

## Education-business mismatch worsens already low workforce quality and productivity

Only less than one fifth of Viet Nam's labour force have received technical training and the skills they gain from the education system often do not match those wanted by the labour market.

The newly-published Labour Force Survey 2013 indicated that even though the situation has improved since 2010, up to 82 per cent of the labour force – or more than 43.5 million people – never received any training or qualification.

The skills level of the workforce was the lowest in the Mekong Delta with only one in ten workers having been trained. The proportion of the labour force that has received training was the highest in Hanoi (37 per cent).

“The young and large labour force has opened up many opportunities for Viet Nam but unfortunately the low level of skills and technical specialization of the workers is making it difficult for the country to seize those unique chances,” said Gyorgy Sziraczki, Director of ILO Country Office for Viet Nam.

To make the matter worse, there has been existing a skills mismatch between what the education and training system offers and what enterprises need today and tomorrow.

In a recent ILO skills need survey with over 200 enterprises in tourism sector in central Viet Nam, all employers said that graduates from vocational schools do not meet their requirements.

As a result, labour productivity in Viet Nam was among the lowest levels in the Asia-Pacific region. According to an ILO research, productivity in Singapore in 2013 was nearly 15 times the level in Viet Nam. Even compared to Malaysia and Thailand – two other middle-income ASEAN countries, Viet Nam's productivity was only one-fifth and two-fifths respectively.

“To make skills development more demand-driven, Viet Nam needs to enhance co-operation with the private sector and promote the participation of business and industry in the education and training system,” said Sziraczki.

The revised Law on Vocational Training, which emphasizes industry participation through a tax incentive scheme for enterprises conducting training activities, is expected to improve the situation if passed by the National Assembly by the end of this year.

### New technologies

In an effort to improve the skills mismatch, the General Department of Vocational Training has

## APEC

### ministers to discuss human resource development

More than 100 delegates, including senior officials, from 21 member economies of the Asia - Pacific will attend the 6th Human Resources Development Ministerial Meeting on 6 September in Hanoi.

Yoshiteru Uramoto, ILO Assistant Director-General and Regional Director for Asia and the Pacific, will head the organization's delegation to the event.

Themed “Strengthening people-to-people connectivity and quality employment through human resources development”, the meeting will focus on enhancing human resource quality to meet supply chain demands, facilitating the mobility of labour and skills development.

The 5th APEC Human Resources Development Ministerial Meeting was organized in China in 2010.

shown interests in new tools developed by the Moscow School of Management Skolkovo within the framework of the Russia-funded ILO project on “Skills for Trade: Applying the G20 Training Strategy”. The G20 training strategy for a skilled workforce for strong, sustainable and balanced growth, which had been developed by the ILO, was welcomed by G20 leaders at the Toronto Summit in 2010.

The possible application of the Management Simulation Tool is expected to improve the management and operation of Viet Nam's vocational colleges and technical schools. Meanwhile, the other innovative technology can help forecast and anticipate future skills needs.



# Improving competitiveness is key challenge for Viet Nam



**Canadian Ambassador David Devine shares his views on Better Work programme and his country's priorities in Viet Nam**

**"We also invest in Viet Nam's people, contributing to a skilled workforce that can meet the demands of an evolving Vietnamese economy."**

direction of reform, and Canada helps where we can.

**What are Canada's priorities in social and development issues in Viet Nam now and in the years to come? Is employment among them?**

As Ambassador, I share lessons we have learned in Canada from our own social and economic development that we see as relevant to Viet Nam. For example, Canadians' experience is that freedom and prosperity are intrinsically linked. When ideas flow freely, they feed innovation and economic growth. Canadians have also learned how important it is to increase the participation of women in the economy and society – which also means changing men's roles – and we have seen how these changes help to achieve social and development goals. Canada has benefited from a strong, independent civil society, which complements the role of the private sector and the government, and plays a key role in the promotion and protection of human rights. I think that all of these experiences hold lessons for Viet Nam.

Viet Nam has recognized that there are some missing ingredients in the education system. Over the last 60 years, Canada has become better and better at matching colleges with businesses to make sure we are training workers with skills that businesses really need. Through our International Education Strategy, Canada is encouraging Vietnamese students to consider studying in Canada to take advantage of the strengths of our education system.

Canada is also assisting Viet Nam to develop its own skills training system, as part of our development cooperation program that supports sustainable economic growth. The Viet Nam Skills for Employment Project aims to improve technical and vocational training by providing Canadian expertise in managing colleges. In 2014, Viet Nam was confirmed as a country of focus for the Government of Canada's international development efforts so Canada plans to continue this type of assistance for years to come. Ultimately, Viet Nam's young women and men will benefit.

**Canada is a donor of Better Work Viet Nam, a joint initiative by the ILO and the International Finance Corporation. What do you think about this programme and its impacts on the garment industry in the country?**

I think this programme is real win-win for workers and for businesses. It goes to show that treating your workers properly is not something you only do out of kindness, or only to meet human rights standards, it also makes good business sense.

The ILO tracks results carefully, which of course is very important to Canada when we provide financial support to any initiative. I was interested to learn that the ILO can track a positive relationship between better working conditions for the employees and better business performance for the employers. This is all the more important because the programme focusses on the garment and footwear sectors where over 80 per cent of workers are women. It is key for Viet Nam's future that employment opportunities – and that means good jobs – grow for both women and men.

**Viet Nam is now deepening its integration into the global market. How would you comment and what's Canada's role in helping Viet Nam?**

I was lucky enough to arrive in Hanoi the year that Canada and Viet Nam marked their 40th year of diplomatic relations in 2013. This anniversary led to a lot of discussion and

reflection on how our relationship has changed and grown. For example, Viet Nam is now Canada's fifth largest total merchandise trading partner in Southeast Asia. Canada-Viet Nam bilateral trade reached an all-time high in 2013, with trade in both directions increasing significantly.

In 2014, our partnership is not just about Canada helping Viet Nam. Like Viet Nam, Canada is a Pacific nation. Canada and Viet Nam help one another by working together in APEC and ASEAN to advance our shared commercial, development and security interests.

For me, improving competitiveness is a key challenge for Viet Nam as it integrates into the global market. Canada's development programming in Viet Nam is contributing to an improved legal and regulatory framework consistent with international standards, for example by advising the State Bank of Viet Nam on bringing banking regulation and supervision up to international standards. Canada helps businesses in Viet Nam to grow, especially small businesses in rural areas and the agriculture sector. We support Ha Tinh and Soc Trang provinces in this area. We also invest in Viet Nam's people, contributing to a skilled workforce that can meet the demands of an evolving Vietnamese economy.

Canada can do its part to help Viet Nam. But Viet Nam has to drive the reform process, tackling the next generation of challenges, such as reforming state owned enterprises. Viet Nam leads the pace and

# WHAT WILL ECONOMIC INTEGRATION BRING FOR VIET NAM AND ASEAN?

Policymakers are talking a lot about the impact of the ASEAN Economic Community (AEC) in 2015. But the real question is, how will this AEC affect the 90 million Vietnamese and – more broadly – the 600 million people who live in the region? Together, the ILO and the Asian Development Bank set out to find some answers, and our report “ASEAN Community 2015: Managing integration for better jobs and shared prosperity” was shared in Hanoi on 4 September.

Ordinary men and women first and foremost experience economic change through the labour market. What matters to them is whether they can find a good job that offers security, pays decent wages in decent conditions, and whether, in time, their children will be able to do the same.

Our findings are encouraging. If managed well over the next decade, the AEC could boost the region’s economies by 7.1 per cent by 2025 and, generate 14 million additional jobs. In Viet Nam, which accounts for one in six of the region’s workforce, this could mean GDP expanding by 14.5 per cent and the creation of millions of jobs.

However, there are some big “ifs” and “buts”.

In Viet Nam two out of three of these new jobs could be poor quality, ‘vulnerable’ jobs, such as family or own-account workers. Currently, despite the country’s formidable economic progress, nearly half of Viet Nam’s workers are in agriculture, where productivity, incomes and working conditions are typically low compared to some other ASEAN economies.

The AEC will speed up structural change, and while some sectors will flourish others are likely to see job losses. Workers from these sectors will not necessarily have the right skills to take up the new opportunities created by the AEC. In addition, while improved productivity may bring increases in incomes for some, this could bypass the large majority of people.

To realize the full potential of closer economic

integration, the ASEAN countries need to take decisive action, right now. There are some areas in which they must work together to get results; notably to proactively manage the coming structural changes, to ensure that economic gains lead to shared prosperity, and to strengthen regional cooperation. In addition, each country will have its own national priorities to address, if it is to make the most of the AEC’s opportunities. In Viet Nam we see five key areas.

The first is prioritizing measures that will boost productivity and job quality in agriculture and diversifying manufacturing employment into new sectors, while continuing to support the garment industry.



Secondly, social protection coverage needs to be extended, including the national unemployment insurance scheme. This will help cushion the effects of structural transformation and ease workers into new, more productive sectors.

Third, skills development institutions need to be strengthened. Targeted efforts are needed to improve secondary education and vocational training to meet the expected growth in demand for medium-skilled workers.

More modern collective bargaining systems, to create a more stable business environment, are also needed. This would also help to ensure that productivity gains translate into higher wages and better working con-



*By Yoshiteru Uramoto, ILO Assistant Director-General and Regional Director for Asia and the Pacific*

ditions, and so a stronger domestic market.

Finally, there is a need to improve both the protection of migrant workers and systems for recognizing their skills, particularly in sectors dominated by low and medium-skilled workers such as construction.

The AEC offers Viet Nam, and its ASEAN neighbours, significant opportunities for growth and prosperity, and the chance to move towards a high-productivity economy based on skills and innovation. If these priorities are effectively addressed, the region can make great strides towards equitable economic development and shared prosperity. But if leaders fail to act the AEC will increase inequalities, and its benefits will bypass the majority of ordinary, hardworking people.

## Journalists share experience in communicating labour migration

More than 30 journalists across Viet Nam gathered in the central province of Quang Binh in August to discuss labour migration issues at a workshop co-organized by ILO and the Viet Nam Journalists' Association (VJA).

The two-day event aimed to promote safe labour migration through sharing journalists' experience and skills in reporting the issues.

Praising the media's increasingly important role in the modern society, including labour migration, VJA Standing Vice Chairman Ha Minh Hue however said they can be a two-edged sword.

"The media can significantly promote labour migration issues if they are well equipped with essential skills," he explained. "Otherwise, they can mislead the audience, resulting in misunderstandings which affect the Government, employers and workers."

Reporter Nguyen Thu Uyen of Cong an Nhan dan (People's Public Security) Newspaper said she earned more knowledge and skills to better her reporting labour migration while many other journalists were able to build up their professional network through the event.

Major issues that were brought to discussion at the workshop included social insurance for cross-border migrant workers, exploitation and discrimination against this group and the correct usage of popular terms around this type of employment. The event also looked at the rights of migrant workers in international laws and complaint mechanism for migrant workers.

After the Media Award in Labour and Employment, the "Media Workshop on Safe Labour Migration" was the second event in the year co-organized by ILO and VJA to highlight the role of journalists and enhance their skills in communicating labour rights.



## Minimum wage proposed to increase by 15 per cent in 2015

The National Wage Council agreed on employers' proposal of a 15 per cent increase in minimum wage for 2015 with 9 out of 14 votes in August.

The proposed minimum wage – which is VND3.1 million (US\$148), VND2,750,000 (\$131), VND2,420,000 (\$115) and VND2.2 million (\$105) depending on different regions – will be submitted to Prime Minister Nguyen Tan Dung.

This was VND100,000 (\$4.7) lower than the proposal made by workers' organization – the Viet Nam General Confederation of Labour.

According to Vice Minister of Labour, Invalids and Social Affairs, Pham Minh Huan, who is the council chairman, the biggest success was that both employers and workers' representatives saw eye to eye with each other on raising minimum wage for workers and

adjustment was made during negotiations despite different proposed levels.

A road map had been set earlier to sustain regional minimum wages that meet minimum living needs of workers in 2017.

"Of course, we should not only talk about these wage increases in isolation, but also how we can create the conditions for sustainable wage growth – increasing productivity," said Phillip Hazelton, Chief Technical Advisor of ILO Industrial Relations Project.

The ILO has been providing technical assistance to the National Wage Council to practice evidence-based approach in minimum wage fixing, to apply accepted methodologies to measure and monitor minimum living needs of workers and their families, to consider business needs and broader economic and employment impacts of minimum wage increases.

## Upcoming events

- Training course for trainers of career guidance, Hue, 15-18 September
- Visit by the Canadian Government delegation to Better Work Viet Nam, Nam Dinh, 22 September
- Launching of HCM City Industrial Relations Master Plan, HCM City, September
- Training for entertainment workers in work conditions, Quang Ninh, 28-30 September
- Consultation workshop with VCCI for industry participation in vocational training, 3 October
- Better Work Viet Nam and Cambodia joint buyers' forum, HCM City, October
- Workshops to roll out operation manual for Migrant Workers Resource Centre, Hanoi, HCM City and Da Nang, October
- Workshop "Promote Disability Inclusion, Expand Businesses" on corporate social responsibility in tourism sector, Hoi An, 30 November
- Launching of Labour Code Guide Book, Hanoi, November
- Workshop to analyze gaps between Viet Nam's labour law system and core international labour standards, Hanoi, November
- Training for Trade Union in the rights of migrant workers, Nghe An, November
- National conference on wage policies in the context of greater economic integration and implications for Viet Nam, December
- Launching of Viet Nam Industrial Relations Report, Hanoi, December
- Training for entertainment businesses and dialogue between employers and representatives of entertainment workers, Quang Ninh, December

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