

THE ROLE OF LABOR AND MANAGEMENT UNDER THE CHANGE IN THE LABOR MARKET AND EMPLOYMENT STRUCTURE IN VIETNAM

I. Population, economic and labor situation of Vietnam

1, Population structure

a, Population structure in terms of territory and sex

The population of Vietnam was 78.69 million in 2001. It increases about 1 million more annually (annual growth rate is 1.3- 1.4 %). Thus, the population will reach 100 million in 2025 and 120 million by 2050 of which 36.3 % in the North, 27 % in the Central and 36.7% in the South. Of the main cities of the country, Hochiminh City has 5.38 million people (6.8%), Hanoi 2.84 (3.6%), Haiphong 1.71 (2.2%) and Danang 720 thousand (0.9%).

Male population accounts for 49.16 per cent (38.68 million) and female population 50.84 percent (40 million).

| Year | | 1989 | 1994 | 1999 | 2001 | 2004 | 2009 | 2014 | 2019 | 2024 |
|--------|---------------------|------|------|------|------|------|------|------|------|------|
| Total | Population (10,000) | 6438 | 7082 | 7660 | 7869 | 8084 | 8549 | 9036 | 9496 | 9894 |
| | Growth rate (%) | - | 1.69 | 1.51 | 1.35 | 1.30 | 1.00 | 1.12 | 0.99 | 0.81 |
| Male | Population (10,000) | 3123 | 3463 | 3766 | 3868 | 3980 | 4216 | 4459 | 4686 | 4877 |
| | Ratio (%) | 48.5 | 48.9 | 49.2 | 49.2 | 49.2 | 49.3 | 49.4 | 49.3 | 49.3 |
| Female | Population (10,000) | 3315 | 3619 | 3893 | 4000 | 4104 | 4333 | 4576 | 4810 | 5017 |
| | Ratio (%) | 51.5 | 51.1 | 50.8 | 50.8 | 50.8 | 50.7 | 50.6 | 50.7 | 50.7 |

Table 1 : The population of Vietnam

Note: Figures from 2004 are culculated based on the figures in 1999

b, Population structure in terms of urban and rural

According to this category, rural population overcomes urban's. Urban population in the early 1990s accounted for 20 per cent, in the early 2000s 25 per cent and by 2020 35 per cent.

| Year | 1989 | 1994 | 1999 | 2001 | 2004 | 2009 | 2014 | 2019 | 2024 |
|----------------------------|------|------|------|------|------|------|------|------|------|
| Urban population ratio (%) | 19.4 | 20.4 | 23.6 | 24.8 | 26.2 | 28.8 | 31.2 | 33.5 | 35.8 |

Table2: The ratio of urban population

Note: Figures from 2004 are culculated based on the figures in 1999

Each year there are about 200,000 people moving from country side to cities. Until November, 2002 there have been 1.25 million people of this kind of which 860 thousand are in working age.

c, Population structure classified by age

In 1999, population under 30 years old accounted for 60 per cent, which will be 50 per cent in 2015. Vietnam has a young population. Population over 60 years old occupies 10 per cent, and this will not change much until 2010. Vietnam will not have to face old population problems. The population in the working age increased from 34 million in 1990 to 48 million in 2002. From 1999 to 2004 the number rose 6.5 million more, from 2004 to 2009 6.2 million, from 2009 to 2014 3.3 million. As a result, create enough jobs for these work force gets more difficult.

| Year | | 1999 | 2004 | 2009 | 2014 | 2019 | 2024 |
|--------|----------------------------|------|------|------|------|------|------|
| Age | | | | | | | |
| 0- 14 | Number of persons (10,000) | 2531 | 2311 | 2118 | 2159 | 2311 | 2205 |
| | Ratio (%) | 33.2 | 28.6 | 24.7 | 23.9 | 23.3 | 22.3 |
| 15- 29 | Number of persons (10,000) | 2176 | 2403 | 2593 | 2474 | 2266 | 2081 |
| | Ratio (%) | 28.5 | 29.7 | 30.3 | 27.4 | 23.9 | 21.0 |
| 30- 44 | Number of persons (10,000) | 1610 | 1789 | 1908 | 2101 | 2328 | 2518 |
| | Ratio (%) | 21.1 | 22.1 | 22.3 | 23.3 | 24.5 | 25.5 |
| 45- 59 | Number of persons (10,000) | 701 | 942 | 1250 | 1508 | 1682 | 1801 |
| | Ratio (%) | 9.2 | 11.7 | 14.6 | 16.7 | 17.7 | 18.2 |
| 60- | Number of persons (10,000) | 615 | 640 | 681 | 793 | 1008 | 1288 |
| | Ratio (%) | 8.1 | 7.9 | 8.0 | 8.8 | 10.6 | 13.0 |
| Total | Number of persons (10,000) | 7660 | 8084 | 8549 | 9036 | 9496 | 9894 |

Table 3 : Population structure classified by age

Note: Figures from 2004 are culculated based on the figures in 1999

2, Economy

a, GDP

GDP of Vietnam in 2001 was VND 484,500 billion (USD 32.3 billion, 1 USD = 15,000 VND). From 1990 (except 1999) the annual growth rate is from 5% to 10%, 2002 – 6.5%, 2003 – 7%

| Year | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 2000 | 2001 |
|----------------------------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| GDP 1000 bil.VN D | 42. 0 | 76. 7 | 110. 5 | 140. 3 | 178. 5 | 228. 9 | 272. 0 | 313. 6 | 361. 0 | 399. 9 | 441. 6 | 484. 5 |

| | | | | | | | | | | | | |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Growth rate | 5.1 | 5.8 | 8.7 | 8.1 | 8.8 | 9.5 | 9.3 | 8.2 | 5.8 | 4.8 | 6.8 | 6.8 |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|

Table 4: GDP of Vietnam from 1990 to 2001

b, GDP per capita

GDP per capita of Vietnam is USD 410. Thank to the high growth rate of the economy it has increased but the speed is still low.

| | | | | | | | | | | | |
|--|------|-----|-----|-----|-----|-----|-----|-----|-----|------|-----|
| Year | 1991 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 2000 | 01 |
| Real rate of increasing GDP per capita | 3.9 | 3.8 | 6.2 | 8.8 | 7.8 | 7.6 | 6.5 | 4.2 | 3.2 | 5.4 | 5.4 |

Table 5: GDP per capita from 1991 to 2001

In the structure of GDP : Agriculture, Forestry and Aquiculture accounted for about 40% in 1990 but it decreased to approximatedly 25% by the year 2000, on the contrary Industrial and Constructional increased to nearly 40%.

| | | | | | | | | | | | | |
|---------------------------------------|------|------|------|------|------|------|------|------|------|------|------|------|
| Year | 1990 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 2000 | 01 |
| Agriculture, Forestry and Aquiculture | 38.7 | 40.5 | 33.9 | 29.9 | 27.4 | 27.2 | 27.8 | 25.8 | 25.8 | 25.4 | 24.5 | 23.6 |
| Industry and Construction | 22.7 | 23.8 | 27.3 | 28.9 | 28.9 | 28.8 | 29.7 | 32.1 | 32.5 | 34.5 | 36.7 | 37.8 |
| Service | 38.6 | 35.7 | 38.3 | 41.2 | 43.7 | 44.1 | 42.5 | 42.2 | 41.7 | 40.1 | 38.7 | 38.6 |

Table 6: Structure of GDP classified by branches from 1990 to 2001

State-owned sector accounted for 40% of GDP; foreign direct investment sector's increased rapidly while private sector's did not increase much.

| | | | | |
|----------------------------------|------|------|------|------|
| Year | 1996 | 1999 | 2000 | 2001 |
| The state-owned sector | 39.9 | 38.7 | 39 | 39 |
| Private sector | 52.7 | 49.1 | 47.7 | 48 |
| Foreign direct investment sector | 7.4 | 12.2 | 13.3 | 13 |

Table 7: Structure of GDP classified by sectors from 1990 to 2001

II, The role of labor and management under the change in the labor market and employment structure

Over the last 15 years, Vietnam has made significant progresses in its economic integration, industrialization and modernization process. However, the economy has not developed stably. Its efficiency and competitiveness are rather low. It has not created enough jobs for the work force. Unemployment rate is

high (6 per cent in 2002). The lack of jobs is popular in rural areas. Unemployment rate is highest among the youth.

| Year | 1996 | 98 | 99 | 2000 | 01 | 02 |
|-----------------------|------|-----|-----|------|-----|----|
| Unemployment rate (%) | 5.9 | 6.9 | 7.4 | 6.4 | 6.3 | 6 |

Table 8. The unemployment rate from 1996 to 2002

It is predicted that the country's population will reach from 88 to 89 million by the year 2010. The annual growth rate of the labour force is from 2.4% to 2.5%. The population in working age will reach 51.1 million in 2005 and 56.8 million in 2010. Each year, one million new young people join in the labour market, and 1.4 million new jobs needs to be created.

Employment structure has shifted slowly. In 2000, labour force ratio in Agriculture, Forestry and Aquiculture accounts for 62.56 per cent, Industry and Construction 13.15 per cent and Service 24.29 per cent. To decrease the Agriculture, Forestry and Aquiculture 's to 50 per cent and increase Industry and Construction's and Service's to 23 per cent and 27 percent in 2010, Vietnam needs a revolution in labour assignment.

Currently, work force ratio in the branches of Agriculture, Forestry and Aquiculture has decreased to 60% while in Service increased rapidly. Labour force in the Industry and Construction increased slightly.

| Year | 1991 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 2000 | 01 | 02 |
|---------------------------------------|------|------|------|------|------|------|------|------|------|------|------|------|
| Agriculture, Forestry and Aquiculture | 73.3 | 73.2 | 72 | 70.8 | 69.7 | 69.2 | 68.8 | 63.8 | 63.6 | 62.6 | 60.5 | 60.9 |
| Industry and Construction | 12.4 | 12.3 | 12.4 | 12.8 | 13.3 | 12.5 | 12.5 | 12.5 | 13.5 | 13.2 | 14.4 | 15.1 |
| Service | 14.3 | 14.5 | 15.6 | 16.4 | 17 | 18.2 | 18.7 | 18.7 | 23.9 | 24.2 | 25.1 | 24 |

Table 9: Work force classified by branches

In 2002, the number of country's laborers is 40,717,000 of which 9,704,000 (23.8 per cent) were in urban areas and 31,013,000 (76,2 per cent) were in rural areas. Labour force in the state area was 2,362,000 (10 per cent), in the foreign invested area 437,000 (1.1 per cent).

Arcording to a statistic of The Ministry of Planning and Investment in December,2002, there were 472,400 labours in foreign invested enterprises.

| Year | | 96 | 97 | 98 | 99 | 2000 | 01 | 02 |
|-------|-----------------------|--------|--------|--------|--------|--------|--------|------|
| Total | Human number (10,000) | 3376.1 | 3449.3 | 3523.3 | 3597.6 | 3670.2 | 3748.9 | 3929 |
| | Increasing ratio | 2.2 | 2.2 | 2.1 | 2.1 | 2 | 2.2 | 4.8 |

| | | | | | | | | |
|-----------|-----------------------|--------|--------|-------|--------|--------|--------|--------|
| State | Human number (10,000) | 313,8 | 326,7 | 338,3 | 343,3 | 350,1 | 326,2 | 399,5 |
| | Increasing ratio | 2.8 | 4.1 | 3.6 | 1.5 | 2 | -2.3 | 2.25 |
| | Structural ratio (%) | 9.3 | 9.5 | 9.6 | 9.5 | 9.5 | 8.7 | 10.1 |
| Non-state | Human number (10,000) | 3062.3 | 3122.6 | 3185 | 3254.3 | 3320.1 | 3422.7 | 3559.4 |
| | Increasing ratio | 2.2 | 2 | 2 | 2.2 | 2 | 3.1 | 3.1 |
| | Structural ratio (%) | 90.7 | 90.5 | 90.4 | 90.5 | 91.5 | 90.3 | 89.9 |

Table 10: The work force in the State and Non- state areas from 1996 to 2002

Although the labor structure has shifted positively, the State must try to push the shift speed so that it can meet the development demand of the economy.

Improvement of productivity, efficiency and competitiveness of the economy is both an urgent requirement and gigantic challenge in the 21th century. Actually, in Vietnam, the productivity is rather low. Its products have low quality, high price and low level of technology owing to the low quality of the work force. In the period 1991- 2000, the average growth rate of the economic's productivity was not high (743USD/ a person/ a year). Average benefit per laborer tends to decrease. The ratio of trained laborers is low (20%in total- 2000). Vocational training system has not met the practical demand. Low salary makes the labourers be unwilling to work well. The skill and intellectual of the Vietnamese human resource is of great potential. The question is how to develop and make good use of this.

To this end, the following tasks should be implemented.

First, improve the quality of the human resource and change the vocational training structure in accordance with the need of the labor market. In the situation of international and regional economic integration, the only way to improve the competitiveness of the economy and the labor force is to improve the quality of the human resource in terms of health, intellectual, skill, industrial manner, discipline obedience and law abide.

There should be a regular improvement on training curriculum, teaching methodology, teaching staff, educational system, facilitates for vocational training. Vocational training system should be directed to develop in accordance with the need of practical production. Vocational training plan should be well-organized so that every one has opportunity to learn a job.

Talented people should be praised and put in good use.

Second, more jobs should be created for the laborers of the whole society.

Employment policy is essential among the social policies of the nation. It enhances the intellectual and skill of the human resource, the stability and development of the economy and the society. It also meets the urgent working need of the people. To provide part-time and temporary jobs for farmers in their free time the State encourages villages, communes to develop small and medium enterprises, provides them with legal and financial support to enhance production in rural and suburd areas.

Beside creating jobs for the domestic labor market, The State should also explore foreign labor markets, push labor export, perfect employment law and policy to liberalize the labor force and create attractive investment environment for enterprises.

Currently, Vietnam focuses on such economic programs that attract many laborers as Agricultural and Rural Development Program (ARDP), Industrial and Service Development Program (ISDP), Labor Export Program (LEP).

From now to 2005, ARDP will provide jobs for 25 million people, ISDP will try to attract 4.5 million laborers, LEP will export 100 thousand laborers.

| Year | 1991-99 | 2000- 01 | 2002 | 2003 | 2005 (expected) |
|-----------------------------------|---------|----------|--------|--------|--------------------|
| Number of exported laborers | 90,000 | 54,000 | 46,000 | 50,000 | 100,000 |

Table 11 : Number of exported laborers from 1991 to 2005

The State should assist the activities that create many jobs for the labour market. For instance, it offers loans for small and medium projects, modernizes employment consultant centers, does surveys and then establishes labor market information system and train specialists on employment management.

Third, the salary policy should be reformed to motivate the laborers. The policy must be fair, praise talented laborers. The income of the laborers must be enough for the basic needs of them and their families so that they can wholeheartedly concentrate on their work, which increases their productivity and efficiency. Level of income needs to go parallel with the development of the economy and the increase of the average income level of the society. The enterprises have a right to impose salary level on their employees based on their productivity and efficiency.

Fourth, an employment and social welfare assurance system should be established and developed to support enterprises to reorganize themselves and help laborers create jobs for themselves or soon come back to the labor market if they are unemployed.

In fact, the State has issued policies to improve the employment situation. It has implemented big projects to establish the labor market information system to help the laborers and labor users direct their training and training institute development. It has also issued policies to control the labor market structure from which it decreases the ratio of work force in Agriculture, Forestry and Aquiculture and increases the ratio in Service , Industry and Construction. These policies have posed positively to the economic development of Vietnam over the last two decades.

However, the employment organizing ability of labor unions in Vietnam is still low and weak. Companies and enterprises recruit workers simultaneously because there are few organizations helping them get information of the labor market. Thus, the potential of the human resource has not been exploited properly.

In conclusion, although Vietnam has gained significant achievement in human resource development over the past 15 years, it still has many things to do in its development process. It needs to speed up the labor structure shift to The government needs to build synchronous economic development strategies in which the human resource development strategies go parallel with others to get a general result.

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