Training and Labour Needs of Young Workers in Vietnamese Organisations

Abstract

**Purpose** – The purpose of this paper is to report on findings from a survey of Vietnamese employers in 2008 highlighting key trends in training and future labour needs.

**Methodology/approach** – This paper uses data collected from a survey of Vietnamese employers during 2008. The survey was designed by the authors and the fieldwork undertaken by representatives of the Vietnamese Chamber of Commerce (VCCI) with support from the International Labour Organisation (ILO).

**Findings** – The survey shows that Vietnamese Organisations understand the importance of training for their young workers but require more support from Government and the VCCI to ensure effective training.

**Practical Implications** – The paper contains a number of practical implications for Vietnamese employers and the Vietnam Chamber of Commerce and Industry (VCCI)

**Originality/value** – Despite some opening of trade between Vietnam and the West, relatively little is still known about work, employment and training in Vietnam and there are few opportunities to undertake research of this nature. The main contribution of this paper is to report on current training practices and labour needs in Vietnam.

**Keywords** – Vietnam, training, future labour needs, training of young workers

**Paper type** – Research Paper

Introduction

Despite a considerable opening up to the West, an increase in international trade, and the economic reform that the Vietnamese government refer to as *Đoàn Mới* or renovation (Ying 2002, p.11), a great deal remains unknown about work, employment and training in Vietnam. Research findings, although appearing more frequently in journals (see Ying 2002; Jenkins 2004; Truong and Truong 2007; Thang and Quang 2007; and Clarke *et al* 2007) remain fairly limited. In addition there are still are few official opportunities for academics and researchers from outside of Vietnam to undertake detailed research on training and employment given the complexities of language, access and the intertwining of employers, trade unions, employer groups and the Vietnamese Communist Party. However, towards the end of 2007 the International Labour Organisation (ILO) and the Vietnam Chamber of Commerce and Industry (VCCI) approached the authors regarding the possibility of undertaking a survey of Vietnamese employers to, initially, examine their experiences of recruiting young workers. This was against a backdrop of a youth unemployment rate of 14% and an expected additional 1.2 million young people entering the labour market year on year. The VCCI suggested that young people will “account for 7 million of the estimated demand for 8 million jobs during the period 2006-2010” (VCCI/ILO 2007, p.5). Given the possibilities
such access to Vietnamese employers a survey represented, the final project specification was expanded to include:

- Employers’ views of graduates of schools and other education and training institutions, measures taken by their enterprises to remedy their weaknesses and what measures should be taken to ensure that such weaknesses are not continued in future graduates;
- The present skilled manpower situation in their enterprises, where shortages of skilled workers exist, the severity of shortages and measures taken by the enterprise to solve the shortages; and
- The future skilled manpower needs over the next 5 years and measures to ensure such needs can be met.

Given the size and scope of the project it would be difficult to report all of the findings in one paper. As such, in this paper we intend to focus on the final two research aims and reflect on current situation with regards training, skills shortages and training in Vietnam. This paper is structured as follows. First, we provide a brief overview of the key debates from the available literature on work, employment and training in Vietnam. The paper then considers the findings relating to the training and use of labour by the employers. In doing so we reflect on what employers consider being effective training methods. In the third section we outline the employers’ responses relating to future labour needs, the demand for labour, skills and skill shortages and the role of the VCCI in supporting employers in these areas. In presenting the findings, we have used a combination of quantitative and qualitative data and, where possible we have reported key differences in results by the sector of the employer organisation, the number of employees in that organisation and the ownership of the organisation. Finally, we conclude by highlighting the key issues we have addressed and offer three broad areas that the VCCI and Government need to pay attention to in the coming years – 1. Funding for training, 2. Identifying skills needs in the economy, 3. A review of current employment legislation.

**Economy and Employment in Vietnam: Issues from the Literature**

“The economic landscape in Vietnam has been changing rapidly in the last two decades as the country embraces the process of transformation from a centrally planned system into a market-oriented economy. The number of state-owned companies had been reduced
from 12,000 in 1990 to 5,300 in 1999, while the number of private enterprises had increased to 75,000 by the end of 2003.” (Truong and Truong 2007, p.114)

Despite an average economic growth of 7.2% per year over the last decade, a growth of GDP by 8.2% in 2006 and an overall rate of growth second only to China (Han 2008, p.30), youth unemployment rates remain high. This view is supported in Vietnam’s Youth Development Strategy, which highlights the fact that youth in Vietnam accounts for 35.96% of the population and 55.5% of the labour force. (Phan Van Khai (undated), p.2). The high rate of youth unemployment has led to a National Programme of Action on Youth Employment (NPAYE) being established in Vietnam with the specific aims of implementing the government’s youth development strategy during the period 2006 – 2010. However, the International Labour Organisation have identified that more needs to be done to implement NPAYE – specifically the development of “a closer link between the education and training provided and the needs of industry and that the transition from school to the world of work is better facilitated” (VCCI/ILO 2007, p.5), and the provision of “employability skills to youth workers, promoting youth entrepreneurship and assisting young entrepreneurs and their fledgling enterprises to succeed through business mentoring and “clinics” programmes which promote youth employment” (VCCI/ILO 2007, p.5). Given the significance of the issue of youth employment and the Vietnamese government’s response to this issue, a survey of employers is very timely in that it will provide significant insight into the problem ‘on the ground’ and in turn may help shape both regional and national policy towards current and future youth employment.

The introduction of Doi Moi (renovation policy) saw the ideas of a market economy being introduced to Vietnam whilst retaining many elements of state control. As part of Doi Moi an ‘open door’ (Thang and Quang 2007) policy was pursued to attempt to increase the amount of Foreign Direct Investment (FDI) coming into the national economy and this saw an increase in the number of non-state owned enterprises and this survey has managed to capture the opinions of around 35 foreign owned enterprises in Vietnam. The 1987 FDI Law of Vietnam provided a legal basis for the introduction of foreign ownership in the Vietnamese economy and the amount of FDI in Vietnam has risen from almost zero in 1987
to US$3.2bn in 1997 and, after a drop associated with the Asian Financial Crisis, to a little under US$6bn by 2005 (Thang and Quang 2007).

The education and training systems in Vietnam have suffered from poor reputations and staff to student ratios in classrooms have generally been higher than the Asian average (GOS 2005), the Ministry for Education and Training went as far as describing the educational system as ‘backward and obsolete’ (MOET 2001). Quang and Dung (1998) found that while HR departments did in some cases claim a responsibility for co-ordinating training programmes in their organisations the reality was that most training was carried out on-the-job by direct line managers and little formal training was offered to new employees. In an attempt to address this, the Government increased the proportion of its budget spent on education from 8% in 1990 to 15% in 2000. The numbers of young people in higher education (1.4 million) and vocational training (half a million) are not insignificant (Thang and Quang 2007) and The Government has launched HR schemes (with US$ 20.7 million of funds between 2004 – 2011) aimed at increasing the skills level of its graduates, particularly in the areas of management, business and technology to try and bridge the perceived skills gaps (Gross and Weintraub 2005). Nonetheless in their 2007 International Briefing Thang and Quang (2007) found that the Vietnamese labour supply “remains relatively abundant and inexpensive but many companies are faced with a chronic shortage of skilled workers” (page 144). With the money that has been spent since the Quang and Dung (1998) study and the MOET (2001) report this survey comes at a useful time to test the impact of that spending.

Methods and Survey Background

To explore the issues outlined above it was agreed that a survey-based methodology would be an appropriate research design. The survey instrument was designed by the authors in collaboration with the VCCI and the ILO during the Spring of 2008. The research instrument combined forced choice questions (such as Likert style and ranking questions) with a number of open-ended questions designed to elicit the actual views of the employers. The design of the research instrument was influenced by a number of key factors. First, it
was felt that using a majority of forced choice questions would be appropriate given that the questionnaire had to be translated into Vietnamese and therefore reduced the risk of misunderstanding or incorrect interpretation of the questions. Second, the research instrument was kept relatively short to try and ensure an adequate response rate. Third, the Leicester research team incorporated feedback from the VCCI, on an initial draft of the research instrument, to ensure that the VCCI were happy that the research instrument addressed their key research concerns and that the instrument was ‘fit for purpose’ within the context of researching within the Vietnamese economy.

In total 5,850 questionnaires, 2,850 from Hanoi and 3,000 from Ho Chi Min City, were distributed by VCCI including over 500 distributed by email. The research instruments were distributed in two patches with 5,300 being sent out in June 2008 and a further 550 in late July 2008. By the middle of August 2008, 252 answered questionnaires were returned completed to VCCI. As a result of the cleaning work 243 questionnaires, broken down as 149 from Ho Chi Min City and 94 from Hanoi, were selected for coding data entry. This provides response rate of around 4.3 per cent, which although lower than the 10 per cent anticipated, provides good amount of usable survey data.

To add context to this paper it is also important to highlight a number of key characteristics that typify the respondents (and responding organisations) to this survey. Almost two-thirds of respondents represented privately owned companies in the Vietnamese economy with a little under a fifth being state owned and less than 15 % being the recipients of foreign direct investment (FDI). The sample was dominated by industry with 59.7 % coming from that sector. Services accounted for 37.7 % of the sample while just 11 respondents were from the agriculture and forestry sector. This does have serious implications for the interpretation of the results in relation Agriculture. Whilst industry and service sectors are well represented, the low response rate from agriculture means that only very tentative findings can be presented for this sector. The distribution amongst sub-sectors within industry was fairly evenly spread with a quarter coming from textiles companies. Other significant sub-sectors here include electronics and IT (12.6 %), construction and building materials (10.7 %) and the food and drinks industry (8.8 %).
The respondents to the survey tended to be in organisations which are well established with just under a half reporting that their establishment has been in operation for more than 10 years. Only 12% of respondents were from relatively new businesses that have been in operation less than three years. While around a third of respondents came from businesses with fewer than 100 employees around one in six were responding on behalf of large businesses with more than 1,000 employees. The largest company to respondent reported that they had 42,259 employees (more than 20,000 more than the next largest in the sample) and the smallest employed just two people. Of particular interest to this survey are the results relating to the age of the employees. Our results show that on average 3.5 per cent of the workforce are aged between 16 – 18 while 39% are aged between 19 – 25 meaning than a significant proportion of the Vietnamese workforce could be classified as being ‘Young’. The very smallest and very largest organisations in the sample tended to employ more women and younger people. The smallest organisations were also much less likely to employ non-high school graduates, especially when compared to the very large organisations. When we looked at this data by ownership it became clear that state owned organisations employ far fewer women and younger people than the private sector, this difference was even greater when the figures for those businesses benefiting from direct foreign investment where looked at.

**Issues with Research Design, Analysis and Sample**

The majority of the questions used in questionnaire were forced choice questions, such as Likert scales. However, whilst these questions have, in the main, produced reliable and useful data, there appears to have been a sizeable proportion of respondents who have simply answered ‘neutral’ to a number of questions. This may be due to a number of reasons. First, this is a well-known issue with Likert style questions with respondents either selecting all neutral answers or providing very random, and therefore meaningless, responses. Second, this may be an indication of an unwillingness to offer firm or accurate opinions in some cases. This may be due to an anxiety over how the data would be used or concerns relating to who could potentially access the data. To offset this assurances regarding confidentiality were provided on the research instrument, however we cannot rule
out the possibility that concerns over confidentiality may have affected the response of some. Third, it is not fully clear that all of the respondents were suitably qualified, or of an appropriate position within the organisation, to answer the questions being asked – which again may explain some variance in the answers provided. Despite these concerns it is clear that the quantitative data is fairly robust and offers useful insights vis-à-vis the research questions.

Survey Results - Training in Vietnamese Companies

On average more than a quarter of staff (27.6%) have graduated from University, a higher figure than for those with no professional or technical training (21.7%). This would suggest a number of staff have entered training after leaving school as the data shows that 27.1% of employees did not graduate from high school. When we looked at this data by size of organisation it became apparent that smaller organisations employ a far greater proportion of University graduates than larger organisations. This pattern is consistent with data in the earlier part of this report which indicated that young people were more likely to be recruited into managerial level jobs in smaller companies. It appears that the smaller companies are recruiting the most highly qualified young people directly into high level jobs, suggesting that opportunities for graduates are better in smaller companies. In terms of industrial sector those from the service sector employed more graduates than those from industry.

Table One Here

Table 1 provides data on the amount of training taking place in organisations. Training expenses accounted for 4.3% of total revenue in 2007 and, on average, some 41.8% of staff at the organisations represented in this survey received some form of training in the 12 months prior to the questionnaire being distributed. This figure did vary somewhat with some organisations reporting that none of their staff were trained and a handful reporting that 100% of their staff had been trained in the previous year. Overall the standard deviation from the average was 30.9.
The majority of employers (68.1%) predicted that their expenditure on training would increase over the next three years. However, this forecasted increase was concentrated in the higher job levels and most expenditure was planned for training staff in higher level managerial/professional roles and high level technical roles rather than staff in less skilled jobs. It is significant to note in this context that over 50% of the predicted increase in training expenditure was targeted at younger workers in the 16-25 age bracket suggesting that employers are willing to invest in their youngest recruits.

We moved on to ask a series of questions about the training and managing of staff in Vietnam and in particular focused on the training and supply of younger workers. Respondents clearly felt that coaching and mentoring of younger workers by other staff in the organisations was the most effective training method with over 85% either agreeing or strongly agreeing that this method was most effective. Apprenticeships taken before formal recruitment were also seen as largely effective by around two-thirds of the sample. Meanwhile a significant proportion of respondents disagreed with the statement that training courses (either bespoke or off the shelf) offered by external centres were effective perhaps reflecting a desire to keep training in house to ensure the skills developed by the individuals relate to the work of the organisation.

*Table Two Here*

One of the common issues that surveys such as this try to investigate are the barriers that respondents perceive to be in place preventing them from training their own workforce. In Table 3 we can see that the three most commonly reported barriers in Vietnam are a lack of government financial support for training, a lack of government policy helping companies retain staff after training, and a lack of favourable tax conditions for self-training. Again, these views are supported in the qualitative data provided below. Indeed, the funding of training and the experiences of companies loosing staff after training has taken place seem to be salient issues in Vietnam and may be one that policy makers need to look at in more detail.
We now move on to look at the future labour needs of the participating organisations. This section of the survey began with a question about the extent to which respondents felt able to meet current demand for different types of staff: managerial, technical, low skilled and sales staff.

There was a feeling amongst the respondents that they are not meeting current demand for high level staff in either professional/managerial roles or high skilled technical staff. More than half of organisations indicated that they did not meet demand for quantity and quality of managerial staff, technical staff and high-level technical workers. This suggests that there are serious shortages of highly qualified individuals in the labour market at present due, in part, to rapid change and restructuring particularly in the industrial sector. Whilst this issue appears to impact on all organisations regardless of ownership or sector, further analysis of the data reveals that the lack of highly skilled staff is felt most keenly by organisations in the industrial sector. For example, some 67% of these respondents did not feel able to meet demands for managerial staff, 68% for the right quantity, quality and level of technical staff. By contrast, in the service sector the corresponding figures are 52% and 51%.

This problem is not, however, restricted to higher-level jobs. A number of organisations also reported that they did not meet the demand for low-level technical skills, sales staff and manual workers either. Although the number of employers indicating that they cannot meet demand in these areas is smaller than the number who cannot meet demands for higher level staff, the data nevertheless indicates that this problem is not just related to high end, high skilled work but appears to be distributed across all levels of skills requirements.

Employers are very aware that the issues around skill shortages are unlikely to disappear. Indeed, when asked about future skills demands the overwhelming majority of respondents indicated that they foresee big increases in the demand for managerial, technical and highly
skilled workers. The table reveals that across all sectors the predicted future demand for skilled employees was recognised. When the data is analysed according to industrial sector, size of organisation and ownership this trend remains constant with employers from all sectors indicating that the future demand for skilled staff will increase. Respondents were also aware that they will need to be ready for new skills which may be required as a result of new technologies and working methods. This was a particular issue for large companies (1001+ employees) and state-owned enterprises, over 80% of whom were aware that they may require access to employees with new skills sets in the next five years, in contrast to 58% of foreign owned companies and 61% of privately owned companies. This may suggest that state-owned companies have more anxieties that they may not be able to meet future skills requirements.

Moving on to the open-ended questions, respondents were asked to outline any recommendations they might have for the Vietnamese Government in relation to vocational training, industrial relations, employment law, contracts and other employment issues. In this paper we present the data collected relating to training and young workers. The key themes that emerged are collected together in the table below.

Table 5 here

Discussion

What is apparent from the quantitative data is that employers are keenly aware of the current and future labour needs in Vietnam. All respondents reported current difficulties in meeting demand for more highly skilled staff and predicted difficulty in recruiting skilled technical and managerial staff in the next five years. This concern reflects recent changes in the Vietnamese labour market. Without doubt the impact of the recent modernization of the industrial sector, the move away from an industrial sector characterised by low productivity, a reliance on out-dated machinery and a lack of modern technology, has resulted in high demand for skilled staff amongst all employers (Jenkins, 2004). At present the shortage of appropriately highly skilled staff is a preoccupation amongst employers and, more
concerning is that businesses seem to predicting that these shortages will persist and even worsen in the next five years. Almost a decade ago Sakellariou and Patrinos (2000, p.147) suggested that in Vietnam, “trained technical labour accounts for only a small fraction of the total labour force … consequently there is a shortage of high level technical experts, skilled technical workers, administrative and managerial experts…”. Some ten years later our data shows that this picture does not appear to have changed very much and employers remain fearful that their future needs for skilled labour will not be met. The support from employers for intervention from the VCCI and the government on a number of measures, focused primarily on the need for government policy in areas relating to vocational training would suggest that employers continue to seek external support in meeting their current and future labour demands.

Interestingly while the majority of respondents did predict that overall training budgets would rise in the next three years they did not predict as large a rise as the overall number of staff. Given that a significant proportion of the new workforce is expected to come straight from school and one would assume that they therefore would need at least some additional training this is a finding that needs further investigation by the VCCI.

Table 1 also revealed that some slightly more than one in ten staff left their position during the past year, suggesting that employers anxieties about investing in staff training and then losing staff to other employers had some basis. Nevertheless, generally employers did demonstrate a commitment to training and investing in employees. In addition, the data on both current and forecasted training budgets suggests an increasing commitment to training and development over the next three years.

In summary, as Jenkins (2004, p.191) has argued, in Vietnam, “despite rapid economic growth, extensive economic reforms, increased openness and significant reductions in poverty, the rate of employment growth has been disappointing”. Whilst productivity has increased over the past two decades this has been as a result of increased efficiency rather than additional recruitment and relatively little new employment opportunities have arisen to absorb new supplies of labour. The main growth areas in terms of employment have been in the service sector in jobs which are often low-paid and low-skilled. This has significant
consequences for all younger workers entering the labour market for the first time regardless of the qualifications and skills held.

Moving onto the qualitative findings collected in the open ended questions and presented in Table 5 three key themes emerged. The first of the main themes emerging from the data is that the respondents clearly felt that the government should do more to fund training. This finding is not surprising and cuts across the other qualitative themes to emerge from the data.

The evidence collected in this survey shows a broad level of support for the training of young and older workers alike amongst Vietnamese employers. However many felt that the Vietnamese government could do more to support organisations financially. The suggestion of free training for those who need it or the provision of tax breaks for those companies engaged in providing training could be workable as long there is a robust regulatory framework in place to support and manage the process. Alongside financial considerations, the second theme that emerged was employers suggesting the government could offer support in very specific areas. These included IT skills, training for professional staff and managerial skills.

However, there was also a view that, regardless of what specific mechanisms were offered to support the training of labourers, the Vietnamese government had a central coordinating role to play that the government should liaise closely with employers and employer bodies to ensure that the training and supported offer actually meets the needs of industry and that is was of high quality. There was also some suggestion that as the organisations pays corporate taxes and contribute to the national budget that the Government should have direct responsibility for training. Some respondents went further and suggested that the Government should open more vocational training centres perhaps linked with specific growth areas such as tourism. Others felt that organisations could also be more proactive
regardless of the training provided and that they should ensure that all employees should have training plans in place for employees.

The final theme to emerge from the qualitative data was that respondents believed that there was more the government could do in relation to policies to support industrial relations. Again, as with the previous question, financial resources and support featured very heavily in the respondent’s replies and were often focused on the need for more social welfare and social support. In addition, there was a specific concern relating to the role of women in the labour market, with some respondents suggesting that more support could be offered for maternity leave.

Overall the qualitative reposes to the open-ended questions do highlight a number of interesting areas relating to the reform, or tightening up of labour market policy and practice. The respondents were obviously very keen for the Vietnamese government to provide more resources and offer a stronger regulatory framework for training but also clearer wanted clarification and guidance more generally.

**Conclusion**

This research has shown that Vietnamese employers clearly value training and appreciate the impact that training young people can have for their enterprise. Training programmes are offered to young workers regardless of sectors and the respondents are very aware of the areas they need to concentrate on in their organisations. However, the employers also clearly felt that more financial and regulatory support is required to ensure that the training offered relates to their skill needs and the needs of the enterprise. While the increase in funding in education (MOET 2001) was a start there is a need for the Government and VCCI to spend some time identifying which skill sets are required in the economy. Respondents identified a need for further investment in the development of highly skilled and trained staff throughout the labour market to meet the changing demands of the economy. Furthermore a greater emphasis should be given to linking needs of employers with the national vocational education and training system and it is here where respondents felt that the VCCI had a particular role to play. Respondents said that VCCI could engage more with employers to
determine where support on HR and training issues is most needed. In addition respondents where keen that the VCCI and government do more to alleviate and potential barriers to the training of young workers such as the shortage of trainers, shortage of equipment and the fear of losing trained staff.

This research and paper have added to a relatively small literature and research base on Vietnam's training and education systems. It would be worth the VCCI replicating this survey in a year to two years time to examine if the issues raised by employers are changing and to attempt to enhance the response rate. To overcome some of the methodological issues raised in this paper it is worth emphasising that this survey is very much about demand as opposed to supply. As such, and to obtain a fuller picture, it may be worthwhile for VCCI to commission a survey of educational establishments in order or ascertain their views on, and role in, the skill development and supply of young workers.
References


