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## VIETNAM LABOR MARKET IN THE CONTEXT OF INTERNATIONAL INTEGRATION

**Abstract:** This report will introduce and analyze the dynamics of the labor market in Vietnam in the early 21st century, when Vietnam boosts its economic integration into the region and the world. Launched in 1986, the renovation of Vietnam, *Doi Moi*, which is actually a reform of the economy, transition from the centralized planning economy to the market one, has gained great achievements. Along with the formation and development of for goods and services market, capital and financial markets, real estate market, science and technology market, that of labor market in Vietnam shows the effort of market-oriented innovation, from awareness to the building of legal system, policy making and application in practice. In the late twentieth century, the labor market was established and developed on the basis of reform policies of the Party and State to build a multi-sector economy that is run under the market mechanism with the socialist-oriented management of the State. Importantly, *Doi Moi* also means the open of the economy to the regional and international one, with policies to attract foreign investors to come. Foreign investment is a very important factor to construct the labor market in Vietnam that shows a strong shift of people, especially young people, from the rural to the urban, particularly industrial zones located in industrialized provinces in both the North and the South.

**Key words:** labor market, renovation of Vietnam, centralized planning economy, market economy, open of the economy, international integration

### 1. THE EARLY STAGE OF DEVELOPMENT OF THE LABOR MARKET IN VIETNAM, FROM 1986 TO 2000

Before 1986, Vietnam implemented the central-planning economic model, the allocation of all resources, including labor, must comply with the order and plans by the State. Workers working for factories and enterprises are employed by personnel regulations; Regulations on labor management, such as working hours, regulations,

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standards, labor norms, wages, are unanimous in the whole country. Like in the former Soviet Union and Eastern Europe, this mechanism reveals many shortcomings, such as low labor productivity and stagnated economy.

Since 1986, along with *doimoi* process, the state has strongly implemented the reform of labor in the public sector, by cutting down redundant employees in the public sector, including state-owned enterprises and administrative agencies.

According to the Vietnam population census of 1989, Vietnam had a population of 65 millions, of which more than 30 millions people were in the working age; unemployment rate was around 6%. More than 3.1 millions people were working in the public sector, of which 1.9 millions people (61%) were working in state-owned enterprises, 1.2 million people (39%) working in administrative agencies. The remaining of 85% of the labor force was working in agriculture, cooperatives and individual households.

In the period from 1988 to 1991 the number of workers in state-owned enterprises was reduced by 28%, equivalent to 800 thousand people, mostly retired early.

Since 1990, with the introduction of the Company Law and the advocate of multi-sector economic development, non-state sector has grown rapidly and attracted more workers, including redundant workers from public sector.

In the period 1988–1991, the number of jobs in the private sector and cooperatives increased by 3.5% on average, the number of workers working for private enterprises increased to 22%, attracting around 410 thousands new positions. Agricultural workers accounted for 72% of the total number of workers, increasing slowly at 2.2% and attracting up to half of new positions. However during this period the rate of unemployment remained at 6–7%.

In the early years of transition, prior to the Labor Law issued in 1994, a labor market was gradually being formed, mainly by supporting policies and state intervention like leave subsidies, early retirement...etc.

After the Labor Law came in force, along with the trend of diversifying the economic sectors and the economic development of private sector, more new enterprises appeared. The number of people entering the labor market was increasing, with a shift of the labor force from the agricultural sector to the industrial and service ones, but with a very slow speed.

TABLE 1. The rate of wage-earner in the total working people in Vietnam in the period 1992–1998 (%)

TABELA 1. Odsetek pracowników etatowych w całkowitej liczbie osób pracujących w Wietnamie w latach 1992-1998 (w proc.)

	Rural		Urban		Male		Female		Total	
	1992	1998	1992	1998	1992	1998	1992	1998	1992	1998
Wage-earner	12.16	13.11	41.7	45.28	21.46	24.27	14.66	15.00	17.90	19.48
Self-employed in agriculture	78.02	74.28	17.95	10.46	65.71	58.27	66.94	64.84	66.35	61.67
Self-employed in non-agriculture	9.82	12.61	40.35	44.27	12.83	17.46	18.4	20.16	15.75	18.85
Total	100	100	100	100	100	100	100	100	100	100

Source: Living standard Survey, 2000: General Statistics Office, Hanoi.

In 7 years (from 1992 to 1998), the number of workers entering the labor market increased only by 1.6%. Moreover, the rate in the rural area, accounting up to 70% of the country's labor force, increased very slowly (0.9%), compared with 3.6% in the urban. Obviously, under the impact of economic reform in Vietnam, the number of wage-earner tended to increase gradually, but with very slow speed.

In short, in the late 20th century, along with the transition to a market economy, in Vietnam, the labor market was established, with the shifting trend of the work force from the public sector to the private one. The number of people entering the labor market, especially in the rural area, has been more and more increasing, but there were still many inadequate mechanisms, such as the quality of human resources.

## 2. LABOR MARKET IN VIETNAM IN THE EARLY 21ST CENTURY

This section analyzes the evolution of the labor market from 2001 to present, from the 10th Congress Party, under the view of supply-demand and structure together with the impacted factors in the process of international economic integration, such as WTO accession in 2007 and the global financial crisis in 2008.

### 2.1. The supply in the labor market

Main factors affecting the labor supply includes: the scale and speed of population growth; legal regulations on the working age; proportion of the working age

TABLE 2. Demographics of Vietnam by age (1979–2007) Unit: %

TABELA 2. Populacja Wietnamu wg wieku w latach 1979-2007 (w proc.)

Age group	1979	1989	1999	2007
0–4	14,62	14,0	9,52	7,49
5–9	14,58	13,3	12,00	7,84
10–14	13,35	11,7	11,96	10,18
15–19	11,40	10,5	10,77	10,71
20–24	9,26	9,5	8,86	8,69
25–29	7,05	8,8	8,48	7,66
30–34	4,72	7,3	7,86	7,71
35–39	4,04	5,1	7,27	7,66
40–44	3,80	3,4	5,91	7,51
45–49	4,00	3,1	4,07	6,44
50–54	3,27	2,9	2,80	5,23
55–59	2,95	3,0	2,36	3,43
60–64	2,28	2,4	2,31	2,27
65–69	1,90	1,9	2,20	7,18
70–74	1,34	1,2	1,58	
75–79	0,90	0,8	1,09	
80–84	0,38	0,4	0,55	
85+	0,16	0,3	0,38	
Total	100,0	100,0	100,0	100,0

Source: *Vietnam Population Census: 1979, 1989, 1999, Survey of Fluctuation of Population – Family Planning 2007*, In Nguyen Dinh Cu, 2008: What is new in the population structure of Vietnam? *Communist Review*, No.24.

population; the rate of the labor force participating in the labor market; natural situation of workers; the educational qualification, professional qualification, skills, and some other indicators. Below, we will consider the supply factor on the labor market in Vietnam.

– *Population and age structure of the population affecting the labor force*

Under the provisions of the Labor Law, in Vietnam, working age is from 15 to 60 years old for men and from 15 to 55 years old for women.

Population growth rate as well as change of population structure by age is the main factor that influences the labor supply of the labor market. According to figures on the table 3, the population growth rate of Vietnam was gradually reduced by 1.7% from the 1980s to 1.37% in the 1990s and 1.16% in the period from 2000 to 2007. However, by considering the absolute number, the population increased rapidly, 64.375 millions in 1989, 76.325 millions in 1999 and up to 85.155 millions in 2007 [Nguyen Dinh Cu, 2008]. Results of the 2009 housing and population census show that Vietnam is the 3rd most populous country in Asia and the 13th in the world. Up to April 1, 2009, the population of Vietnam is 85,789,573, an increase of 9.47 millions people in comparison with that in 1999 (with the pure error of 0.3%). The annual population growth rate in the period 1999–2009 is 1.2% per year, decreasing 0.5% per year in comparison with the past 10 years and the lowest growth rate within 50 years<sup>2</sup> (2009 Population Census).

TABLE 3. Vietnam's population, 2007 to 2012, Unit: in thousand

TABELA 3. Populacja Wietnamu w latach 2007–2012 (w tys.)

	2007	2009	2010	2011	2012
<b><i>I. Population– thousd.Person</i></b>	<b>84,219</b>	<b>86,025</b>	<b>86,933</b>	<b>87,840</b>	<b>88,776</b>
Male	41,448	42,523	42,986	43,445	43,918
Female	42,771	43,502	43,947	44,395	44,858
The increase rate of P (%)	1.09	1.06	1.05	1.04	1.06
<b><i>Population (15+)</i></b>	<b>63,178</b>	<b>64,436</b>	<b>65,711</b>	<b>67,121</b>	<b>68,195</b>
Male	30,411	31,233	31,873	32,630	33,132
Female	32,767	33,203	33,838	34,491	35,063
<b><i>Population by sex (%)</i></b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
Male	51	51.3	51.4	51.5	51.4
Female	49	48.7	48.6	48.5	48.6
<b><i>Population by resident (%)</i></b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
Urban population	26	28	28	30	30
Rural population	74	72	72	70	70

Source: General Statistics Office, 2013.

In terms of the rate of working age population growth (from 15–59), it is greater than the population growth rate, the 2.49% on average in the 1980s, 2.71% in the 1990s and 1.18% in the early 21st century. The proportion of the working-age population also increased rapidly from 54% in 1989 to 58.41% in 1999 and to 71.23% in 2011, but decreased to 66% in 2012. Regarding the absolute quantity, the working-age people increased from 34.76 millions in 1989 to 44.58 millions in 1999 and to 55.38 millions in 2007. On average, more than 1.3 millions people join in the labor force annually.

<sup>2</sup> 2009 Population Census, <http://vneconomy.vn/20090813080916457P5C11/dan-so-viet-nam-dat-gan-86-trieu-nguoi.htm> (13/8/2009).

TABLE 4. Vietnam's population by age groups reflecting the ability to work

TABELA 4. Populacja Wietnamu wg grup wiekowych – osoby w wieku produkcyjnym

Year	Proportion of each age group in the population (%)			Total
	0–14	15–59	60+	
1979	42,55	50,49	6,96	100
1989	39,00	54,00	7,00	100
1999	33,48	58,41	8,11	100
2007	25,51	65,04	9,45	100
2011	23,57	71,23	5,20	100
2012	23,90	66,00	10,10	100

Source: General Statistics Office 2000: 2013.

A survey by VCCI and ILO in June 2009, conducted in five main industries: printing, aquatic product processing and export, textiles, electronics and tourism, shows that 3.5% of the labor force aged from 16 to 18 and 39% of that aged 19–25<sup>3</sup> (Nguyen Thiem, 2009). Therefore, such a large part of the workforce today is very young.

The rapid increase of the working-age population facilitates the labor supply on the one hand, but it brings pressure on labor demand and the requirement of creating jobs for people on the other hand. According to the Youth Development Strategy in 2010, the biggest challenge for youth is job seeking. Millions of urban youth are unemployed and the rural youth consume less than 75% of their time to work. Only 15% of youth workers have been vocationally trained and very few workers have professional skills.

### Qualification and skills of the labor:

In terms of education, in the early 21st century, the literacy rate in the total labor force in Vietnam is relatively high compared with that in many countries in the world, which have similar per capital income, and tends to increase.

TABLE 5. Qualification of Vietnam labor force in period of 2007 – 2012 Unit: %

TABELA 5. Kwalifikacje wietnamskiej siły roboczej w okresie 2007-2012 (w proc.)

	2007	2009	2010	2011	2012
	100	100	100	100	100
No vocational training	82.3	82.4	85.3	84.4	83.4
Primary and Secondary vocational training	5.3	6.3	3.8	4.0	4.7
Upper Secondary vocational training	5.6	4.4	3.5	3.7	3.6
College	1.9	1.7	1.7	1.8	1.9
University	4.9	5.2	5.7	6.1	6.4

Source: General Statistics Office, 2013.

However, labors without vocational training account very high proportion in the labor force. The statistics show that there is an increasing trend in that type of labors, from 82.3% in 2007 to 83.4% in 2012.

Otherwise, the structure of the labor force showed the shortcoming of 'redundancy of manager and shortage of technical workers'. It means that the proportion of technical

<sup>3</sup> Nguyen Thiem, Paradox in the Vietnam labor market, <http://antg.cand.com.vn/News/PrintView.aspx?ID=69872>

workers was not equal to that of workers who have college and university degree (the suitable rate in developed countries between university, college, vocational high school and technical worker is 1/4/10 while in Vietnam in 2004 is only 1/0,91/2,77)<sup>4</sup>.

However, considering in the difference between the urban and rural area, the proportion of untrained workers in the rural was 1.8 time higher than that in the urban (in 2007, 40.42% versus 73.33%), while the proportion of college and university in the rural was 6 times lower than that in the urban (2.575 versus 17.52%).

## 2.2. Labor demand in the labor market

Labor demand is the demand for labor power of a country, a local, an industry or an enterprise in a certain period of time. This demand is expressed via the ability to employ labor on the labor market. Regarding the quantity, in the case of invariable labor productivity, demand of labor is in direct ratio to the scale and speed of production. If the scale of production does not change, demand of labor will be inverse ratio to labor productivity. Regarding the quality of labor, to improve labor productivity or to expand scale, capital, knowledge in an enterprise, it is increasingly required to improve the quality of labor. In particular, the most important indicators that show quality of labor are professional qualifications, the relevance of vocational training with the work assigned, labor discipline, etc.

Because Vietnam has not had specific statistics on this sector, the assessment of the demand of labor market is primarily based on the number of annually new workers and the unemployment rate.

Economic growth is always an important motivation to the demand in the labor market. In general, together with Vietnam's quite high GDP growth in the early years of 21st century, 7.2% on average, the actual labor demand has also been increasing continuously since the year 2000 to present. Along with the shift of economic structure towards industrialization and modernization, the labor demand is also gradually improved.

*Firstly*, under the mechanism of market economy, the proportion of labor in the private and foreign invested sectors is increasing gradually.

Regarding each sector of the economy, the state-owned sector employed 3.501 millions people in 2000, increased slowly, 4.038 millions in 2005, 3.985 millions in 2007, and, 5.336 millions in 2012. In the meanwhile, the number of workers in the non-state economic sector (self-employed, household and private enterprises) was 33.735 millions in 2000, 37.355 millions in 2005, 38.057 millions in 2007, and, 44.240,8 millions in 2012<sup>5</sup>.

The increase in quality and quantity of labor in the private sector is higher than that in the state owned one. Regarding the foreign invested sector, this accounts for a low proportion in the economy but it had the highest growth in job creation. In

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<sup>4</sup> Nguyen Thi Thom, 2006, page 54, 2006

<sup>5</sup> Table 8, Labor working at the date of July 1 classified by economic sectors - Statistical Handbook 2008 - and Labour and Employment Report 2012.

2000, 373.7 thousands people worked in the FDI sector but in 2005, it tripled, up to 1132.8 thousands people. It employed 1561 thousands in 2007 and up to 1700.4 thousands people in 2012 [GSO 2008, 2013].

*Secondly*, under the industrialization and modernization and international integration, there has been shift in labor structure from agriculture sector to industry and service ones, in which the latter has been increasing.

In the period before *doimoi*, Vietnam had its low and backward economy with its over 80% of the population working in the agriculture sector and rural area. At the dawn of the 21st century, there was a quick change in the economic structure in general and the sectoral structure of labor market in particular. In 2000, the agriculture sector (agro-forestry-fishery) accounted to 65.09%; the industry sector (mining, construction, electricity, gas and water) 13.01%; service sector (trade, hotel and tourism, transport, store, finance and credit) 17%. Agriculture sector accounted to 52.9% in 2007 and 47.4% in 2012; service sector accounted for 28.1% in 2007 and 31.4% in 2012 [GSO 2013].

In brief, the proportion of labor quantity among agriculture, industry and service sector showed that there was a shift of the labor market towards the industrialization and modernization although this process was still slow.

*Thirdly*, there has been shift of labor that boosts the urbanization process:

Regarding the labor rate between the urban and rural area, people living in the urban accounts for 24.12% in 2000, 28.20% in 2007 and 31.75% in 2011. In the meanwhile, people living in the rural accounts for 75.88% in 2000, 71.80% in 2007 and 68.25% in 2011 [GSO 2012].

*Lastly*, wage of workers have been increased to cope with the inflation:

The state of Vietnam is using the minimum wage as the main tool to regulate the price as well as the supply and demand of labor in the labor market.

Since 2000, the minimum wage has been adjusted from 240,000 Dong in 2001 to 540,000 Dong in 2008 and up to 1,900,000 Dong/month in 2014 (Zone 4, least developed zone). Moreover, there are many decrees issued by the government to regulate the minimum wage in the foreign invested, state-owned and non-state sectors.

### **3. IMPACTS OF WTO ACCESSION ON THE LABOR MARKET**

Accessing WTO means that Vietnam has deeply integrated into the world economy and the openness of its economy has been larger, with the import-export turnover equivalent to 170% of the GDP. Before and in the WTO accession process, Vietnam had been conducting many reforms and commitments in order to improve its business environment; implementing the market mechanism; and liberalizing trade in every sector. These are also the opportunities to create stable jobs for workers, enhance the quality of work and create more jobs in new sectors, especially in the foreign invested sector, service sector, medium and small enterprises, etc. Statistics in 2007 and 2008 above showed clearly this point.

– *Regarding the structure of the labor market:*

The WTO accession led to the labor shift among agriculture, industry and service sector, which promoted the strong development of service and industry sector, which

are based on new technologies. This movement led to the strong shift of labor, from the rural to the urban and created favorable conditions for the shift of labor towards higher productivity sectors. Besides, the elimination of tariff barriers will lead to the decrease in heavy industries or sectors, which are usually capital intensive and subsidized. Whereas, the number of labor intensive and export-oriented sector will increase and, therefore, they will enhance the national competitiveness.

– *Regarding unemployment rate and employment:*

After joining WTO, FDI in Vietnam has sharply increased, contributing to creating jobs for the labor market. It is estimated that in 2007 and 2008, there were a half of million new workers in the foreign invested sector.

The unemployment rate in the urban area (at July 1st) decreased from 5.31% in 2005 to 4.64% in 2007. It continued to decrease to reach 3.60 in 2011, in spite of the global financial crisis in 2008 [GSO 2012].

– *Regarding wage and income:*

Generally, after two years of WTO accession, workers' wage and income in all types of enterprises have been stable and increased. According to statistics of GSO and the report of Ministries, local agencies, the average wage in 2007 increased 13.5% in comparison to that in 2006 and it was 2,525,000 Dong per month in 2008, increased by 13% comparing with that in 2007<sup>6</sup>. [New Hanoi online, 2008].

In conclusion, labor market has been positively influenced by the international economic integration, specifically the WTO accession. More jobs were created; the unemployment rate decreased; the restructure was promoted toward the modernization, including increasing the proportion of workers in industry and services and decreasing that in agriculture, which leads to the increase in productivity and workers' income.

#### **4. IMPACTS OF FINANCIAL CRISIS ON THE LABOR MARKET**

The global financial crisis officially began in the United States of America in August, 2008 when one of the biggest real estate mortgage organizations of America applied for bankruptcy. After that there was a reaction chain causing the collapse of banks, credit funds, securities market, etc not only in America but also in the world. The financial crisis did influence negatively every sector in each country. The crisis weakened trade and investment and increased poverty and unemployment in all over the world.

On the global level, a number of impacts of the financial crisis include:

- Developed economies declined by 7.5% GDP at the 4th quarter of 2008 and continued downward with the same speed at the first quarter of 2009.

At the beginning of second quarter of 2009, IMF forecasted that the growth in 2009 will be more negative than it used to be forecasted at the beginning of the year. Three economic powers of the world namely: the US will decrease by 2.8%, the Euro zone by 4.2% and Japan by 6.2%.

<sup>6</sup> New Hanoi online (Hà Nội mới), 2008, The poverty line will be adjusted in accordance with Consumed Price Index, at <http://www.hanoimoi.com.vn/vn141/182525/>



- The financial crisis has led to the global trade decrease by 10% this year. IMF has also called for the globally closer operation to stabilize finance in current conditions and especially to resist the protectionism, which has been emerging recently.
- The global FDI declined from 1.5 thousand billion dollars in 2007 to below one thousand billion dollars in 2008 and about five hundred billion dollars in 2009.
- The financial crisis increased the unemployment allover the world, which will reach the top in 2010 with the forecast of 9.2% for developed economies, of which the rate in the US will be 10.1% and that in the EU will be 11.5%<sup>7</sup>.

The Vietnamese economy has a rather opening level with the turnover of export and import on GDP of more than 170%, therefore the decline in global trade has caused negative effects on the country's economic growth. Especially, the difficulties in the main improters of Vietnamese exportproducts, such asthe US, EU and Japan (account for 50% of trade turnover) will decline the motivation of growth.

– *Firstly, export sharply decreased:*

Foreign trade in the first six months of the year continued to decline in comparison with the same period of last year, in which export is forecasted to gain 27,57 billion dollars, decreased by 10.1% over the same period of last year. However, it is clear to see the tendency of decline in export value in recent months<sup>8</sup>.

– *Secondly, foreign investment significantly declined:*

In the situation of the seriously global recession, FDI flow into Vietnam in the first six months has reached 8.87 billion dollars, declined 22.6%, incomparison with 31.6 billion dollars in 2008. FDI flow is declining all over the world, causing difficulties for Vietnam to attract and disburse the invested capital. In the meantime, the indirect investment capital flow nearly run outand the cash transfer by Vietnamese working overseaswill certainly gone down.

– *Thirdly, unemployment was not affected:*

The official statistics show that the unemployment in the labor force is not affected by the global financial crisis, despite the fact that foreign investment and

TABLE 6. Unemployment rate of labor force of working age in urban area by region

TABELA 6. Poziom bezrobocia wśród osób w wieku produkcyjnym na terenach miejskich (podział wg regionów)

%	2007	2008	2009	2010	2011	2012
Whole country	4.64	4.65	4.60	4.29	3.60	3.21
Red River Delta	5.74	5.35	4.59	4.73	3.41	3.49
Northern midlands and mountain areas	3.85	4.17	3.90	3.42	2.62	2.25
North Central area and Central coastal area	4.95	4.77	5.54	5.01	3.96	3.91
Central Highlands	2.11	2.51	3.05	3.37	1.95	1.89
South East	4.83	4.89	4.54	4.72	4.13	3.24
Mekong River Delta	4.03	4.12	4.54	4.08	3.37	2.87

Source: General Statistics Office, 2013.

<sup>7</sup> World Economy Outlook, April 2009, www.imf.org

<sup>8</sup> <http://vneconomy.vn/20090618081649653P0C10/kim-ngach-xuat-nhap-khau-6-thang-dau-nam-deu-giam-manh.htm>

economic growth declined. The unemployment rate just slightly increased in 2008 to 4.65%, from 4.64% in 2007. The unemployment rate then continuously declined to reach 3.21 in 2012.

## 5. ASEAN INTEGRATION AND THE LABOR MARKET OF VIETNAM

Vietnam joined the Association of Southeast Asian Nations (ASEAN) in 1995, since then Vietnam has been an active member and has contributed significantly to the integration process of the Association. Following the integration model of the European Union, but still at ‘primary’ level comparing to the EU, ASEAN is gradually integrating its economy, through the foundation of AFTA (ASEAN Free Trade Area), with the ambition of creating a free market with free movement of goods, capital, labor and services. The mainstream forums have mentioned widely ASEAN as a ASEAN Economic Community (AEC), in terms of the economy. Currently, most of ASEAN countries exempt visa for citizens of members (duration of 21 days). However, the movement of labor inside the region is still very low, despite the fact that it is increasing. The positive impact of ASEAN integration for the labor market in the region is the intra-ASEAN investment, i.e. investment among members, that contributes to the creation of job for the region.

TABLE 7. 5 Key investors to ASEAN

Tabela 7. 5 kluczowych inwestorów w ASEAN

Rank	2001		2002		2003		2004		2005	
	Country	Value	Country	Value	Country	Value	Country	Value	Country	Value
1	EU	7,671.39	Japan	4,424.03	EU	6,866.09	EU	11,609.53	EU	11,289.70
2	USA	4,653.30	EU	4,144.74	Japan	3,902.97	Japan	5,767.37	Japan	6,644.74
3	ASEAN	2,547.59	ASEAN	3,815.39	ASEAN	2,711.60	USA	4,547.62	ASEAN	4,060.13
4	Japan	2,353.50	USA	675.47	USA	1,363.04	ASEAN	2,963.03	USA	3,216.46
5	China	147.66	Canada	185.68	Korea	551.93	Canada	859.91	Canada	740.71

Rank	2001		2002		2003		2004		2005	
	Country	Value	Country	Value	Country	Value	Country	Value	Country	Value
1	EU	13,386.74	EU	18,611.02	ASEAN	9,449.28	EU	9,112.92	EU	16,984.12
2	Japan	10,412.89	ASEAN	9,625.52	EU	7,010.10	ASEAN	5,222.46	ASEAN	12,107.54
3	ASEAN	7,875.84	Japan	8,843.93	USA	3,517.53	USA	4,086.75	USA	8,578.15
4	USA	3,040.82	USA	8,339.90	China	1,873.95	China	3,925.62	Japan	8,386.11
5	Korea	1,256.16	Korea	2,714.12	Korea	1,595.71	Japan	3,762.63	Korea	3,769.44

Source: ASEAN FDI database 2011 in Irawan, (2012).

The table above shows that in 10 years, from 2000 to 2010, intra-investment in ASEAN increased continuously, except a sharp decline in 2009 due to the global financial crisis. Taken into account Vietnam only, the investment from ASEAN into Vietnam plays a very important role in boosting the economic growth and creating job in the country. In many years, ASEAN has always been a top investor in Vietnam. The key members investing in Vietnam are Thailand, Malaysia, Singapore. In the

first 2 months in 2014, Singapore, a ASEAN member, ranked the second among the 29 top investors in Vietnam, with the value of investment of 264.55 million USD, account for 17.2%.

Because the ASEAN countries have not opened their border for labor moving freely in the region, so very few workers can move from one country to another one to work, like in the European Union. However, this may change in the coming years, when ASEAN constructs the ASEAN Community successfully, with the formation of a free trade area. Furthermore, the building of a network of ASEAN highway will also facilitate the movement of people, as tourists at first and labor afterwards.

As mentioned above, Vietnam, with a population of 90-million at November 1st 2013, has been facing many challenges since the global financial crisis in 2008. As a result, the FDI capital has reduced and the number of bankruptcy or dissolution of enterprises has been much more significant than that of newly registered enterprises between 2008 and 2012. There was currently more than 1.2 to 1.6 million new workers joining the labor market every year; therefore the Government of Vietnam should prioritize to promote labor export to high labor demanding regions and countries. In recent years, traditional destinations for Vietnamese workers has included Japan, Taiwan, Saudi Arabia, South Korea, Malaysia and some other countries, which signed bilateral agreements on labor cooperation with Vietnam.

In the ASEAN market, Malaysia is a remarkable labor export market of Vietnam. According to the Overseas Labor Management Agency (MOLISA), Vietnam began sending workers to Malaysia in 2002. Since then, this figure has been increasing to hundred thousands of workers. Notably, it is sometimes pointed out that around 130,000 Vietnamese workers have gone to Malaysia to work. In fact, the number of Vietnamese workers in Malaysia is around 65,000 people and over 12,000 being illegal residents. Their jobs may consist of manufacturing in electronics enterprises, furniture, garment, product packaging or working in service industries such as restaurants, cooking, sales. In addition, only a small number of Vietnamese workers works in agriculture and helps housework for Malaysian families. In the future, the Government of Vietnam will continue to expand the labor market to Australia, Canada, Bahrain, Angola, Thailand. By contrast, the huge amount of FDI from large ASEAN enterprises has being invested into various economic sectors in Vietnam; therefore, many experts and highly qualified employees also hired by FDI investors and then worked for these enterprises.

However, together with potential socio-economic development and deeper integration into the ASEAN Economic Community by 2015, Vietnam has confronted greater challenges of free movement of workers within ASEAN. After to establish the ASEAN Economic Community, the member groups in general and Vietnam in particular will have to face the qualified labor movement, according to the Mutual Recognition Arrangements (MRAs) in engineering, nursing, architecture, surveying, medical, dental practice, accountancy and tourism. The agreement on labor migration within ASEAN framework has

created significant challenges for the training and labor market in Vietnam because it is necessary to require high competitive and skilled labors on the labor market in ASEAN. However, Vietnamese labors mainly work in some low-skilled fields such as housemaid, construction, industrial assembly, electricity and agriculture.

In order to achieve the target of skilled labor movement between ASEAN member countries, the labor export of Vietnam has partly created jobs for the people in recent times. Because of low and simple skills, labor market in Vietnam and Vietnamese workers have met many challenges when integrating deeply into ASEAN. Thereby Vietnam should continue to implement employment strategies, training in skills and workmanship so as to improving competitiveness and participation in regional labor market when the ASEAN Community is formed officially as well as workers can meet the demands of FDI enterprises in Vietnam.

Obviously, the construction of a three pillar-based ASEAN Community of which the closely economic connection is specially emphasized: *Create a single market and production base which is stable, prosperous, highly competitive and economically integrated with effective facilitation for trade and investment in which there is free flow of goods, services and investment, facilitated movement of business person, professionals, talents and labor, and freer flows of capital* (ASEAN Charter). It also aims to free flow of factors such as goods and services, investments, capitals in order to achieve comprehensively economic development, reduce poverty and eco-social disparity between member countries.

However, the data table below shows that the labor migration between member countries is too small in the total labor force of the ASEAN countries. On another hand, the commitment to open markets in the ASEAN Economic Community for skilled labor is likely to be a challenge for all member countries. Therefore, the following ASEAN roadmap need to be formulated when the ASEAN Community is definitely valid and enforceable.

TABLE 8. ASEAN Labor Migration in 2010, Unit: 1000 people

TABELA 8. Migracje siły roboczej w ASEAN w 2010 (w tys.)

Country	Population	Labor Force	Outward Migration	Inward Migration	Net Migration Flow	
Singapore	5184	2632	297	1967	1670	Net Import
Malaysia	28251	12250	1481	2358	876	
Thailand	63878	38977	811	1157	346	
Brunei	414	202	24	148	124	
Cambodia	14953	8050	350	336	(15)	Net Export
Laos	6437	3179	367	19	(348)	
Myanmar	61187	27337	515	98	(417)	
Indonesia	237641	117578	2504	397	(2107)	
Vietnam	88257	47936	2226	69	(2157)	
Philippines	94010	39639	4276	435	(3840)	
<b>ASEAN</b>	<b>600212</b>	<b>297780</b>	<b>10626</b>	<b>6915</b>	<b>(3710)</b>	

Sours: Capannelli Govani, 2013: *Key Issue Labor Mobility in ASEAN*.

TABLE 9. Intra- ASEAN Migration Data in 2010

TABELA 9. Migracje w obrębie ASEAN w 2010

Country	Intra-ASEAN			Total Migration			Share of Intra-ASEAN to Total Migration (%)	
	Outward Migration	Inward Migration	Ratio of outbound/inbound	Outward Migration	Inward Migration	Ratio of outbound/inbound	Outward Migration	Inward Migration
Brunei	9.313	120.578	0,08	24.343	148.123	0,16	38,26	81,40
Cambodia	53.722	320.578	0,17	350.478	335.829	1,04	15,33	95,46
Indonesia	1.518.687	158.485	9,58	2.504.297	397.124	6,31	60,64	39,91
Laos	82.788	10.134	8,17	366.663	18.916	19,38	22,58	53,58
Malaysia	1.195.566	1.882.987	0,63	1.481.202	2.357.603	0,63	80,72	79,87
Myanmar	321.100	814	394,47	514.667	98.008	5,25	62,39	0,83
Philippines	335.407	9.096	36,87	4.275.612	435.423	9,82	7,84	2,09
Singapore	122.254	1.162.960	0,11	297.234	1.966.865	0,15	41,13	59,13
Thailand	262.721	448.218	0,59	811.123	1.157.263	0,70	32,39	38,73
Vietnam	221.956	21.511	10,32	2.226.401	69.301	32,12	9,97	31,04
<b>Total</b>	<b>4.123.515</b>	<b>4.135.357</b>	<b>1,00</b>	<b>12.852.027</b>	<b>6.984.461</b>	<b>1,84</b>	<b>32,08</b>	<b>59,21</b>

Sours: Pasadilla, Glodia O., 2011: *Social Security and Labor Migration in ASEAN*.

## CONCLUSIONS

In spite of preliminary achievements, the labor market in Vietnam has still been facing difficulties, in which the most challenges required urgent and long-term solutions are the imbalance between the labor supply and demand and the lack of trained and skillful workers. Unemployment is very popular, especially in the rural area (the rate of using working time in the rural area is just around 70%). It is also necessary to taken into account a number of workers, who are working their undesired jobs, i.e not suitable with what they have been trained, and therefore, they cannot use up their profession to increase the productivity.

Currently, 1.3 million people enter the labor market every year and this causes more pressure on the unemployment. In the situation of global financial crisis, the decline of labor export together with workers returning from abroad make the issue of unemployment more serious.

While the labor supply has been sharply increasing, the labor demand does not meet the supply, in terms of quantity. In contrast, demand of professional and skillful workers is increasing but the supply cannot meet. This is one of the most paradoxes or shortcomings of Vietnam's labor market: redundancy in quantity but shortage in quality, expressed by a term 'redundancy in teachers but shortage in technical workers'.

Moreover, the market also lacks of a number of tools such as an information system of labor demand, work tendency, available position, wage level, requirement of knowledge, skills, etc. These are very necessary not only for policy makers but also for workers, who are finding their jobs, schools and vocational training centers, pupils, students and employers. Although some employment services have had efforts in collecting, solving and updating information about labor demand for applicants, these information are still partial, non-standardized, unsystematized and therefore it is not easy to diffuse to different target groups and difficult to synthesize for the use at the national level.

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## WIETNAMSKI RYNEK PRACY W KONTEKŚCIE INTEGRACJI MIĘDZYNARODOWEJ

**Streszczenie:** Niniejszy raport stanowi prezentację i analizę dynamiki rynku pracy w Wietnamie w pierwszych latach XXI w., czasach wzmocnienia integracji gospodarczej Wietnamu z regionem i resztą świata. Znaczące sukcesy w tej dziedzinie przyniosła odnowa Wietnamu, czyli *Doi Moi*, zapoczątkowany w 1986 r. szereg reform gospodarczych – przejście od gospodarki centralnie planowanej do rynkowej. W kraju ukształtowały się rynki usług, produktów, pieniądza, nieruchomości, technologii i nauki. Również na rynku pracy widać pozytywne skutki innowacyjnych działań zorientowanych na rozwój rynków – od wzrostu świadomości aż po kształtowanie systemu prawnego, wdrażania polityk i rozwiązań praktycznych. Pod koniec XX w. opracowano i rozwinięto rynek pracy w oparciu o reformatorską politykę Partii oraz Rządu, mającą na celu budowę gospodarki wielosektorowej, działającej na zasadach rynkowych i współbrzmiejącej z socjalistycznym zarządzaniem krajem. *Doi Moi* oznacza także otwarcie gospodarki na współpracę w regionie i z pozostałymi krajami świata – wprowadzono rozwiązania przyjazne zagranicznym inwestorom. Inwestycje zagraniczne są ważnym elementem rozbudowy rynku pracy w Wietnamie, gdzie da się dostrzec znaczące migracje, zwłaszcza ludzi młodych, z terenów wiejskich do miejskich – szczególnie do stref przemysłowych w uprzemysłowionych prowincjach na północy i południu kraju.

**Słowa kluczowe:** rynek pracy, odnowa Wietnamu, gospodarka centralnie planowana, gospodarka rynkowa, otwarcie gospodarki, integracja międzynarodowa