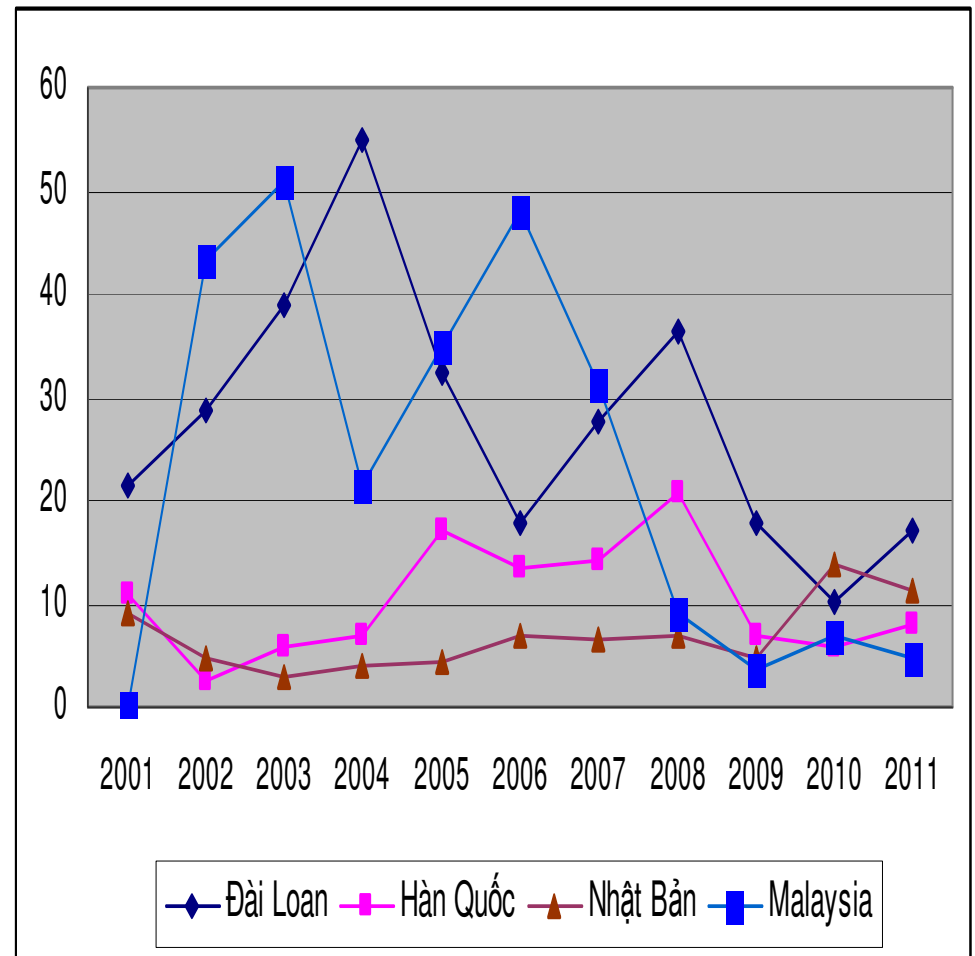
## 3.1 Labour export

- Being affected by economic crisis, the labour export in 2009 reduced sharply (by 14 thousand labour as compared to the previous year 2008)
- Improvement can be seen in 2010, with an increase of 12.6 thousand people and 2.8 thousand people in 2011.
- To date, Viet Nam is having about 500 thousand labourers working in more than 40 countries and territories and in 30 employment groups



## 3.1 Labour export (2)

- Some markets with high growth rate: Taiwan, (increase by 36.8%), Japan 42.3%, Korea 73.8%).
- In 2011, Taiwan accounts for 44%, Korea 17%, Japan 7.9% .
- Malaysia market decrease sharply, from 53% (2006) to 11.3% (2011).
- Some new markets in Middle East and promotion is made for North and East of Europe.

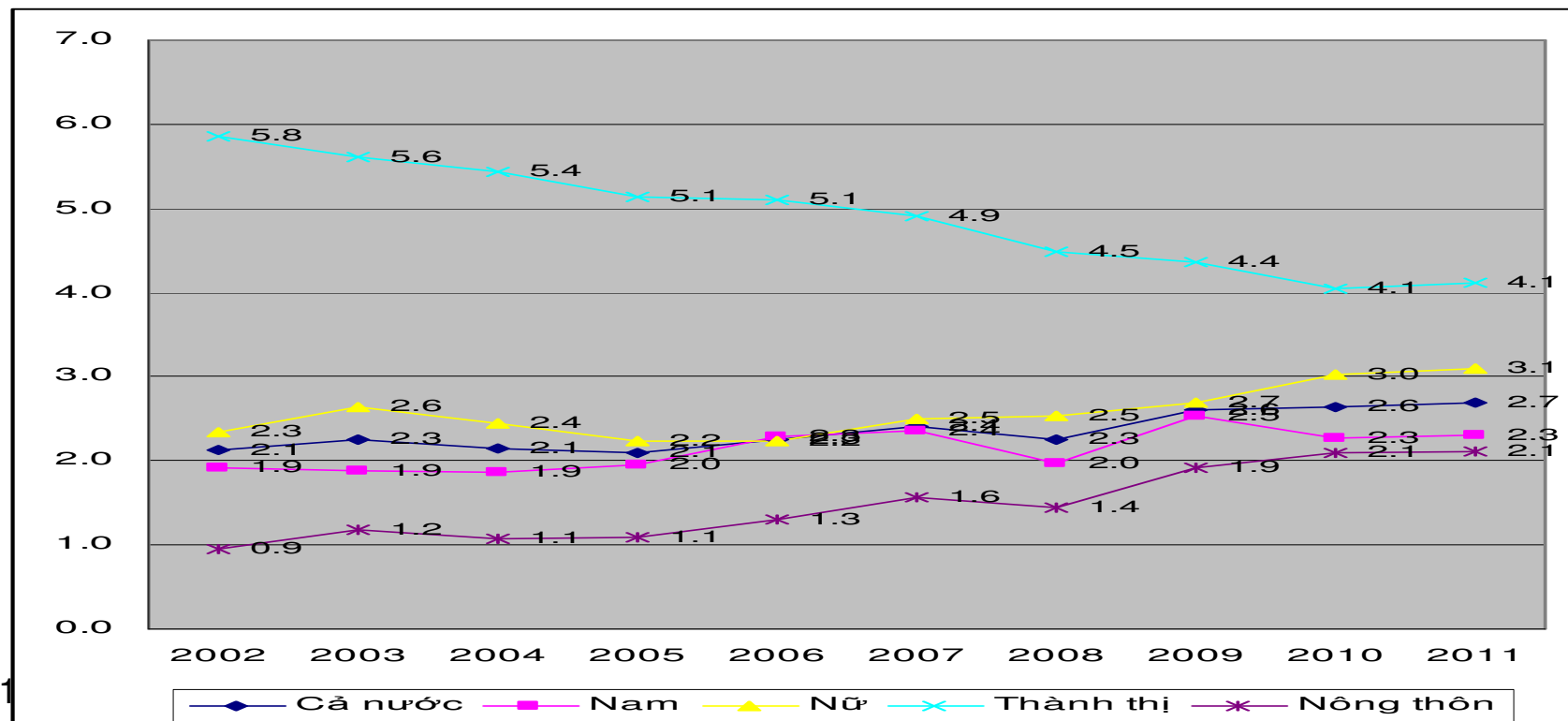


## 3.2 Labour export : Shortcomings

- Shortcomings from the selection, training and preparation; to working abroad and post-work process. Quality of labour export, to 2011, the ratio of labour export trained was only 39.59%, increasing 12.4 percentage point as compared to that of 2002
- Lack of information, accessibility to employers.
- The breaking of contract and quit jobs by employees;
- The return and jobs after coming back has not yet been paid attention by functional organizations.v.v.

# 4.1 Unemployment

- In 2011, there is about 1,4 mil. Unemployed people, increasing 362 thousand to 2006
- On average, about 66 thousand people are unemployed (comparing to 40 thousand people in 2002-2006).
- The overall unemployment rate has been on the increase, from 2.3% to 2.69% (2007-date)
- The rural unemployment rate and female one also increase.



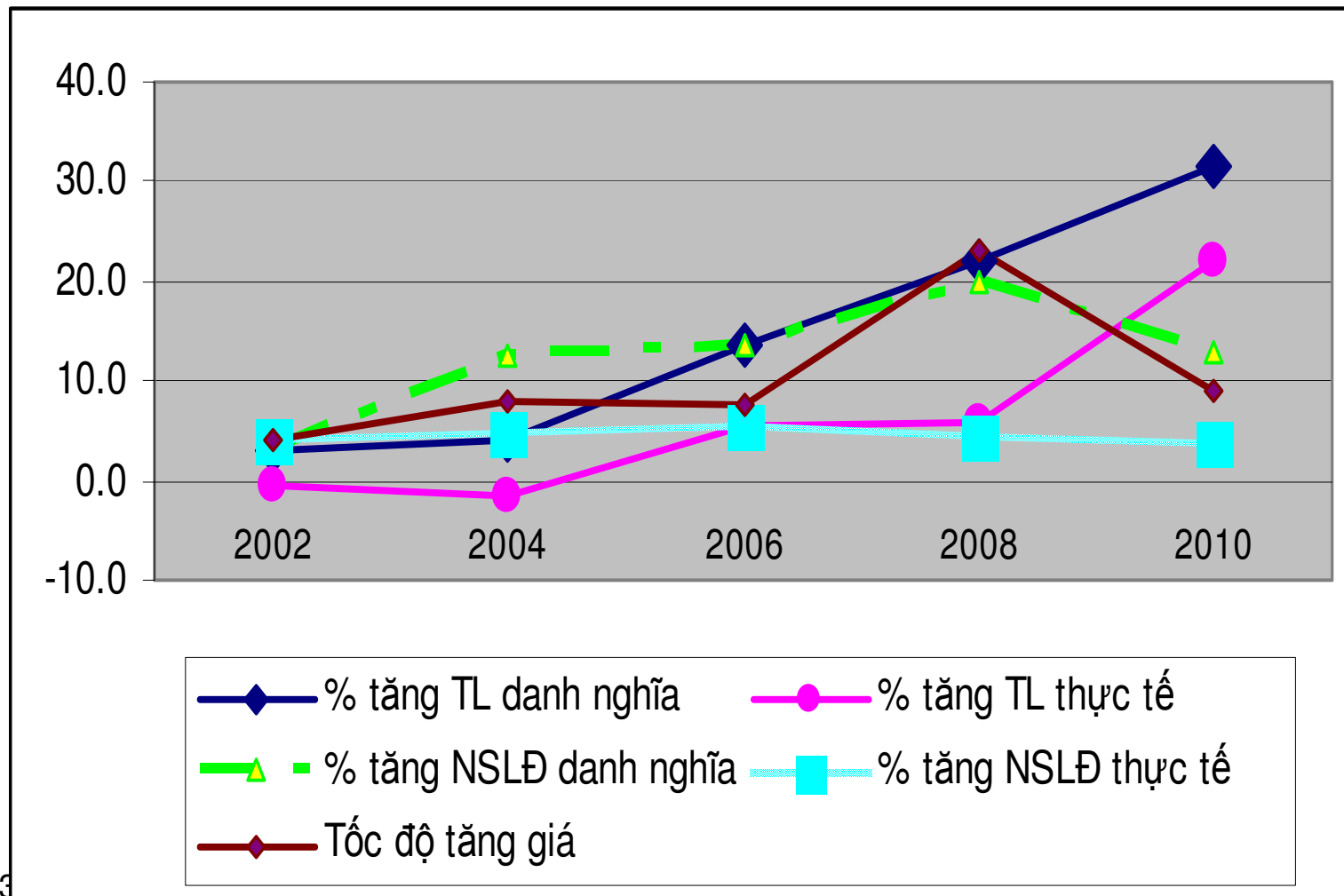
## 4.2 Unemployment insurance

- From 2009: the unemployment insurance was applied for employees having contract of >3 months and enterprises with more than 10 employees
- Till the end of 2011, about 7.2 million people participated in unemployment insurance scheme, increasing to 7.9 million people at the end of 2011, accounting for 15% of employed labour.
- End of 2010, more than 461 thousand people registered for unemployment scheme, 379 thousand people benefit from it, 262 thousand people was consulted and introduced jobs.
- It is difficult to maintain the decreasing tendency of urban unemployment due to the integrated impacts of economic crisis with more than 80 thousand enterprises closed and the abuse of unemployment insurance fund.

## 5.1 Wage and Income

- In 2010: the average wage was 2,691 thousand dong/labour/month, 2.6 times increase comparing to 2006,
- The wage growth rate was 26.8%/year, much higher than the prior to WTO period, only at 8.8%/year.
- If inflation is excluded (11.7%/year), real wage increased by 14.2%/year, higher than the growth of productivity (about 4%/year in the same period) ????.
- This rise is similar to that of China and much higher than the average of world, at 2%/year.
-

## 5.2 The correlation between Wage and Labour Productivity



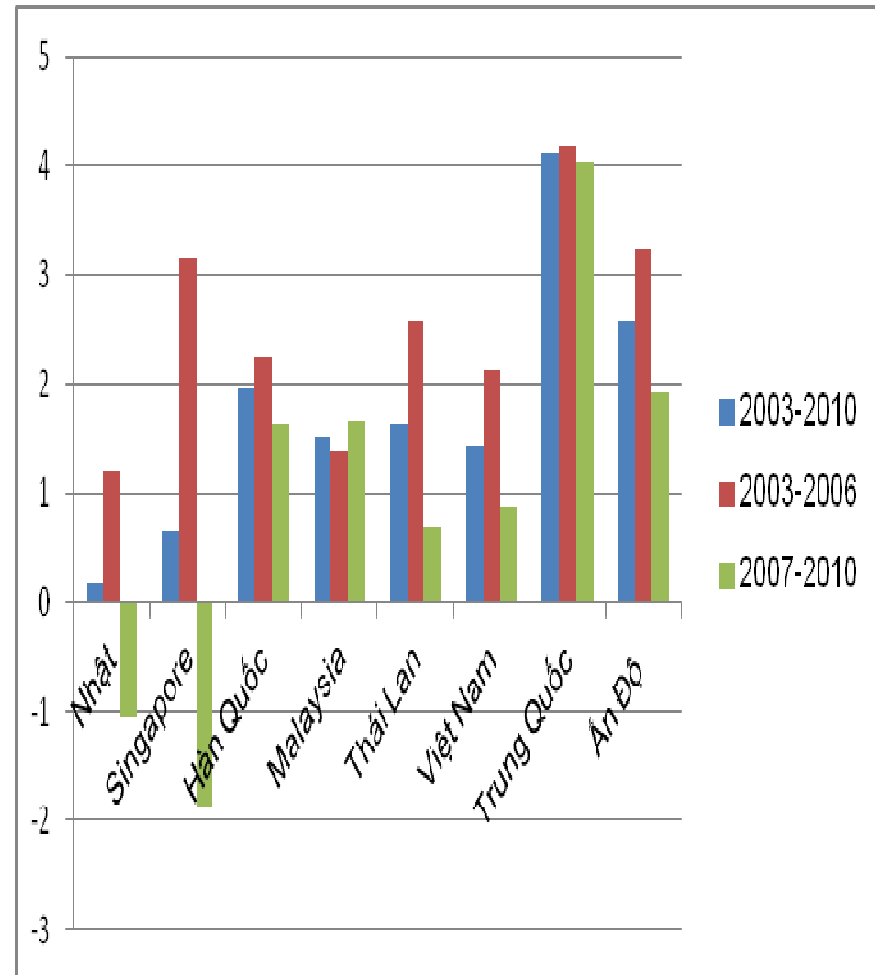
## 5.3 Increasing gap in wage

- The average wage of household sector is low, equivalent to 73% of the average level of the whole country
- The private sector experienced the highest growth of wage.
- Some leading sector during 2006-2010: (1) Finance and credit, (2) Science and technology, (3) Asset and consulting services and (4) Education and Training. Two sectors with the lowest wage include working for household business and agriculture, forestry.
- The average wage increase significantly in the group of managers and senior technicians..
- The average wage of male of higher than that of female and increasing through years. It shows the fact that there is inequality of wage between male and female.



## 6. Contribution of labour to growth

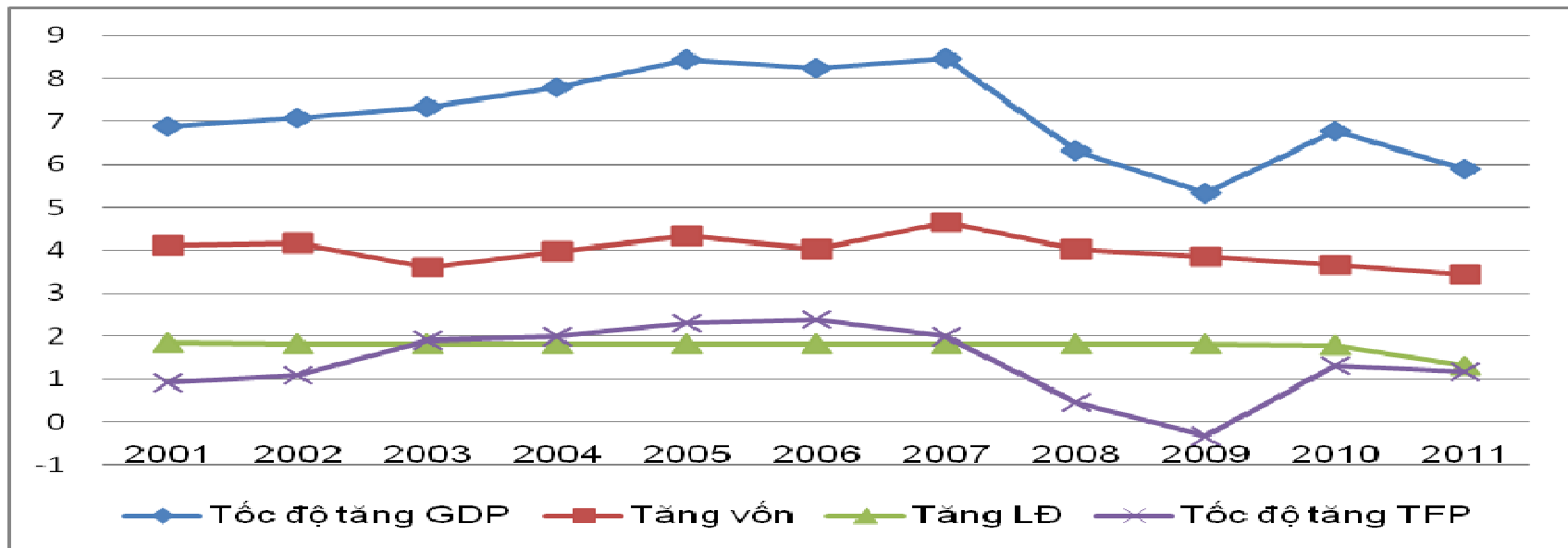
- Viet Nam is “hot” growth, mostly depends on the intensity of labour and capital, meanwhile the technology, labour quality and management skills have not yet been much improved
- The economic growth is not sustainable, therefore Viet Nam needs some strategies form enhancing TFP and improving the efficient use of capital and labour quality.



## 6. Contribution of labour to growth (2)

During 2002-2006: GDP increase by 7.8%/year, capital increase by 11.3%/year and stable growth of labour 2.8%/year. Contribution to overall growth is mostly fixed capital (53.3%), labour (23.6%), TFP (23%).

From 2007-date: Economic crisis 2008-2009, low GDP growth (6%), although fixed capital growth at 11.5%/year, contributed to 60.3%, labour growth is lower (2.5%/year), contributing to 26.3%), higher than that of the 2001-2007, TFP (13.14%)

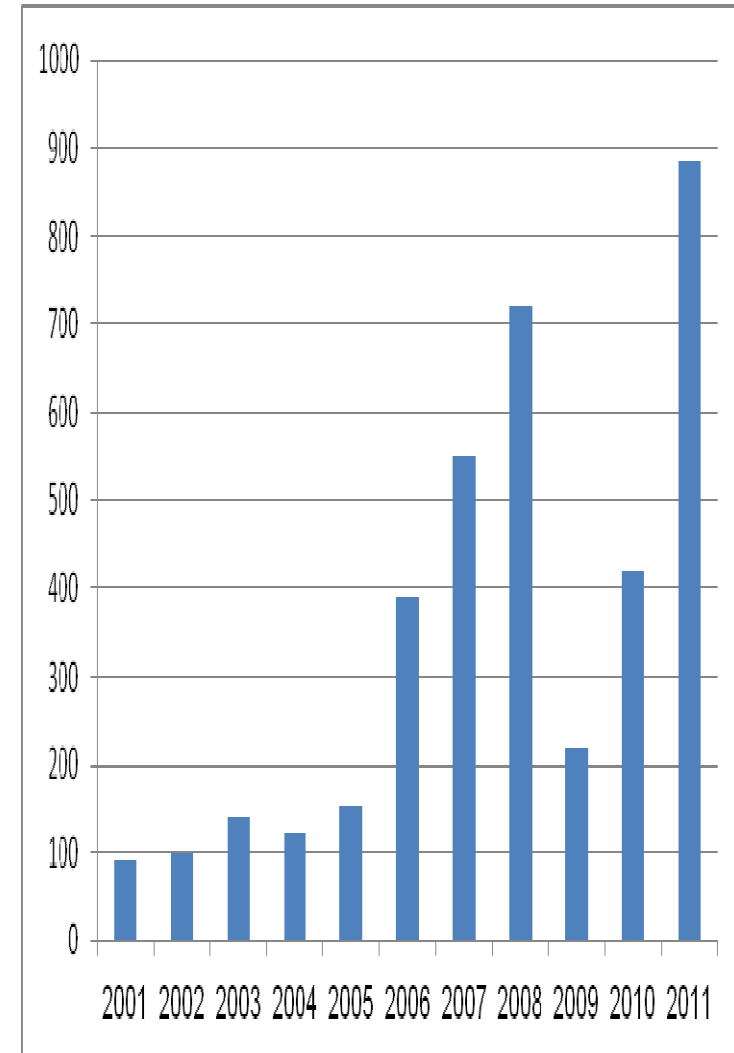


## 7. Occupational safety

- The occupational safety is complicated: in 2011, a total of 5,896 labour accidents occurred, increasing 15% to 2010,
- The statistics of occupational safety is not good, only 3-5% of enterprises making report on the labour accidents (esp. informal sector, traditional occupation villages have not been fully reported): about 5000 villages, attracting 14 million labour >>> negative effect of environment and health, the management of safety is limited.

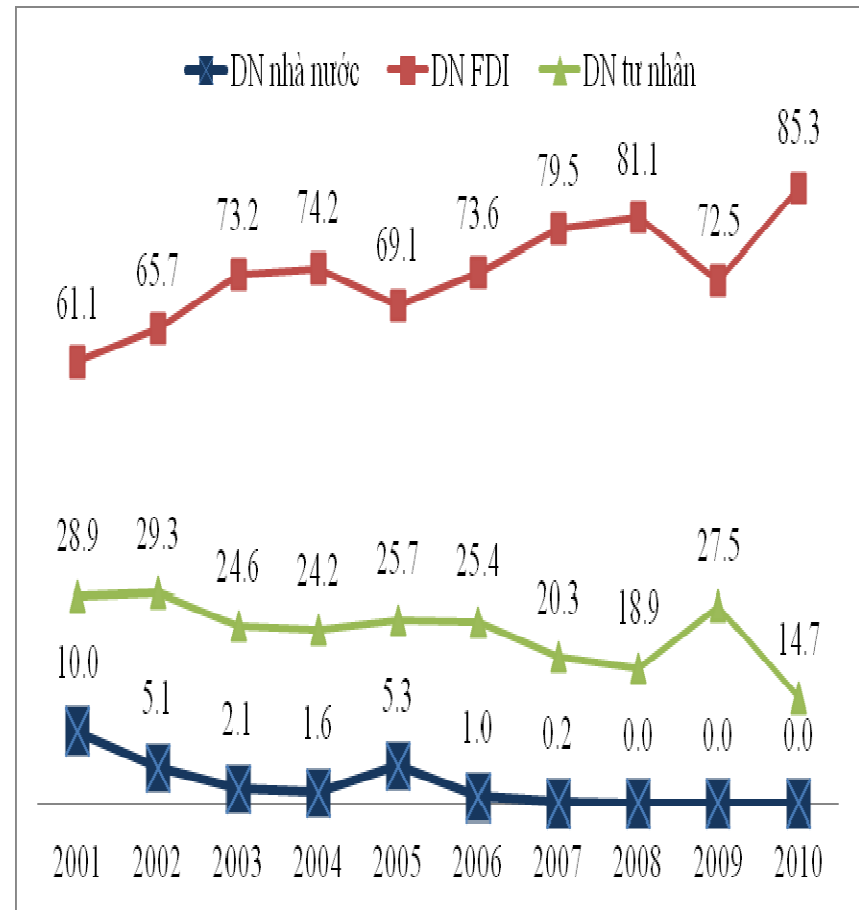
## 8. Labour relations

- **The increasing number of strikes**, esp. during the economic crisis and high inflation period. In 2011, strikes was at its peak of 885, increasing double to 2010 (422 strikes), and exceeding the previous peak of 2008 (720 strikes).
- **The increasing number of workers in a strike.** In 2007, there were 613 workers in a strike, in 2008 there were 615; in 2009, there were 383 workers and the first 5 months of 2010, there were 741 workers.
- In 2008: the strike of 21,000 workers at Ching Luh Ltd, Long An;
- April/2010, a trike of 18,000 workers in Pou Chen Ltd, in Dong Nai.



## 8. Labour relations (2)

- Strikes mostly in FDI>> culture???
- Conflict of rights >>> and some recent years conflict of interest.
- Negotiation, dialogues for raising awareness and ensuring the benefits for different stakeholders has not been paid much attention



# Survey results by VCCI, 2011

- In 2011: reasons for strike include requesting for higher wage, increasing benefits for meals (interest strikes). However, the support from external partners for settling is low (VCCI, enterprise association, managerial agencies);
- In addition to that, there is still shortage of negotiating mechanism for employers and employees, which is main reason for strike, (increasing 2 times as compared to a survey in 2009), and the lack of regulatory framework of employees.
- The role of provincial and municipal Working group in handling labour conflicts and strikes has not been active
- More than 66% of surveyed enterprises revealed that the signing of Collective Agreement is necessary deriving the demand of enterprises and employees.
- Three means of dialogues between employer and employees include: informal meeting between employees and managers, organizing culture and sport activities, and periodically meeting between managers and union

## 9.1 Poverty reduction: remarkable achievements

- In 2011, according to poverty standard of 2011-2015, the poverty rate reduces from 14.2% in 2010 to 9.45% (MOLISA) .
- According to GSO's calculation, the poverty rate reduces from 18.1% in 2004 to 15.5% in 2006 and 10.7% in 2010.
- The average income of poor households increase double: from 184,300 dong/person/year (2006) to 369,300 dong/person/year (2010).

	2004	2006	2008	2010
Whole country	18,1	15,5	13,4	10,7
Urban	8,6	7,7	6,7	5,1
Rural	21,2	18,0	16,1	13,2

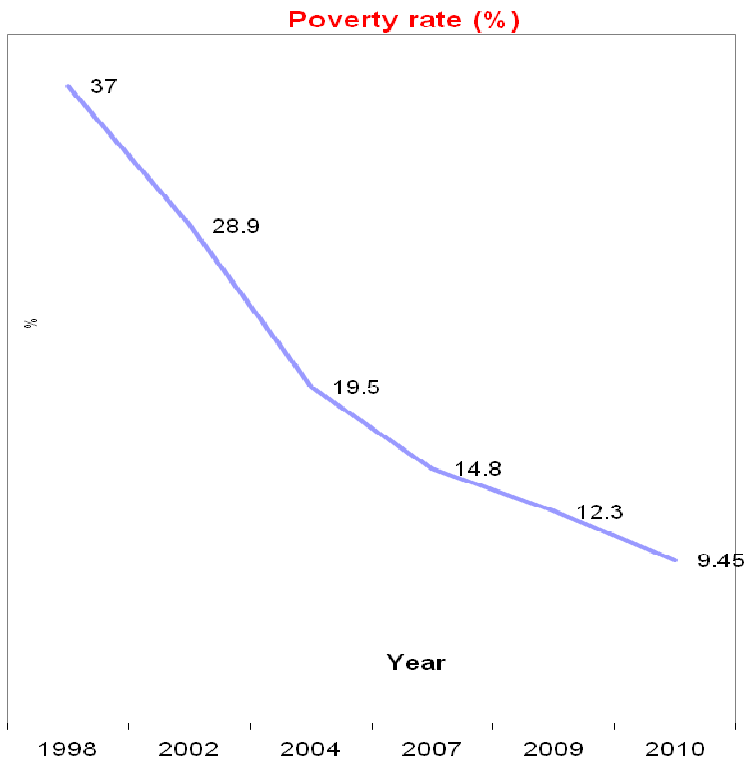
## 9.2. Poverty group

- Three groups of poverty, accounting for 60%
  - (i) Central coastal, Red River Delta, and Mekong River Delta
  - (ii) Mountainous (northern mountainous and Central Highlands);
  - (iii) Urban and migration to urban areas for finding jobs.
- At the end of 2011, the poverty rate of remote and disadvantaged communes and districts, border communes,... is about 38%, and about 900 thousand household are nearly poor.

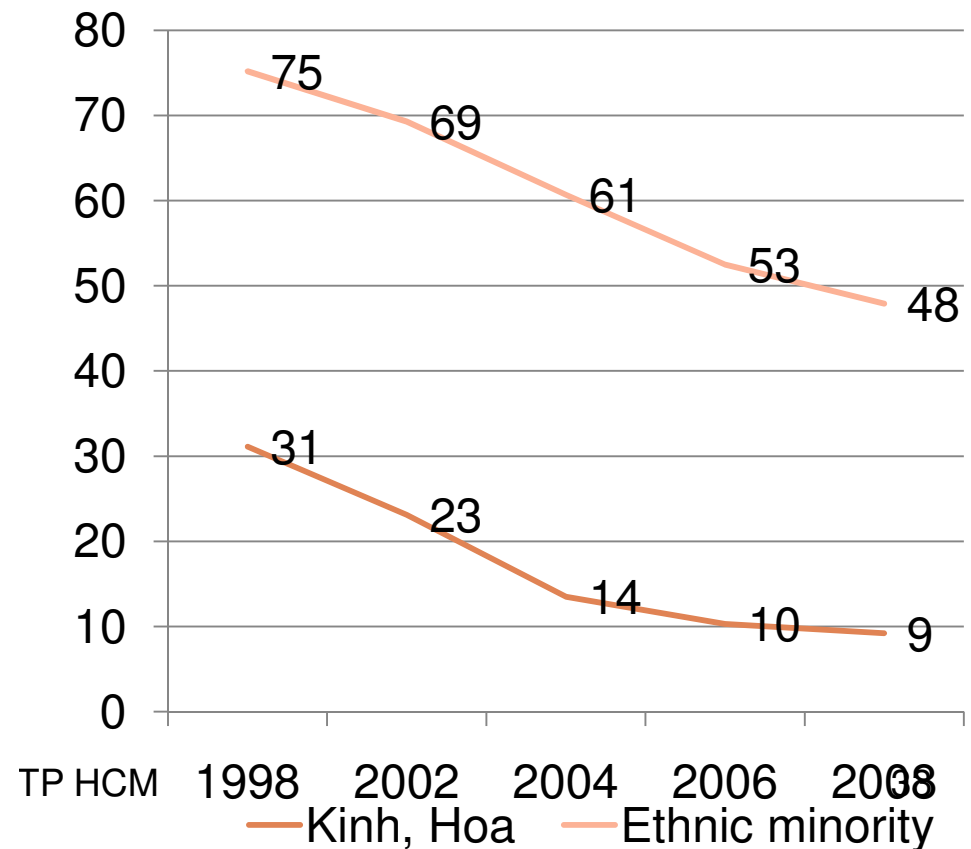


# Ethnic Minorities

- Increasing gap between Kinh and minority people:  
Poverty rate of ethnic minority people increase from 53% (2006) to 65% (2010), and the share of ethnic minority is under 15%.



Source: GSO, VHLSS

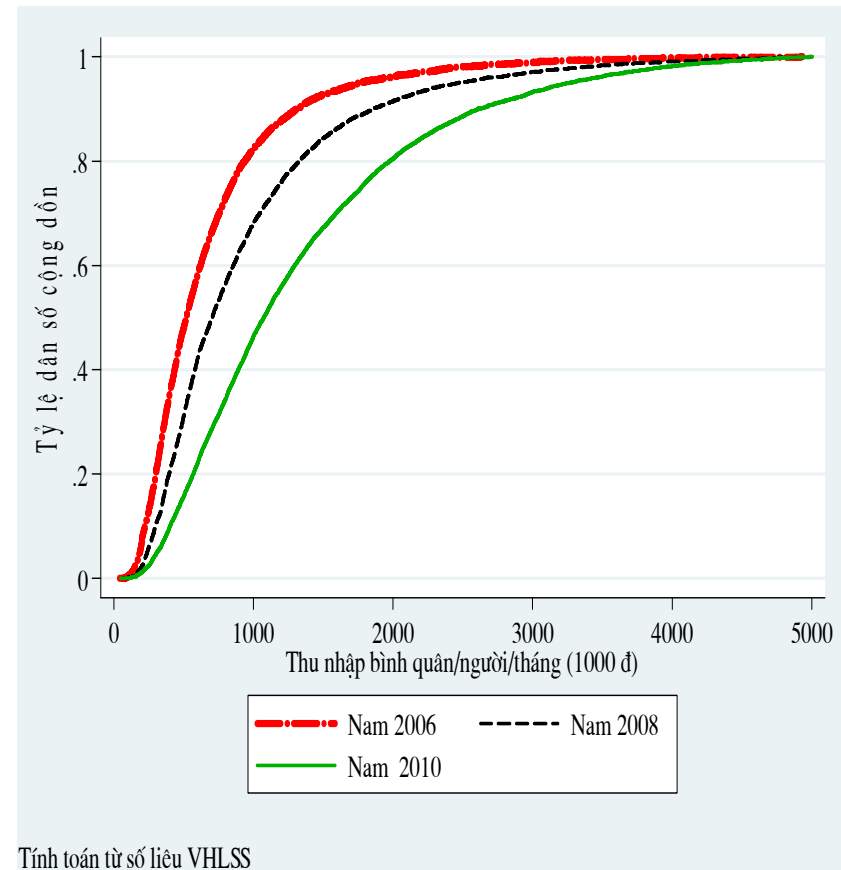


## 9.2 Poverty group (2)

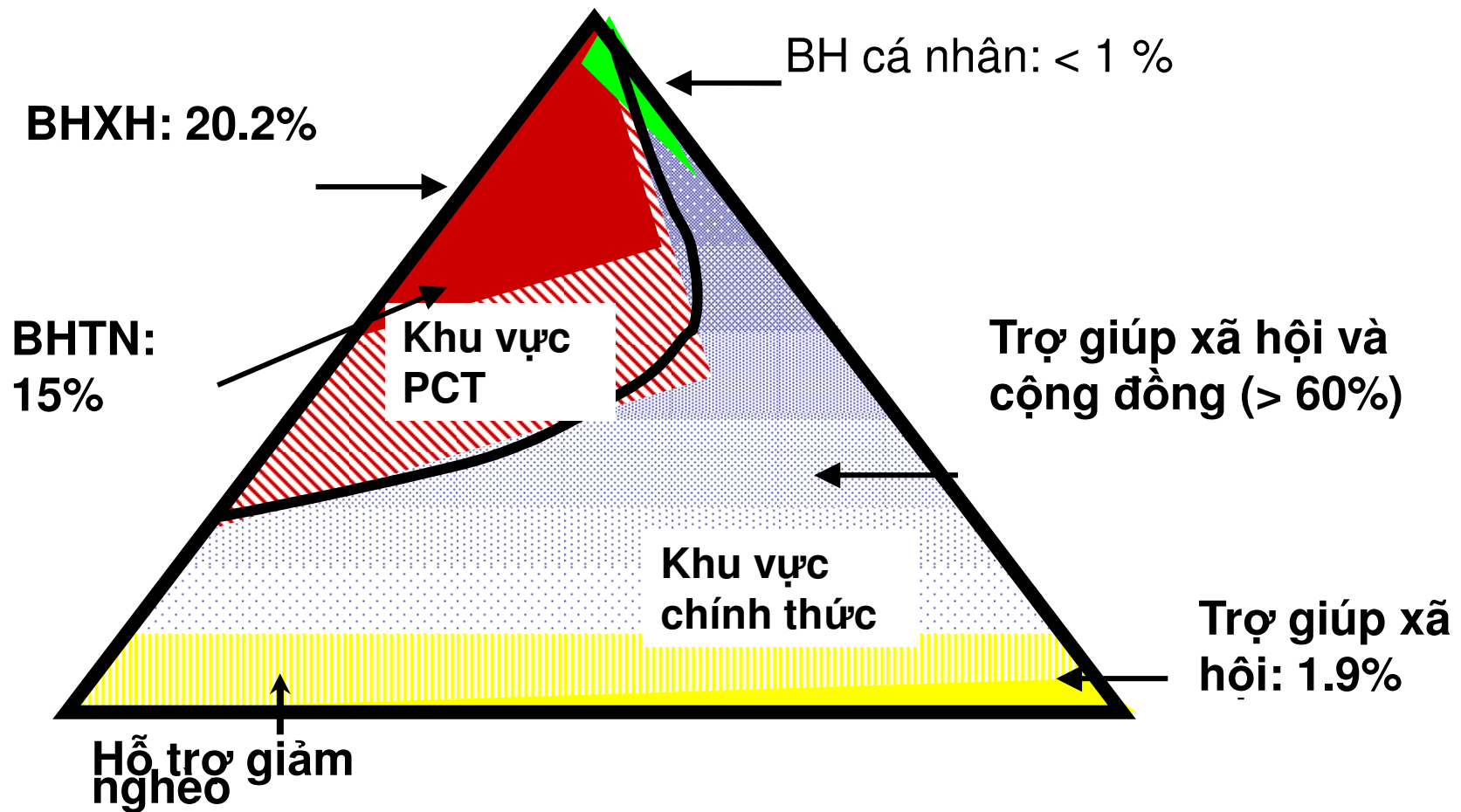
- During 2007-2011, the poor is vulnerable to global business because of low qualification and limited access to new technology, most of them do not have opportunity for participating in social safety net.
- Urbanization, in one hand, bring long-term benefits, but in other hand, making people vulnerable because of losing land and can not access to labour market.
-

## 9.3 Increasing inequality of income

- Average income per capita is increasing, but there is increasing inequality of income distribution.
- In 2006, gap between the rich (20% having highest income) and the poorest (20% having lowest income) is 8.4 times, it increases to 9.2 times in 2010.



# 10. Social security: Low coverage



# **Part II: Policy Implications**

1. Enhancing the macroeconomic stability
2. Strengthening labour market
3. Increasing competitiveness of labour
4. Improving the efficiency of training
5. Reforming the salary policies
6. Enhancing social security

# 1. Enhancing the macroeconomic stability

- The deepening integration in the global economy after WTO accession and recent crisis shows that Viet Nam faces more difficult in maintaining high growth and stable macroeconomic issues.
- ➔ The restructure of economy for take advantage of golden population (young and abundant human resource)
- ➔ More wiser solutions for choosing the economic and social targets, balancing between stabilizing/reforming of economics and labour markets, creating jobs and poverty reduction
- ➔ Raising awareness and settlement of social issues incurred during the restructuring of public investment, finance, commercial banks and SOEs

## 2. Strengthening labour market

- Finalizing the Labour Code, employment and minimum salary... for expansion of job in FDI and private sector...
- Enhancing the flexibility of labour market, supporting the structural shift from low-productivity to high-productivity industries (credit policies for job creation, establishing public employment).
- Encouraging policies for labour-intensive industries, esp. low-skilled, female, and migrant workers in IPs, IPZs.
- Developing the employment service center and consulting system for young labour, and implementing education orientation policies.
- Enhancing the participation of private sector on creating jobs and supervising the policy formulation and development of labour market

### 3. Increasing competitiveness of labour

- Shifting from cheap labour to high-productivity labour, better working conditions (avoiding the trap of low-cost labour).
- Investing in good employment basing on increasing labour productivity
- Handling good labour relations in enterprises, esp. in FDI and private sector.
- Continuing the approval of international convention of labour standards, making decent works



## 4. Improving the efficiency of training

- Increasing the share of qualified labour, esp. labour with certificates,
- Enhancing the education and vocational training, esp high-skilled labour in export, import and leading service.
- Paying attention to special labour: poor labour, rural labour, migrant workers, labour losing land, and young people
- Evaluating the efficiency of vocational trainings

## 5. Reforming the salary policies, increasing income for workers

- Ensuring the minimum salary for wage-earners
- Reforming of salary policies, esp. in the state sector, and benefits for high qualified labour
- Improving the allocation, reducing income inequality between sector, occupation, qualification and male/female

## 6. Enhancing social security

### a. **Resolution 5 on some social policies (1/6/2012):**

- Confirming the right of secure of people (Article 35 of the Draft Amendment if Constitution)
- Developing inclusive, multi-layers, flexible and efficient social security.
- Diversifying the developing efficiently social security programs for low-income and vulnerable group.

### ***b. Strengthening the efficiency of poverty reduction***

- Ensuring the minimum level for poor people
- Concentrating on solutions for relaxing the inequality between areas and groups,
- Increasing the benefit for the poor, ethnic minorities, and disadvantage people.

## 6. Enhancing social security (2)

### ***c. Supporting the labour in accessing to social security schemes***

- ✓ Expanding the coverage of compulsory social insurance in the context of economic fluctuation and population aging for ensuring the job for labour.
- ✓ Encouraging the poor labour and nearly poor workers participating in voluntary social insurance with the partial subsidy from State

## 6. Enhancing social security (3)

### ***d. Ensuring the provision of minimum security service***

- Minimum education: universalization of secondary school, and kinder garden
- Minimum health care: primary health care and health insurance
- Minimum housing: the poor, the low-income people in urban areas, students, workers in IP, IPZs.
- Clean water: concentrating on rural and ethnic minorities
- Information and culture: Newspapers, books, and information

**Thank you for your attention**