



Policy recommendations for increasing the quality and quantity of employment in Vietnam

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From the perspective of labor and employment, Vietnam is still an agricultural country where 70% of labor force is working in the agricultural sector. Vietnam still has a large pool of cheap labor ready for moving to industrial sector. As a consequence, Vietnam needs to promote the key policies for developing labor-intensive industries such as textile and garments, shoes and footwear, large-scale assembly industries in order to attract the redundant labor resource from rural to urban areas, in accordance with A.Lewis' model. As laborers in industrial sector have higher productivity, more stable and sufficient working time compared to laborers in rural areas, the above policies will help not only to promote the labor-intensive industries but also to improve the quality of employment.

Secondly, nearly 80% of current employment in Vietnam belongs to the informal sector. The strong development of the informal sector is the result of the liberalization of doing business (Law of Enterprises, amended in 2005, and recently amended in 2014) and the encouragement of citizens to conduct any economic activity that the laws do not prohibit. This policy has an effect of solving the employment problem for millions of redundant laborers in both rural and urban areas. However, those who work in this informal sector generally have to accept the jobs of high instability, low payment and without social insurance as legally required. Therefore, in the coming time, Vietnamese Government should keep not only stimulating citizens to take part in business, production and investment activities, but also encouraging newly established economic units to go formal by policies such as tax holiday for first 5 years of operation, subsidies for workers' social insurance fees, etc. The formalization of economic activities not only improves business environment but also increases the quality of employment in the economy.

Thirdly, Vietnamese labor force has a ratio of not-under-taking-official-training (trained in Technical Vocational Education and Training institutions) amounting to 80%, being one of the causes of low productivity in Vietnam. Hence, it is highly recommended that the Government strongly promote the system of technical vocational schools and tertiary education establishments, encourage enterprises and foreign institutions to open training courses and programs in Vietnam.

Finally, the mismatch between the training level of schools/ universities and the demand for skills by enterprises is getting large. It is, therefore, necessary to implement the consistent policies as below to narrow down the mismatch:



- The stakeholders in the labor market, including students about to register to technical vocational schools or to colleges and universities, the schools/colleges/universities themselves, should have more access to better information about what the labor market needs in the current stage and in the medium-term to make the right choice from the very beginning.
- The Government should play the role of coordination and connection for the employers to speak out about their demands for labor and necessary skills that they are seeking.
- It is essential to promote competition between education and training institutions in order to force them to keep updates on market demand for skills. The monopoly in skill providing should be eliminated.
- The stakeholders including enterprises, training institutions and laborers should have reasonable incentives to provide feedback on the information they receive.
- Foreign firms and private sector should be encouraged to invest in education and vocational training system.

This research received financial support from the **Swiss Agency for Development and Cooperation** and the **Swiss National Science Foundation** under the **Swiss Programme for Research on Global Issues for Development**. The project *“Employment Effects of Different Development Policy Instruments”* is based at the World Trade Institute of the University of Bern, Switzerland.

