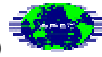


**HUMAN RESOURCE MANAGEMENT AND SME  
DEVELOPMENT IN VIETNAM**

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## **HUMAN RESOURCE MANAGEMENT AND SME DEVELOPMENT IN VIETNAM**

### **ABSTRACT**

Since 1986, Vietnam has been implementing its “DOI MOI” policy to confirm that Vietnam is heading toward a market- driven economy within the framework of a multi-sector economic system. In the last years Vietnamese Government pays more and more attention on development of private sector development, especially on small and medium enterprises (SMEs). The importance of the role that Vietnam SMEs should play is becoming a more important factor for our economy. In the near future Vietnam will have Government Degree on SMEs promotion policies, in which will be introduced some measures of training, information, capital... support for SMEs.

This paper sets out to introduce some issues of HRM in Vietnam and its impact on SME development. Vietnam is one of the countries, which is always enthusiastic about education, nowadays it has been intend in introducing education and training programs on cooperate management, economy, technology and skills from developed countries. However, with the exception of some programs now under way with assistance from some foreign countries, the level of the education and training programs have been inadequate due to the shortages of funds, facilities, teaching materials and instructors. Not all the contents of these programs have been highly regarded by cooperate managers.

Base on analyzing bought two sizes (supply and demand) of labour force, and their correlation; the paper shows that there are some problems to be solved. The paper also introduces some recommendations to restructur educational and training system and to improve policy system for giving better conditions to SMEs to develop in the coming time.



First of all I would like to thank the committee of the APEC Human Resource Management Symposium on Small and Medium Enterprises (SMEs) for giving me opportunity to attend this very important forum.

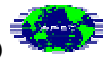
According to the terms of population Vietnam stands 12<sup>th</sup> in the world list and 2<sup>nd</sup> in the Southeast Asia region. Abundant and skilled Labour force is the important source for economic development but also poses a heavy pressure on employment and ensuring the living conditions on the people.

In Vietnam and in many other countries all over the world, the small and medium enterprises (SMEs) have the large development potentials. These enterprises also play an extremely important role in promoting the socio-economic development of each country. The roles of SMEs are embodied as follows:

- They produce many goods for domestic consumption, the machinery, equipment, tools, and capital goods necessary to the industries producing consumer goods and handiwork as well as the art handicrafts.
- They create the jobs for a large number of laborers. It is very important for those who are unemployed in urban areas or who are searching for jobs coming from the rural areas, and especially for those who are the old, children, women and handicapped.
- They explore and utilize effectively the potentials in financial funds and the domestically available raw materials or intermediate inputs, including the craps from consumption and production.
- They contribute the effort to allocating the industries in many different resident areas, reducing the development gaps between the areas, and stimulating the balanced development in the regions over country.
- They play a complement role in supporting the large industries to create the cooperation and the competition with each other in the development process.
- They contribute importantly to sustaining and development the professional villages and traditional handicraft occupations to produce the goods characterized with the national culture.

At present, the SMEs in Vietnam do not develop correspondingly with their inherent potentials, facing many difficulties in the business activities. On one hand, the transparent legal framework for the SMEs to operate is still not available. On other hand, the government policies are still lacking the appropriate promoting measures and the effective supporting solutions suitable to the characteristics of SMEs.

There are many things Vietnam has to do to develop SMEs; among them Human Resource Management is most important one because Education and Training have had quite big impact on Labour force and SME development in our country. In this paper I



would like to introduce 2 issues of HRM in Vietnam: i) The training system in Vietnam, and ii) Labour market in Vietnam.

## **CURRENT STATUS OF PROFESSIONAL EDUCATION FOR SMES BUSINESS MANAGEMENT IN VIETNAM**

When one say about the professional education for SMEs in Vietnam, it can be useful to keep in our mind the followings:

- There are different features between state owned SMEs and private one.
- In most of the cases the ownership and management are not separable for private SMEs.

The professional education, which is refereed to here is defined as the training for business management for executives, managers and students who are working and will work for SME in the fields of general management, accounting and financial management, marketing, production technology management and so on.

### **1. Main forms of education in Vietnam**

It could be better for understanding the education system of Vietnam as a whole and Professional Education for SMEs Business Management in Vietnam if one consider it as a system of two main forms of education: Long term and short term.

#### **1.1. Long - term education for future professionals**

This kind of education (hereafter will be refereed as First Kind of Education) consists of various training programs such as full time training, specialized supplementary training and in service training, which are carrying out at universities, colleges, remote education centers and technical schools with the training periods from 2- 5 years.

The students of this kinds of education are mainly young peoples who just came from secondary schools (like upper-secondary schools in Japan) but few of them can be executives, managers, who came from business environment and want to get higher degrees of education (as usual, they follow the programs of specialized supplementary training and in service training).

This kind of education is supervised and controlled by Vietnam Ministry of Education and Training in terms of degrees, training programs and curriculum, lectures, places of learning and financially supported by the government through the Ministry. Statistical data of this kind of education are always available for every year.

#### **1.2. Short-terms education**

This kind of education (hereafter will be refereed as Second Kind of Education) is applied for managers, executives who are working for SME recently and want to



upgrade or improve their knowledge and management skills. As usual, the training period lasts from one week to 3 months and only in few cases it lasts more than 3 months.

This kind of training is organized at ministerial business schools, various training centers under various non-governmental organisations, provinces and universities and colleges acting under control of Ministry of education and training. This kind of training had been developed very rapidly since DOIMOI started in Vietnam. So it has played very big role in training business people on the market economy, new skills and knowledge of business management in the context of market economy.

## **2. Training institutions involved in professional business management training for SMEs in Vietnam.**

### 2.1. Universities, colleges acting under supervision of the Ministry of education and training of Vietnam.

The main function of universities and colleges is to organize long-term training programs through various forms such as full time training, supplementary, in service training and even new form of remote education. But since the process of DOIMOI in Vietnam started these institutions have taken very active parts in organisations of short-term training courses for various target groups of people coming from SMEs.

### 2.2. Management schools under industrial ministries

In Vietnam each ministry has it's own management schools where executives and managers of enterprises can come and improve, renew their knowledge and management skills. This kind of institutions used to play very important role during the period of central planning before DOIMOI and since DOIMOI up to now these schools could manage to diversify their training program according to changing needs of trainees and play important role in organization of training for the people from business world in Vietnam.

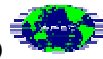
### 2.3. Other organisations

Along with the mentioned about institutions, that take a part in training process for SME, there are various centers acting under the umbrella of NGO organisations that actively participate in the process of training of business management for SME such as VCCI center, VICOOP SME center, Youth centers, Woman center and so on.

## **3. General Department of Vocational Training/MOET and MOLISA**

The history: The General Department of Vocational Training established firstly in 1969 as agency attached to the Government.

1987-1992 moved to formal Ministry of Higher, Secondary Technical and Vocational Education and was reorganised as one of the Department (not General) of



this ministry. Before 1992 the word “Vocational training” was interpreted as training of workers only.

From 1992 up to 1998 it was merged to the Department of Secondary Technical Department with such a name as the Department of Secondary Technical and Vocational Education.

According to Decision of Premier Minister No 67/1998/QĐ-TTg, 23-5-1998 General Department of Vocational Training under control of MOLISA was created based on human and physical resources of Department of Secondary Technical and Vocational Education under MOET. In other words, the function of state control and realization of strategy of vocational training was passed to MOLISA from MOET.

According New Education Law in Vietnam passed by National Assemble 02/12/1998, vocational training consists of two components: (1) Secondary vocational schools with the courses of 3-4 years for those persons who has a certificate of Senior Secondary School and 1-2 years for those who has a certificate of Junior Secondary School; (2) Craft-teaching Schools with short-term courses less than 1 year and long-term courses of 1-3 years for those who has suitable level of knowledge and health.

Vocational training was separated from MOET to MOLISA as a General Department by some reasons:

- Until 1996s there was only 10% Labour force of the whole country who has been trained. Among those who has been trained, there existed inconsistent structure between higher education, secondary technical and worker training (1: 1,5: 2,5) compared to 1: 4: 10 structure of Southeast Asian Countries. So Vietnam now is in short of skilled workers and craft-man.
- The target was set for the year of 2000 was that 22-25% of Labour force to be trained as for whole country.
- Under control of MOET vocational education had been neglected.
- MOLISA seem to be more closed to the need of the Labour market in the country.

Generally speaking, by moving from MOET to MOLISA with higher legal status (General Department) General Department of Vocational Training has better conditions (much more resources) to implement the vocational strategy of the country.

#### **4. Role of private sector in professional education**

Nowadays in Vietnam the role played by private sector in professional education is not significant. According to the data of MOET-1998, in terms of university and college’s education (number of students) the weight of private sector is about 8%. Today among 139 universities and colleges we have 16 private one (15 universities and 1 college). There almost is not private participation in secondary vocational training. In



terms of the quality of private professional education, it is just enough to say that the students who had graduated from private sector are very difficult in looking for jobs. For the long term, the role of private sector must be increased in the sense of limited government's budget and supporting policies of the Government.

## **5. Professional education**

As mentioned about the Long-term training programs referred to about as First Kind of Education are supervised and monitored by Ministry of Education and Training of Vietnam.

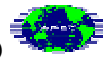
The thing that should be paid more attention here is that of short-term training programs (the Second Kind of Education). Until recently, there is three kind of training programs applied for this kind of education, they are as follows:

- Programs that are carrying out by foreign trainers (teachers, mentors or coach). As usual these programs are financed by foreign organisations.
- Programs that are carrying out by local trainers
- Programs that are carrying out by mix group of foreign and local teachers, trainers.

There are three forms of professional education: Technical Secondary School, MBA course and Short term training course.

### **5.1. Technical Secondary School**

According to Education Statistical Data dated 31-12-1998 among 247 Technical Secondary Schools, there are 86 ministerial schools and 161 provincial schools. Table 1 shows the number of schools in Vietnam by sectors.

**Table 1. Number of Schools**

School Years	Total amount of Schools	Of which					
		Industri al	Agricult ure- Forestry culture	Econom ic manage ment and service	Teacher 's training	Health and sport	Culture and Art
1988-1989	269	39	41	60	58	47	24
1989-1990	270	30	42	57	53	46	26
1990-1991	261	37	42	57	53	46	26
1991-1992	265	38	31	58	57	47	24
1992-1993	266	37	42	56	54	49	28
1993-1994	272	35	35	60	62	48	32
1994-1995	259	35	31	60	54	48	31
1995-1996	264	37	30	65	51	48	33
1996-1997	244	33	31	52	46	48	34
1997-1998	244	33	31	52	46	48	34
1998-1999	247	46	37	53	29	48	34

*Source: Education Statistical Data- Information Center for Education Management, MOET.*

To understand the structure of the National Education System under Decree 90/CP dated November 24, 1993, especially the characteristics and differences between Secondary Vocational School, Specialized Secondary School and craft teaching Schools one should base on a truly designed structure of the National Education System under Decree 90/CP, which is unlike the interpreted one.

### 5.2. MBA course in Vietnam.

MA and MBA training is the new form of training applied in Vietnam by moving gradually from old (similar to formal Soviet Union Education System) system of education to the new one, that can meet the need of market economy. According to MOET Decision No 2902 dated 14-11-1991, MA training can be applied for 10 subjects, those are as follows:

- Political Economy
- History of National Economy
- Economics of Labour and Population
- Economics of Industry and Transport
- Economics of Agriculture
- Economics of Trade and Services
- Finance and Credit
- Statistics
- Accounting
- Public Economy





MBA training was just allowed from the date of 1995, August by MOET Decision No2631. This kind of training is just started and needs a further development for being the independent education block building. The training is carrying out according to “so called” adaptation’s program, which has to be much improved. So it is too soon to say about the quality of that kind of training in Vietnam.

### 5.3. Short-term training course

There are 28 ministries and agencies attached to the government has their own training school for their cadres, but those of following list consist of number of schools that are more or less concerning professional business management training.

## **THE CURRENT SITUATION OF THE LABOUR MARKET IN VIETNAM**

### **1. Some information about education and training in recent years**

Enrollment of each level of education by region for 1997-1998 School year is showed in table 2-4.

**Table 2. Enrollment of each level of education.**

Level of Education	1000 per									
	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99*
1.. Primary	2157	2233	2166	2126	2178	2321	2349	2417	2268	2091
2.Secondary										
- Junior	928	882	842	935	1081	1314	1476	1548	1547	1660
-Senior	208	136	235	259	290	359	419	460	600	682
3Vocational										
- Secondary Technical	37,8	41,4	40,5	37,6	33,6	44,4	48,9	54,2	-	88,1
- Short-term	74,5	71,4	29,8	35,9	23,9	34,0	45,8	51,1	-	-
4.Colleges and universities										
	32,8	48,4	59,5	73,5	80,7	77,0	124	169	-	140

- Data of 31/12/1998.

*Source: Education Statistical Data- Information Center for Education Management, MOET.*



**Table 3. Enrollment of each level of education by regions  
100% for whole country Percentage (%)**

Regions*	I	II	III	IV	V	VI	VII	VIII
1. Kindergartner	24,2	15,8	3,3	20,3	8,6	5,2	12,8	9,7
2. Grade Schools	19,6	15,2	2,9	15,1	8,4	4,5	14,6	20,0
3. Vocational** -Technical								
Secondary(full time)	19,7	15,7	4,7	12,8	11,6	2,7	18,6	14,3
-Technical workers	25,0	18,0	1,5	13,1	9,6	1,6	22,6	8,6
4. Universities and colleges (full time)**	42,0	6,0	0,7	7,3	8,8	2,0	26,2	6,9

\*Note:

I- Red River Delta

II- North East

III- North West

IV- North Central coast

V- South Central Coast

VI- Central Highlands

VII- North East South

VIII- Mekong River Delta

\*\* Excluding private sector

Source: Estimation based on data of Statistical Yearbook 1998.

**Table 4. Enrollment as a % of total students of each education level  
1000 per, %**

	1995	1996	1997	1998
Creches	434	452	444	409
Children (0-2 y.o)	5,872	5,875	5,819	5,836
% of enrollment	7,39	7,69	7,63	7,01
Infant schools	1,932	2,093	2,246	2,171
3-5 y.o children	5,687	5,709	5,741	5,773
% of enrollment	33,97	36,67	39,12	37,61
Primary school	10,200	10,378	10,431	10,248
6-10 y.o children	8,859	8,900	9,100	9,300
% of enrollment	115,1	116,6	114,6	110,2
Junior secondary school	4,300	4,861	5,252	5,578
11-14 y.o children	6,998	7,247	7,312	7,101
% of enrollment	61,4	67,0	71,8	78,6
Senior secondary school	1,000	1,176	1,390	1,654
15-17 y.o children	4,656	4,728	4,842	5,090
% of enrollment	21,4	24,9	28,7	32,5

Source: Estimation based on data of Statistical Yearbook 1998.

In the recent years, Vietnam government pays more and more attention on training for businesses; it is showed in table 5.

**Table 5. Main training indicators at 30/12/1998.**

No	Main indicators	Data of 1998-1999 Schools year
1.	Enrollment	88,149
	Of which:	
	Regular Full Time Courses	59,468
	In Service Courses	20,818
	Specialized Supplementary	668
	Other	7,195
2.	Number of students	178,244
	Of which:	
	Regular Full Time Courses	125,893
	In Service Courses	40,557
	Specialized Supplementary	1,640
	Other	10,154
3.	Graduated students	46,366
	Of which:	
	Regular Full Time Courses	33,197
	In Service Courses	9,385
	Specialized Supplementary	-
	Other	3,784

Source: Estimation based on data of Statistical Yearbook 1998.

## **2. General features of the Labour force - Labour supply of the Labour market of Vietnam**

The outcome of the survey *‘The current situation of Labour and employment in Vietnam in 1996’* indicated that the Labour force of the country is about 35,9 million people (19.06% in urban areas, 80.94% in rural areas) accounts for 72.7% of the population aged 15 above and 80.1% of the working population. (Similarly the percentage in urban areas is 66.85% and 73.67%; in rural areas is 78.24% and 86.35%). Due to low level and scale of development in Vietnam, the percentage joining the Labour force in Vietnam is lower than the average level of the world (85% - 87% of the working population), thus remains large potential.

The age structure is young for the people aged 15 above, nearly 72% is under 45 years old of which the group of 15 -24 years stands the largest portion (28.3%), followed by the group of 25 - 35 years (24%). All are available for the Labour market.

The aged structure of the Labour force: young Labour force for a large portion and is an advantage of the Labour force, 55.8% of the Labour force is at the age of 15 - 34 years, of which the group aged 25 - 34 holds the largest percentage (29.8%); followed by group aged 15 -25 (26.2%). The majority of the Labour force is of the 3 age group under 45 years old of which the group age 25 - 34 accounts for the largest

percentage in urban areas (31.3%), but in rural areas the percentage of young Labour force is higher.

The educational level of the Labour force of Vietnam, which is ground for technological training and absorbing new technologies, is generally high in comparison with that of countries of the same GDP per capita Only 8.4 % never attended classes (3.7% in urban and 10.2% in rural areas respectively). The literate percentage of the population aged above 10 is 86.6%, of which the literate percentage of the population aged 18-34 is 92%, the average schooling years are 7. These shows that the young Labour force with the advantages like large numbers and high academic level, is strong point of Vietnam.

In general, throughout the country, 45.5% of the Labour force completed primary education (9 years) and secondary education (10-12 years) of which 13.5% graduated from secondary schools; 26.7% has not finished primary schools, and 5.7% is illiterate. Out of 7 territorial areas, the highest number of people in the Labour force completed primary and secondary schools is in Red River Delta (72%), followed by Northern Center (62.2%), Northern mountainous areas and mid-land areas (48.9%). The percentage is about 35% in the South, except the Mekong River Delta with that of 19.9%. This implies that the academic level of the Labour force in the North is much higher than that in the South. The gap between urban and rural areas is very large, namely: 60.9% and 41.9% respectively. The academic level of female Labour force is generally lower than national average level, which is 42.3%.

The percentage of the Labour force taken training out of the total Labour force through out the country is 12.3%, of which only 2.4% is holders of College, University or Masters degrees; professional secondary education and technical workers account for 9.9%, the untrained percentage is still big - 87.7%. The percentage in terms of training ranks out of the total Labour force of Vietnam is far smaller than that of industrial countries: 65%, 5.5%, 59.5% respectively with only 35% unskilled workers.

Comparing with industrial countries, the quality of our technical Labour force is very unreasonable in the structure between levels: in Vietnam, the situation is more masters than workers are. We lack a lot of skilled workers.

**Table 6. The structure of level of the Labour force**

	Vietnam	industrial countries
Total	100.0	100.0
University-college above	20.3	5.0
secondary education	35.5	20.0
skilled workers	44.2	75.0

*Source: DSI, 1998*

The technical and professional levels of the urban Labour force are much higher than that of the rural Labour force: The percentage of trained urban Labour force is 31.68%, 3.4 times higher than that of the rural areas. The higher the level, the bigger the difference with the appropriate percentage of technical workers, professional education



is 23/3%, 3.7 times higher and with colleges, universities, and masters levels of 8/3%, 9.2% times higher. This is an inevitable result caused by the effects of supply and demand relationship in the market. However, this limits the shift of economic structure in rural areas and in undeveloped areas as well as industrialization and modernization if resolution is not found.

## **2. Socio-economic Development and employment situation - demand of Labour market**

During the past time, thank the positive effects of the renovation process, the economy has enjoyed fast and continuous growth for a long time, creating employment, increasing productivity and incomes, and improving living conditions of the workers.

In 1996, 34.9 million people were working in the national economy, accounting 97.3% of the Labour force (female: 97.7%, urban areas: 98%, rural areas: 94.5%) and of 98.5% in comparison with the working Labour force.

Labour scale and structure distributed in accordance with general national economic branches, urban, rural and other areas are showed in table 2-4.

The above Labour structure working in the national economic branches indicates that the majority works in the agricultural sector (69.8%), 10.55% in industry and construction, 19.65% in service industry. The highest number of the Labour force working in services, industry-construction is in eastern part of the South (38.7% and 27.7%), followed by the Mekong River Delta (24.7% and nearly 10%). The northern areas have the highest number in agriculture (74% and 85%).

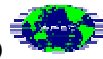
In terms of economic sectors, the highest number of regular workers is in the joint economic sector (52.7%), followed by non-state economic sector (38.64%); satiate sector (8.4%), foreign sector represented a small portion (0.28%).

Regarding employment status, household employment accounts for the largest portion (45%) followed by self-employed entrepreneurs (36.85%), employees (17.55%); others represent a small portion.

On territorial areas, the relation in employment status is similar to that of the above employment status. Except eastern part of the South, employees account for the highest percentage (40.62%), followed by self-employed entrepreneurs (approximately 32%), with only 25% for household employment. Employment status in urban arisen general and other areas (except Taynguyen) is similar to that in the eastern part of the south.

## **3. Correlation of Labour Supply and Demand**

There are not enough jobs for people who are in working age; Throughout the country, 7.2 million people in rural areas are unemployed, accounting for 26.6 of the Labour force of the age; notably, the highest number of unemployment falls on young group of 15-24 (36% -37%), followed by group 25-34 (27% -28%), group 35-44



(20%). These people are in good physical conditions with high economic level. On 7 territorial areas, the rural areas of the Red River Delta and Mekong River Delta suffered from the highest rates of unemployment (30.5%), followed by Northern Midland and Central Coast (28%-29%). Agricultural workers represent the highest number of unemployment (86.9%), indicating the urgent need for the shift of economic structure to change employment structure.

In view of employment relations status, the majority of those who are unemployed are in household businesses (55.8%), followed by self-employed entrepreneurs with new demand for Labour organization. The percentage of using workers of the rural Labour force is only 72% (71% for female workers). For the whole economy, the average working days are low in the north, particularly they area only 208 days in northern Mid-land, equivalent to 84.5% in comparison with the average level of the whole country.

- Throughout the country, urban unemployment is 5.9%, 7.7% in Hanoi, 5.7 in Ho Chi Minh City. The highest unemployment rates are in the Red River Delta (7.3%), followed by northern Mid-land (6.67%) and mountainous areas and mid-land areas (6.1%).

- The outcome of the survey on the current situation of employment proved that although the number of people with regular jobs is quite big, unemployment are one of the issues that should be solved with priority socially and economically, the objects are not those unemployed but also those who are semi-unemployed, those who incomes are low or inadequate for living.

- Free migration from rural areas to urban areas: through a survey in 12 months from 7/1995 to 7/1996, there were more than 2 million people aged 15 above migrated from rural areas to urban areas for jobs is in Red River Delta with approximately 800,000 people accounting 13% of the rural Labour force. In Hanoi alone, the figure is approximately 140,000 people while it is 60,000 in Ho Chi Minh City.

Throughout the country and in other areas in view of the relations between Labour supply and demand, between scale and quality structures of the Labour force with the above scale and employment structure show considerably unreasonable differences. In the sectors and areas of large employment and high quality of worker force, the employment rates are high. In the areas with high quality of worker force and large skilled and trained employment source, the economic growth, economic structure and social Labour division (employment structure in the national economy) are low. In contrast, there are some areas with large foreign investments, fast economic growth, but the quality of worker force is low. They seriously lack skilled workers. Though they have attracted a lot of outside technical workers, the demand can not be meet resulting in big unbalance and causing social evils. So is there a “distraction” in allocating resources for economic growth? particularly allocating of productive force without taking into account the organization and development of human potential, the most



valuable advantage of our country - resulting in "false" Labour redundancy and shortage in each area.

In 1996, industrial and construction workers were about 3.7 million people accounting for 11% of the Labour force working in the national economy (27% in urban areas, 6.8% in rural areas).

Though the professional level of industrial workers is higher than average level of the whole country, it is still low. Of the total industrial workers, 32.5% are trained (2.6 times higher than that of workers in national economy). The shrink of the vocational system currently is causing it difficult to supply skilled workers for industries, particularly in areas with big foreign investments.

**Table 7. Labour in professional level 1996**

	Industry		Whole national economy	
<b>Total number of workers</b> of which:	<b>3,530.0</b>	<b>100.0</b>	<b>35,866.2</b>	<b>100.0</b>
1. untrained	2,382.8	67.5	31,452.2	87.7
2. Technical workers	917.8	26.0	2,207.5	6.15
3. Professional secondary Education	141.2	4.0	1,378.3	3.84
4. University - College	88.2	2.5	877.66	2.6

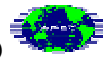
Source: DSI, 1998

The results of the survey of 200 businesses in 1996 (100 in Hanoi, 100 in HCMCT) implied that the industrial Labour structure in terms of professional levels of forms of business is as follows:

**Table 8: Survey results of 200 businesses**

	general	of which				
		stock companies	Ltd. companies	private enterprise	Joint ventures	State Enterprises
Total	100.0	100.0	100.0	100.0	100.0	100.0
of which unfinished secondary education	9.0	0.0	15.9	14.3	0.0	7.6
finish secondary education	26.0	28.6	29.5	25.0	19.0	24.3
finished technical vocational education	23.0	28.6	27.3	25.0	23.8	20.0
professional secondary education	23.0	0.0	20.5	10.7	28.6	26.8
university – college	19.0	42.8	6.8	25.0	28.6	19.0

Source: CIEM, 1996



The figure show that even in the biggest cities, 1/3 of the total Labour forces in businesses finished primary schools with no professional training.

Recently, due to the impacts of renovating economic management structure, though the value of industrial productions keeps rising quite high (12% - 14%) - higher than the average level of the national economy - industrial Labour is low, often lower than the working rates in the national economy. This has positive impacts increasing productivity and effectiveness of industrial production. This trend, however, does not create much employment in industry, nor promote the shift of social Labour division in the direction of industrialization and modernization. It is not suitable for the reality of the Labour market in Vietnam. The shift of ramifications with high Labour volume branches, appropriates technological structure reasonably allocated in territorial areas in order to bring into full play the advantage of young Labour with high economic level, low wages to create large employment and not to cause too severe needs for training skilled technical workers in those areas, is an urgent task in the process of reforming enterprises in Vietnam.

### **THE PROBLEMS ABOUT HUMAN RESOURCE DEVELOPMENT IN THE COMING TIME AND SOME RECOMMENDATIONS**

#### **1. Analysis of the census forecast to the year 2020 and socio-economic problems**

To the year 2020, our population will be from 100-108 million people depending on the results of the implementation of the family planning program, working people is about 68 million. Changes of age structure of the population (PAI) are showed in table 5.

**Table 9. Census forecast and population structure**

	1995	2000	2010	2020
<b>Total</b>	<b>74,000</b>	<b>81,350</b>	<b>95,000</b>	<b>105,000</b>
Of which:				
1. Under working age	27,662	28,254	28,186	26,325
- Portion in comparison with total	37.4	34.7	27.3	25.1
2. In working age	38,995	45,175	57,772	68,000
- Portion in comparison with total	52.6	55.5	60.8	64.7
3. Above working age	6,154	6,833	8,200	9,875
- Portion in comparison with total	8.3	8.4	8.6	9.5

*\*Total is complete population, in age groups and permanent addresses.*

*Source: DSI, 1998*

Population activity in 2001-2020 will have positive and negative impacts on the development of human resources.

- Reduced birth rate leads to reduced population growth (averagely 1.9% in 1996-2000 down to 1.56%/year in 2001-2020) creating favorable conditions for the fast increase of average GDP per capita and better concentration of resources to the improvement of other per capita socio-economic criteria.





- Changes of the population structure in the ways to keeping the number of children stable (to about the year 2010) and then gradually reducing to the year 2020. On the one hand, it creates favorable conditions to develop education (concentrate to develop education quality and higher education generalization). On the other hand, it is signal of the danger of absolute reduction in the scale of employment resource and population in the farther future. The growth rate together with the absolute growth rate of the number of working people (averagely 1,260 people/year in 2011-2020), on the one hand reduced employment pressure but on the other hand, it shows that the Labour supply is gradually reducing. The average age of the working population groups, the portion of young people decreases; the portion of the old aged groups increases implicating that our advantage of young Labour force is disappearing gradually.

The continuous and fast increase of the number of old people requires increases in the total subsistence expenses for them while the present social insurance system has yet widely attracted these population groups.

**Table 10: Increases in Human Resources to the year 2020.**

	In working age	Percentage compare with total	Average growth rate
1985	29,500	49.3	...
1990	33,728	50.8	2.70
1995	38,955	52.6	2.92
2000	45,175	55.5	3.00
2010	57,772	60.8	2.49
2020	68,000	64.7	1.64

*Source: DSI, 1998*

The average growth rate of the working population increases gradually each 5-year plan because of a large number of active working populations and a stable retired population. Changes are as follows:

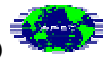
**Table 11: Yearly Working Population Growth**

Unit: Thousand people

	Total active age	Total retired age	Total in added working age
1995	1,632.5	384.2	1,248.6
2000	1,747.7	356.9	1,390.8
2005	1,812.4	369.9	1,442.5
2010	1,879.9	491.6	1,338.3
2020	1,862.9	892.0	970.9

*Source: DSI, 1998.*

The above situation requires the national economy-in each 5 year plan, followed primary education-to train millions of young people professionally and vocationally, to crease more than 5-6 million new jobs for new Labour force, let alone those lose their



jobs due to increased productivity and those are currently unemployed or semi-unemployed.

However, it should be noted that though the number of young people aged 15-30 keeps increasing in absolute number from 21.4 million (1995) to 24.2 million (2000), 28.1 million (2010); and 26.9 million (2020), the portion of young Labour force in the total number of specified working population tends to decrease from 55.0% (1995) to 53.6% (2000), 48.6% (2010) and 41.3% (2020) implying that the advantage of young Labour force will continue to decrease. We have failed to take this advantage during the past 10 years and if we still fail to take this advantage in the coming 10 years, it is assumed that our country has lost a remarkable opportunity in the process of development (Japan succeeded in taking this advantage in the past). At the same time we will have to face their consequences socially.

From a bird's eye view, the young population of our country does not continue to grow shown by the gradual decreases of the portion of children aged 0-14; on the one hand, the continuous growth of the working population to the year 2020 highlights the advantage of our country in number, high growth rate and young Labour force. On the other hand, they pose great challenges for employment creation, foresee the period with increased portion of old people after 2010 when those born in 1950s and 1960s are retired.

## **2. Main problems to be solved**

The training policy, which is generally applied to enterprises including SMEs is not, attached with appropriate importance. Most of the enterprises have, in fact to finance training of professional skills for their employees and managers from their already limited budget. The State has not issued suitable policies nor taken effective measures to promote and support enterprises through tax reduction or exemption for training costs incurred by the enterprises, assist in the formulation of vocational training centers for enterprises, stimulating the formation of professional associations as a forum to exchange information and experience which are considered as a practical and positive training method, etc. The field study results show that the professional and managerial levels in SMEs are extremely limited, namely up to 74.8% of employees of the SMEs have not yet completed 10-grade education and approximately 30% of laborers have not net provided with any regular training course. This is proven to be one of the reasons causing lower productivity and poor product quality, and hence the competitiveness of these enterprises in the market.

As a whole, training system for SME in Vietnam does not meet the training needs of the SME business people. There are some problems, which must be solved in near future, as follows:

- There is not a kind of governmental institution, who takes care about development of professional training for SME in Vietnam in terms of it's system's perspectives, development programs, coordination of training



activities, government policy in support of development of the training system in the country.

- Production technology training and high level technical worker's education have not received due attention. In another words, one can say that "technology education" in context of market economy is almost absent.
- Training programs are not diversified enough in terms of time and location of training. Training curriculums are poor and can not meet the needs of various target groups of learners.
- Teachers, trainers, mentors/ coaches are in short quantitatively and qualitatively; training of trainers have no received due attention. Teaching methods in most of cases are traditional; learners are in passive position.
- Training rooms and facilities are in short and poor in quality that do not allow the new and active methods of training to be applied.

### **3. Some recommendations**

#### **3.1. Restructure educational and training system in conjunction with expanding scale**

To concentrate in completing primary education generalization in the year 2000, then secondary education generalization in 2010, at the same time efforts to be taken to improve education quality.

Significant changes to the ramification of pupils after completing secondary education. Quickly increase the number of secondary education degree holders to the vocational system.

Diversify forms of education and training

The State plays the leading role in the education generalization to be the foundation for the development of jobs training and other higher professional training forms.

To encourage and attract the participation of businesses, private sector, social and people's associations etc. to develop education and training.

Improving education-training quality through following measures:

- To improve the infrastructure
- To improve teaching content and quality
- To further quality teachers
- Mobilization of resources
- Diversify of forms and resources
- To recover expenses reasonably



### 3.2.Improve policy system

The HRD policy toward SMEs should be improved, following measures should be implemented in near future:

a) *The State should place a leading role in the education issues*, particularly in primary education level; it is necessary to increase funds for education and training in pace with the socio-cultural development needs. Also, it is very important to encourage social forces to participate in training the Labour force, as well as contributions from learners. There should have policies in premises, grant or confessional loans including State funds at the early state to encourage social forces to actively participate in the establishment of vocational schools. Quickly increase the role of the business sector and individuals, particularly in higher education and human resources training.

b) *To attract foreign businesses into training human resources for industrialization*, because our workers go aboard to get intensive training not basic knowledge. It must be the responsibility of our education. Training abroad can not replace basic training. Workers who wish to undergo skilled training must finish secondary education and possess basic professional knowledge. The important thing is to make use of the advantage of export production zones in order to train qualified staff and skilled workers. Export production zones must be training establishments. Experienced and skilled staff and workers in Export production zones can be used to form the core for the development of other export production and industry zones.

c) *To create market encourages trained Labour force and movement of resources between areas and regions*. The establishment of market encourages trained Labour force requires improvement in payment policy. Though presently the Government does not directly intervene in the payment of salary of businesses, basically, the payment policy of businesses is still based on Degree No. 25-26 CP, in which differences between workers with different levels are very small, and average yearly increase in payment without taking into consideration the willing to study to improve levels, working efficiency etc. does not encourage workers to improve skills and productivity. The encouragement of skilled Labour market through payment policy must be done timely and conjunction with the improvement of skilled levels meeting the development needs. In the present integration and competition trend, advantage of cheap Labour is no longer attractive, therefore, concentration should be paid to improve professional levels of workers to bring into full play the advantage of young Labour force with high academic level must be the top priority to industrialize the country and to attract foreign investments.

d) *To give special treatments to training establishments*; Circular No. 32 TC/TCT dated 6/07/1996 of the Ministry of Finance provides guidelines for the implementation of tax reduction and exemption to training establishment under regulation of Labour Law. Applied objects consist of: Establishments of businesses, organizations, individuals, provide vocational training for those who need to get vocational training to seek jobs or to create jobs for themselves. Establishments of



vocational businesses provide vocational training for workers to meet the needs for business and production development, to change production structure, or technology of the business.