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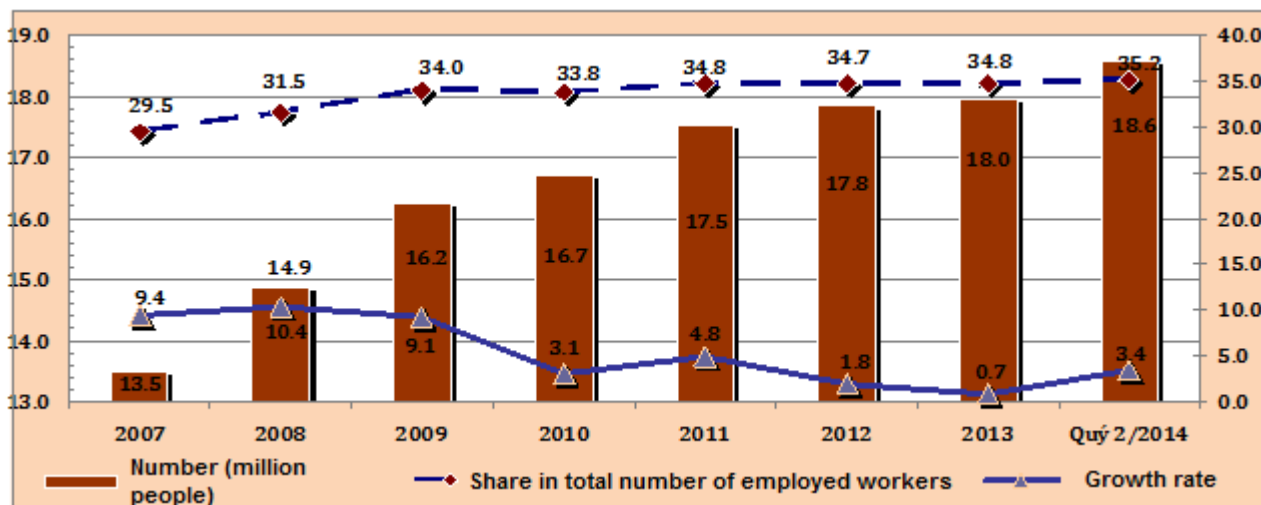
International Labour  
Organization

## WAGE AND SALARIED WORKERS

**Improvement of quality, effective utilization and protection of legal rights and interests of wage and salaried workers are the foundation for development of Vietnam’s labour market**

*Throughout nearly 30 years of Reform, step by step, Vietnam’s labour market has been established and developed, following market mechanism. The wage and salaried labour force has also grown rapidly. The wage and salaried labour market has gradually become a “thermometer”, an indicator of the “health” of the economy. However, up to now, the wage and salaried workforce has only made up one-third of the total employed workforce. Moreover, on one hand, the growth rate of wage and salary labour force has slowed down in the recent years due to impacts of economic recession; on the other hand, a number of problems still persists in terms of quality of the current wage and salaried workforce, which needs improving.*

**Table 1. Quantity, proportion and growth rate of wage and salaried labour force, period 2007-2014**



Source: GSO, Annual Labour Force Surveys, from 2007-2013

**Characteristics of wage and salaried workers.** Wage and salaried workers are those who work for employers in the public or private sector and receive compensation in forms of salary, wage, commission or in kind etc (ILO, 2002). Wage and salaried workers (working in areas where employment relationships exist) are recognized as an eminent and skilled component of the labour force, the majority of whom are mature-age and work in the industry and service sectors where labour productivity and labour standards are better assured. In Vietnam, the total

number of wage and salary workers reached nearly 18 million people in 2013, of which 38.3% are with degree/certificate (as compared to 17.9% of the total workforce), 79.9% are mature-age (as compared to 77.8% of the total workforce), 46% work in the industry sector (as compared to 21.2% of the total workforce), and 44% work in the services sector (as compared to 32% of the total workforce).

Because of these characteristics, the size and proportion of wage and salaried workforce reflect the level of the labour market growth, and

the dynamics of wage and salaried workforce reflect the dynamics of the economy, especially under the context of economic recession.

*The employment trends of wage and salaried labour force are an indicator of the “health” of the economy.* Before the global financial crisis in 2008 spread its impacts and domestic macroeconomic instabilities broke out in 2009, the wage and salary workforce in Vietnam grew rapidly. In 1997, the wage and salaried workers made up only 18.6% of the total employed workforce; this rate increased to 34% in 2009.

In the period of 2009-2014, the growth rate of wage and salaried workforce slowed down following the slower growth rate of the economy. In 2013, wage and salaried workers made up only 34.8% of the total employed workforce, and in the 2<sup>nd</sup> quarter of 2014, this rate is only 35.2%.



In the past period of economic difficulties, each year 50-70 thousand businesses were closed down or went bankrupt. A part of the labour force who lost their jobs (seasonal workers, short-term contract workers, low-skilled workers) have shifted to household/individual businesses, increasing the share of workforce of this economic sector. The share of workers in household/individual business sector in the total wage and salaried labour force increased from 11.3% in 2007 to 12.8% in 2009 and 13% in 2013. They have become more vulnerable because jobs and employment relationships in the household/individual business sector are subject to insufficient legal and social security obligations.

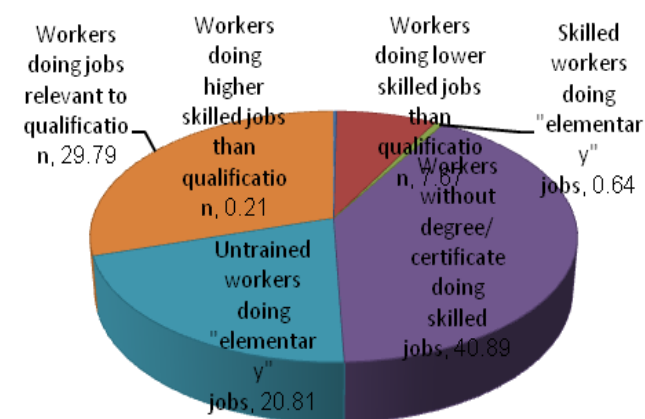
At the same time, there have been signs of increased underemployment among wage and salary workers<sup>1</sup>. The rate of underemployed wage

and salaried workers was 1.8% in 2012 and increased to 1.9% in 2013. In particular, underemployment is more common among hired labourers for household/individual businesses (5.9%). In 2013, there were nearly 341,000 underemployed wage and salaried workers in the whole country, of which 66.8% were working for household/individual businesses.

*Low income of a large proportion of wage and salaried workers shows that the economy is still at the lower end of the value chain.* The average income of a wage or salaried worker was 4.1 million dong/month in 2003, 16.8% higher than that in 2012. However, 4.3 million people (nearly a quarter of the total number of wage and salaried workforce) earned under 2.4 million dong/month (equivalent to 2/3 of the median income), of which 65.8% were workers of household/individual businesses, who often do low-skilled or unskilled jobs.

*Mismatches between actual jobs and training of wage and salaried workers show the imbalance between skilled labour supply and demand in Vietnam’s labour market.* In 2013, out of a total of nearly 18 million wage and salaried workers, 7.3 million workers (41%) without a degree/certificate were doing skilled jobs, and more than 37 thousand workers (0.2%) were doing jobs of higher skills than their qualifications.

**Table 2. Distribution of wage and salaried workers by relevance between occupation and qualification, 2013 (%)**



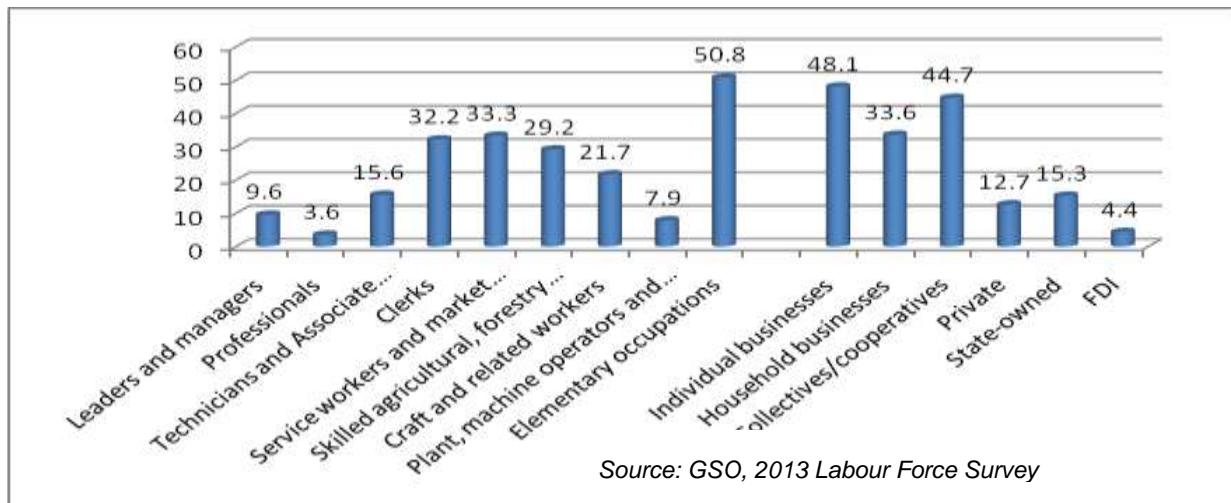
Source: GSO, 2013 Labour Force Survey

On the contrary, over-qualification is also a common problem. In 2013, 1.4 million wage and salaried workers (7.7%) were doing jobs of lower skills than their qualifications, and 115 thousand

skilled workers (0.6%) were doing elementary jobs. The distorted situation of the labour market has not only led to low production and business

efficiency but also caused wastes for the Government and households in investments on vocational training.

**Table 3. Proportion of low income wage and salaried workers by occupation and business sector, 2013**



**Lack of written labour contract with employer is a cause that leads to the vulnerable situation of wage and salaried workers.** In 2013, nearly 40% of the wage and salaried workers did not have a labour contract. They are almost excluded from the protection of the labour law and have few chances to access and benefit from social security policies.

The findings of the Report on Rapid Impact Monitoring of Global Economic Crisis on employment in the construction and retail sectors<sup>2</sup> show that most of the workers who lost their jobs had not had a labour contract, or only signed short-term labour contracts with the employers. Therefore, when losing their jobs, many of them did not receive dismissal compensations, and because they did not participate in social security policies, they were not entitled to unemployment benefits and health insurance benefits (in case of illness) .

**Employers' low level of compliance to the laws on unemployment and health insurance causes disadvantages to employees.** In 2013, 8.9 million workers were provided with unemployment insurance, making up 49.2% of the total 18 million wage and salaried workers, and 85% of the total number of workers with labour contracts. Due to the fact that a large number of workers in non-State economic sectors have not

signed labour contracts (or only have short-term contracts) and the problem of employers dodging or delaying payment of social insurance is still common, the rate of workers included in unemployment insurance in this economic sector is still very low. Less than 1% of the workers of household/individual businesses and 58% of workers of private enterprises have not joined unemployment insurance. Similarly, health insurance coverage is low; only 50.6% of the total wage and salaried workers have health insurance (while health insurance coverage is 70% of the total national population).



Currently, there are more than 300,000 operating enterprises in the whole country, while only 150,000 enterprises which have registered for social insurance are under the administration of the social insurance agency. That means 50% of the enterprises are still dodging their social insurance obligations.

<sup>2</sup> MOLISA, United Nation Vietnam, 2013 Report on Rapid Impact Monitoring of Global Economic Crisis on employment and roles of the social security system

***Fewer labour disputes indicate difficulties in job keeping efforts rather than improvement of employment relationship.***

There were 355 labour strikes in 2013, 60% lower than in 2011. Nearly 70% of these strikes occurred at the FDI enterprises that used a large number of elementary workers in processing industries (garment, shoes and leather, wood processing, electronics). The number of strikes has declined, but most of them still did not follow the procedures regulated by the law. This shows that the picture of employment relationship has not really improved, and the roles of the local trade unions in negotiating with employers and fighting for the legitimate interests of workers are still limited.

### **IMPLICATIONS FOR POLICY**

The wage and salaried labour market is a more developed and advanced segment of the labour market (compared to the other segments of farmers, own-account workers in non-official sector). The dynamics and changes of the economy always have rapid and direct impacts on this workforce. In the coming years, with microeconomic reforms and continued global integration, Vietnam's economy is expected to gain better quality growth, and the growth rate is expected to reach the same level as the period before 2008. Therefore, the size and share of wage and salaried workers will increase rapidly. This requires the labour and social security legal system and policies to be continuously revised and improved, in order to create a favourable environment for wage and salaried labour market to expand and grow, and at the same time, enhance the effectiveness of policy enforcement and protect the legitimate rights and interest of this eminent workforce in a timely manner.

**Firstly**, continue to improve and finalize the legal and policy system in the areas of labour and social security; promptly promulgate laws on labour safety and hygiene and minimum wage; in particular, urgently promulgate guidance documents for implementation of the 2012 Revised Law on Labour, 2014 Law on Vocational Education, 2014 Revised Law on Social Insurance, to form the basis for design and implementation arrangements of active and passive labour market programmes to meet the needs of economic development.

**Secondly**, based on the promulgated laws and sub-law documents, develop and carry out

labour market development projects/programmes, with priorities given to improving vocational education and training quality, developing labour market information system, including both establishing labour market database (labour supply and demand, data of labour market transactions, labour conditions, wage etc.) and helping low-income wage and salaried workers and redundant workers build sufficient capacity to participate in social security policies, while paying special attention to the groups of workers of household/individual businesses and private enterprises.

**Thirdly**, study and assess the current status and quality of enterprise-level trade unions' activities to find solutions in order to develop harmonious employment relationships, carrying out genuine dialogues and negotiations to minimize strike actions and go-slow strikes of workers.

**Fourthly**, improve effectiveness of inspection and supervision of employers' compliance with the laws on labour and social security, particularly in terms of wage, working conditions and social insurance for employees.

**Fifthly**, strengthen and diversify communication and promotion of policies and laws on labour and social security to raise the awareness and level of legal and policy compliance of employees, enterprises and social partners.

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