

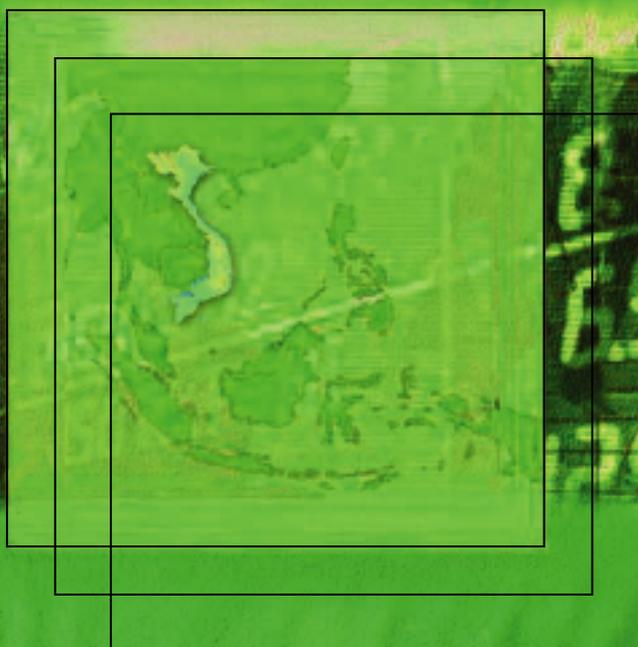


Ministry of Labour, Invalids
and Social Affairs



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Labour and Social Trends in Viet Nam 2009/10



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Ministry of Labour, Invalids and Social Affairs
Institute of Labour Science and Social Affairs

Labour and Social Trends in Viet Nam 2009/10

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Foreword

At the 14th Asian Regional Meeting in September 2006, representatives of governments and employers' and workers' organizations from Viet Nam and other Asia-Pacific member States of the International Labour Organization (ILO) committed themselves to an Asian Decent Work Decade - for the period up to 2015. Decent work involves not only whether women and men have any job but refers also to productive employment that provides an adequate income to keep them and their families out of poverty, security in times of adversity, good working conditions and a voice in decisions that affect their lives and livelihoods.

Labour and Social Trends in Viet Nam 2009/10 is a rich information source that can be used as an advocacy tool for advancing decent work in Viet Nam. The report provides an overview of recent labour market trends in the country, followed by thematic chapters on the impacts of the global economic crisis and labour market issues for Viet Nam during the Asian Decent Work Decade. It also includes an annex of internationally comparable and sex-disaggregated labour market statistics. In addition, the report provides a number of policy considerations for the Government of Viet Nam in planning the Socio-Economic Development Strategy for 2011-2020 as well as the Socio-Economic Development Plan for 2011-2015.

This report was developed by a research team from the Institute of Labour Science and Social Affairs (ILSSA). The team was led by Nguyen Thi Lan Huong and comprised of Bui Ton Hien, Luu Quang Tuan, Nguyen Trung Hung, Nguyen Huyen Le, Nguyen Bich Ngoc, Pham Ngoc Toan and Chu Thi Lan. Financial and technical support was provided by the ILO under the overall guidance of Gyorgy Sziraczki. Special mention should be given to Sukti Dasgupta and Phu Huynh for their assistance in developing the report structure and technical review of various drafts, and to Phan Thi Thu Huong for project coordination. In addition, Manolo Abella, Pong-Sul Ahn, Tim de Meyer, Steven Kapsos, Tsuyoshi Kawakami, Nguyen Hoang Ha, Nguyen Thi Hai Yen, Nguyen Van Theu, Ina Pietschmann, Annemarie Reerink, Bill Salter, Andrea Salvini, John Stewart and Youngmo Yoon provided technical inputs at various stages of the report's development, while Karen Emmons supported the language editing of the English version.

The report also benefitted from feedback gathered at a national consultation workshop in May 2009, which included participants from the Ministry of Labour, Invalids and Social Affairs, the Viet Nam Chamber of Commerce and Industry, the Viet Nam General Confederation of Labour, the Viet Nam Cooperative Alliance, the Ministry of Planning and Investment, the General Statistics Office and other stakeholders. Subsequently, in November 2009, a validation workshop was held to review the draft report and critical inputs were provided by Nguyen Huu Dung, Tran Xuan Cau, Mac Van Tien, Ngo Truong Thi, Nguyen Thi Kim Dung and Nguyen Manh Cuong, among others.

Labour and Social Trends in Viet Nam 2009/10 is a reflection of the strengthened collaboration between the ILO and the Government of Viet Nam in helping to realize decent work in the country.

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Director General
Institute of Labour Science and Social Affairs
Ministry of Labour, Invalids and Social Affairs

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ILO Office in Hanoi

List of acronyms and abbreviations

ASEAN	Association of Southeast Asian Nations
CPI	Consumer Price Index
DOLISA	Department of Labour, Invalids and Social Affairs
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
ILO	International Labour Organization
ILSSA	Institute of Labour Science and Social Affairs
IPSARD	Institute of Policy and Strategy for Agriculture and Rural Development
IMF	International Monetary Fund
MOLISA	Ministry of Labour, Invalids and Social Affairs
NIRC	National Industrial Relations Committee
TFP	Total Factor Productivity
UN	United Nations
UNFPA	United Nations Population Fund
USD	United States Dollar
VCA	Viet Nam Cooperative Alliance
VCCI	Viet Nam Chamber of Commerce and Industry
VGCL	Viet Nam General Confederation of Labour
VHLSS	Viet Nam Household Living Standards Survey
VND	Vietnamese Dong
WIND	Work Improvement in Neighbourhood Development
WISE	Work Improvement in Small Enterprises
WTO	World Trade Organization

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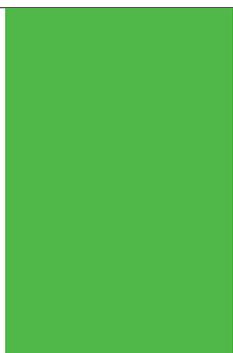
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Executive summary

1. Recent economic, labour market and social developments

Since the adoption of market reforms in 1986, the economy of Viet Nam has developed impressively, with an average growth of 7.5 per cent per year from 2000 to 2008. This trend coincided with a shift from an agriculture-based economy to one driven by industry and services, and also a considerable increase in the share of export trade in GDP. Per capita income surpassed the middle income country threshold of USD 1,000 in 2008, and represents a remarkable expansion of more than 2.5 times the level in 2000.

Due to the dramatic decrease in fertility rates during the past few decades, the share of the working-age population is growing significantly while the population dependency ratio is falling. This demographic pattern presents a golden opportunity for Viet Nam's growth and development prospects if the right policies are chosen.

Viet Nam's labour force grew annually by an average of 1.06 million during the 2000-2007 period and totalled 46.7 million people in 2007. However, despite some advances, the labour force remains mostly unskilled as nearly two-thirds did not have any technical education.

The average annual growth in employment between 2000 and 2007 was approximately 1.03 million, slightly lower than the growth in the labour force. Relative to the strong rate of economic expansion, employment generation has been rather weak in Viet Nam. During the period of 2004-2008, the employment elasticity of total employment to total GDP in Viet Nam lagged behind most countries in the ASEAN region, indicating the need for the right mix of employment-centred development policies.

Coinciding with the sectoral shift in the economy, agriculture is absorbing an increasingly smaller share of the employed labour force as workers are moving into industry and services. Similarly, wage employment has grown steadily in recent years; however, a major concern is that 76.7 per cent of all workers were engaged in vulnerable employment in 2007. In particular, a majority of women (53.5 per cent) were unpaid for their work as contributing family workers.

Unemployment remains an issue primarily for youth as more than half of the unemployed population (52.5 per cent) in 2007 were young people aged 15-24. In addition, female youth (6.3 per cent) face higher unemployment rates than male youth (5.8 per cent). Young jobseekers are four times as likely to be unemployed than their adult counterparts. Also, unemployment is higher in urban areas whereas underemployment is more prevalent in rural areas.

Labour productivity is critical for economic growth, sustainable wage increases and poverty reduction. In comparison with other countries in the region, Viet Nam's labour productivity growth from 2000 to 2008 was quite outstanding and exceeded all other ASEAN Member Countries. However, the country's productivity remains low in absolute terms and was equal to only 61.4 per cent of the ASEAN average, 22 per cent of productivity in Malaysia and 12.4 per cent of the level in Singapore.

As a result of robust growth and targeted measures, Viet Nam has achieved remarkable success in poverty reduction. The national poverty rate fell from 37.4 per cent in 1998 to 14 per cent in 2008. However poverty alleviation has been uneven as rural households and ethnic minorities are significantly more likely to be living below the poverty line.

Viet Nam has made steady progress in establishing a number of institutions to protect society, including a social insurance scheme, unemployment insurance system and a labour inspection regime. However, significant deficits remain in terms of the reach of the various programmes as the majority of workers, many working in the informal economy, are not covered.

Indicative of an economy in transition, Viet Nam has seen a rapid rise in the number of industrial labour disputes over the past decade: from 70 reported cases in 2000 to 720 incidences in 2008. These figures reflect, in part, a number of shortcomings in the industrial relations regime, including mechanisms for social dialogue, collective bargaining and wage setting.

2. Impact of the global economic crisis in Viet Nam

In the past couple of years, Viet Nam has wrestled with a volatile macroeconomic climate due to rising price inflation and then the global economic recession. In 2008, the consumer price index grew by an alarming 23.1 per cent but was reigned in following a tightening of monetary policy and decreasing public investment.

Subsequently, by October 2008, the Government shifted its focus to the global economic downturn, which impacted Viet Nam through a significant drop in trade, investments and tourism. By the end of 2009, however, Viet Nam appears to have weathered the worse of the crisis and saw the economy grow by 5.3 per cent. Although not as strong as in recent years, economic growth in 2009 was relatively robust compared to estimates for many countries in the Asia region.

In terms of the labour market, impact assessment surveys indicate that the crisis has indeed taken a toll. Findings from enterprise surveys show that many firms scaled back their production, resulting in a contraction in working time or the loss of jobs. However, other enterprises concurrently expanded their workforce, and, in sum, total unemployment levels are estimated to have not increased substantially.

By sector, the crisis has impacted Viet Nam's handicraft villages as foreign and domestic market demand contracted and sales contracts were cancelled, leading to enterprise closures and retrenchments. In addition, results from surveys conducted in four rural provinces indicate that the crisis has led to an increase in the number of returning migrants retrenched from jobs in urban industrial zones

or even abroad. Furthermore, a majority of households have been forced to cut back on certain food expenditures as the crisis has pushed some near-poor rural households into poverty, particularly in the mountainous areas.

The Government raised the state budget to boost aggregate demand and implemented decisive measures to support workers retrenched by enterprises during the economic downturn, including measures to support wages and preferential loans for skills training. These initiatives strengthened the confidence of enterprises and workers of the Government's capacity and commitment to stabilizing the economy in times of major crisis. However, the implementation of some measures has been ineffective and should be evaluated further.

3. Viet Nam and the Asian Decent Work Decade

During the remaining years of the Asian Decent Work Decade, Viet Nam will continue its rapid regional and global market integration. This pattern will pose a number of labour market and social challenges that the country must address.

Viet Nam's labour force will continue to expand significantly from 2010 to 2015. In absolute terms, its labour force growth will be among the highest in the ASEAN region, trailing only Indonesia and the Philippines. This projected pattern will exert considerable pressure on the economy to generate adequate job opportunities. Moreover, Viet Nam will continue its urbanization trend, wielding major stress on urban centres in terms of employment, infrastructure and services.

Raising labour productivity and enhancing competitiveness will be a priority during the next five years as Viet Nam looks to move up in regional and global production networks. In order to meet this goal, Viet Nam must address a number of issues, including the enormous labour force employed in the low productivity agricultural sector, the low productivity of small and medium-sized enterprises which predominate in the economy and the shortage of professional and technical skills of the workforce.

Enhanced market integration and rapid structural change also present the possibility of emerging risks and new groups of the poor and require enhanced social protection measures. Groups particularly vulnerable to falling into poverty include farmers, domestic and international migrants, women and youth.

Key policy considerations

◆ Invest in labour market governance to foster sustainable and inclusive development

Economic restructuring towards market orientation and global integration will require sound administration of policies to balance the flexibility of labour markets with the security concerns of workers. In this regard, Viet Nam should strengthen its legal and policy framework, with a focus on collective bargaining, minimum wages, labour dispute settlements, unemployment insurance and the gender pay gap, among others.

Second, Viet Nam should invest in the industrial relations system to foster the mechanisms for dialogue and negotiation, including a comprehensive system involving tripartite representation at the industry, regional and local

levels. In this regard, strengthening the capacity of the three parties in collective bargaining will be essential.

Also, supporting labour market institutions that can facilitate the match between labour demand and supply is critical. This will require formulating a full range of policies and programmes to respond to a flexible labour market, including a package of employment and re-training services.

◆ **Sustain rapid productivity growth to drive competitiveness and raise living standards**

In terms of driving productivity growth, the Government can help facilitate the shift of workers across sectors by developing and nurturing higher-productivity industrial sectors that can attract more workers. Moreover, policies that promote investment in small and medium-sized firms, in both industrial and rural areas, would be essential. Special focus is needed to support these enterprises to adopt modern processes and technologies and develop their human resources. In this regard, the Government should consider measures to enhance the relevance and quality of the education and training system.

◆ **Support job creation and improve job quality through employment-centred policies**

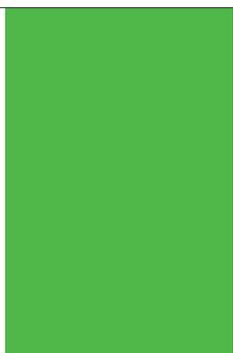
Deficits in employment generation and the quality of jobs call for a comprehensive employment strategy, which should prioritize and mainstream gender-related concerns considering the disproportionate engagement of women in unpaid or poorly paid jobs and in sectors where productivity is low and protection is weak. In addition, enterprise development will continue to be the crucial driver for formal employment creation, and initiatives to support business registration and expansion and access to credit are critical.

◆ **Strengthen social protection to balance growth with equity**

The Government should consider measures to extend the coverage of the social insurance system through revising stipulations in the scheme and also through raising public awareness. In terms of the unemployment insurance programme, the Government must enhance its implementation to better support jobseekers through investment in public and private employment service centres and in the vocational and technical training system. Finally, increasing state budget allocations for the social protection system and enhancing efficiency should be a priority.

◆ **Establish a robust labour market information system to support informed decision-making**

Investing in a robust national labour market information and analysis system that can provide quality, reliable and up-to-date information - including on labour demand and supply, training needs and new opportunities for jobseekers - can support the implementation of many of the policy recommendations above. Such a system should be readily accessible to policymakers, enterprises, jobseekers, training providers and other stakeholders engaged in the advancement of decent work in Viet Nam.



Introduction

Viet Nam has experienced a period of rapid economic and social change which has both influenced and been shaped by dynamic employment and labour market trends. This report aims to provide a detailed analysis of the labour market situation in Viet Nam and outlines the potential opportunities and challenges for Viet Nam during the remaining years of the Asian Decent Work Decade to 2015.

The report is divided into three chapters. Following this introduction, the first chapter analyzes recent economic developments and labour market trends as well as poverty and inequality issues. This is necessary in order to provide background for the discussion of contemporary labour market and social problems in Viet Nam which is contained in the second chapter. A particular focus in this second chapter is the social and labour market impacts of the global economic crisis in late 2008 and 2009. The third chapter highlights key opportunities and challenges for Viet Nam over the 2010-2015 period, with emphasis on employment growth, boosting productivity and competitiveness and strengthening social protection coverage. This chapter also presents some policy considerations for the development of the Socio-Economic Development Strategy for the period 2011-2020 and the Socio-Economic Development Plan for 2011-2015.

Methodology and data sources

The report is based on literature review, situation assessment and trends analysis on labour market and social issues. The authors drew from different official data sources produced by the Viet Nam General Statistics Office (GSO) and the Ministry of Labour, Invalids and Social Affairs (MOLISA). Data on labour and employment for 2000-2007 were extracted from the annual MOLISA Labour and Employment Surveys, which cover information on employment and unemployment. Other data were collected through ongoing research and surveys of the Institute of Labour Science and Social Affairs (ILSSA) and other Government institutions and agencies.¹

It is important to note that the study is constrained by the limited availability of comprehensive, accurate and timely data in a number of key areas. Improving data collection and dissemination in the area of labour statistics is an important priority for monitoring trends in socio-economic development. Also, because the analysis is derived from different data sources, the authors have given great attention to resolve any data inconsistencies; however, discrepancies were unavoidable in some cases and therefore noted where applicable. In addition, despite the attempt to discuss broad thematic subjects, the report could not possibly examine, in full, the myriad labour market and social issues in Viet Nam. Thus, it is intended that various sub-topics will be investigated in further depth in subsequent editions of the *Labour and Social Trends in Viet Nam* reports.

¹ For more information on key data sources, please see Annex I.

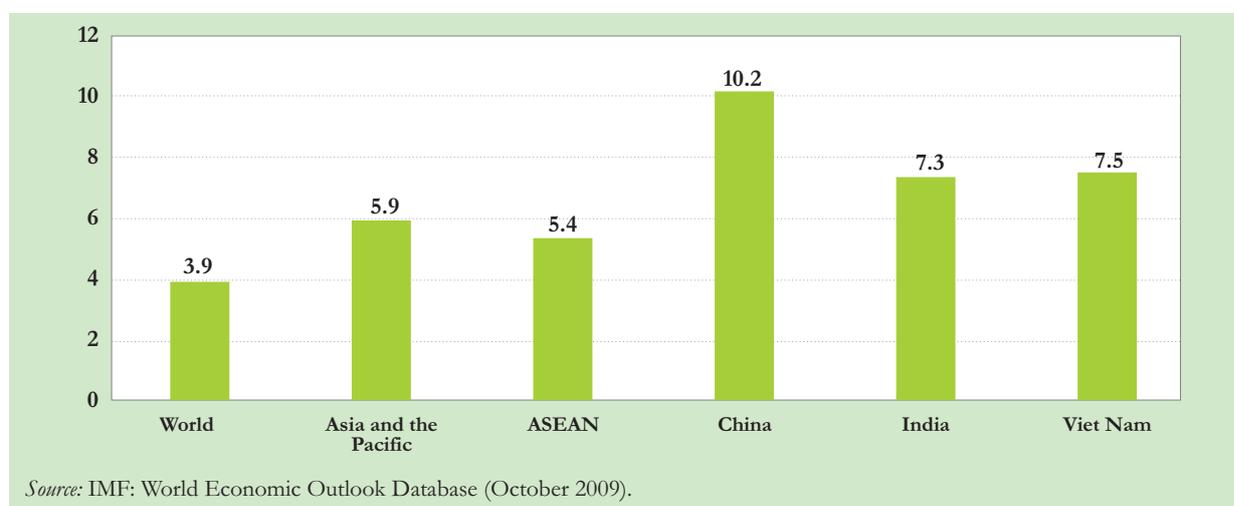
Recent economic, labour market and social developments

This chapter provides an overview of the major economic, labour market and social trends in Viet Nam from 2000 to 2008. This has been a period of rapid economic and social change in Viet Nam, and this chapter seeks also to identify the major social and labour force challenges facing the country. The current employment situation in Viet Nam needs to be considered against the background of other recent and long-term developments in the economy. In particular, the *Doi Moi* policy led to the overhaul of the economic regime in the 1980s and the opening up of the economy and its subsequent rapid growth. Yet this swift economic acceleration must also be seen in the context of Viet Nam's labour force which is increasing significantly and creates immense pressure on new job creation.

1.1. Macroeconomic developments

Viet Nam has experienced robust economic growth over the past decade (see Table A5.1). Annual growth of GDP peaked at 8.5 per cent in 2007 before falling to 6.2 per cent in 2008 as a result of high consumer price inflation and then falling external demand (see Chapter 2). Over the 2000-2008 period, the average annual growth rate was 7.5 per cent. This was high by both global and regional standards as is evident in Figure 1.1.

Figure 1.1. Gross domestic product, annual average growth, 2000-2008 (%)



The pattern of growth in the various economic sectors reflects the significant structural change which is occurring in Viet Nam. The proportion of total GDP accounted for by agriculture declined from 23.3 per cent to 17.6 per cent between 2000 and 2008 although there was a 35.1 per cent increase in the value of agriculture GDP over that period. On the other hand, the industry and construction sector increased its share of the national economy from 35.4 per cent in 2000 to 41.6 per cent in 2008. Moreover, the GDP from industry and construction increased by more than 110 per cent over this period, with growth exceeding 10 per cent per annum for most years but declining to 5.7 per cent in 2008 under the pressure from the global economic crisis. This hindered the Government's development strategy of 2001-2010 which has prioritized industrialization. Meanwhile, the services sector consistently contributed around 40 per cent of GDP during the 2000-2008 period.

There has been a significant increase in GDP per capita over the 2000-2008 period. Per capita income surpassed the middle income country threshold of USD 1,000 in 2008, and this impressive trend represents an expansion of more than 2.5 times the level in 2000 (see Table A5.2).

Rapid economic growth has been achieved primarily as a result of increasing capital investment. In 2008, gross capital formation accounted for more than 44 per cent of GDP and grew at an average annual rate of 12.6 per cent from 2000 to 2008.² On the other hand, private consumption increased annually at a slower 7.8 per cent, on average, during the same period.

Following the Government's policies on diversification of investment capital sources and promoting a market economy, the proportion of state investment in the economy reduced remarkably, from around 59 per cent in 2000 to nearly 29 per cent in 2008. Meanwhile, the proportion of non-state investment capital increased from around 23 per cent to over 40 per cent, and the share of foreign capital of total investment jumped from 18 per cent to more than 31 per cent during the same period.³

Although the opening of the economy resulted in dynamic growth, it left Viet Nam heavily dependent upon the global economy. Signing bilateral trade agreements with different partners such as the United States in 2001 and accession to the World Trade Organization (WTO) in 2007 played a crucial role in mobilizing investment capital for economic growth and trade promotion. However, it also increased Viet Nam's link to the consumption demands of foreign markets. The share of merchandise trade in GDP increased from 96.6 per cent in 2000 to 158 per cent in 2008, only lower than Malaysia and Singapore when compared with other countries in the ASEAN region.⁴ Export trade increased dramatically, especially after the country's accession to the WTO, peaking at USD 62.7 billion in 2008, a level that was more than four times greater than in 2000.⁵ Exports flowed in greater proportion to big markets, such as the United States, the European Union and Japan. Meanwhile, import trade in 2008 was USD 80.7 billion, more than five times greater than the level in 2000.

² General Statistics Office: Gross domestic product by expenditure category at 1994 prices, <http://www.gso.gov.vn> (accessed 31 March 2010).

³ General Statistics Office: Investment by ownership, <http://www.gso.gov.vn> (accessed 31 March 2010).

⁴ World Bank: World Development Indicators (2009). The ten countries within the Association of Southeast Asian Nations (ASEAN) include Brunei Darussalam, Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, Singapore, the Philippines, Thailand and Viet Nam.

⁵ General Statistics Office: Export and import of goods, <http://www.gso.gov.vn> (accessed 31 March 2010).

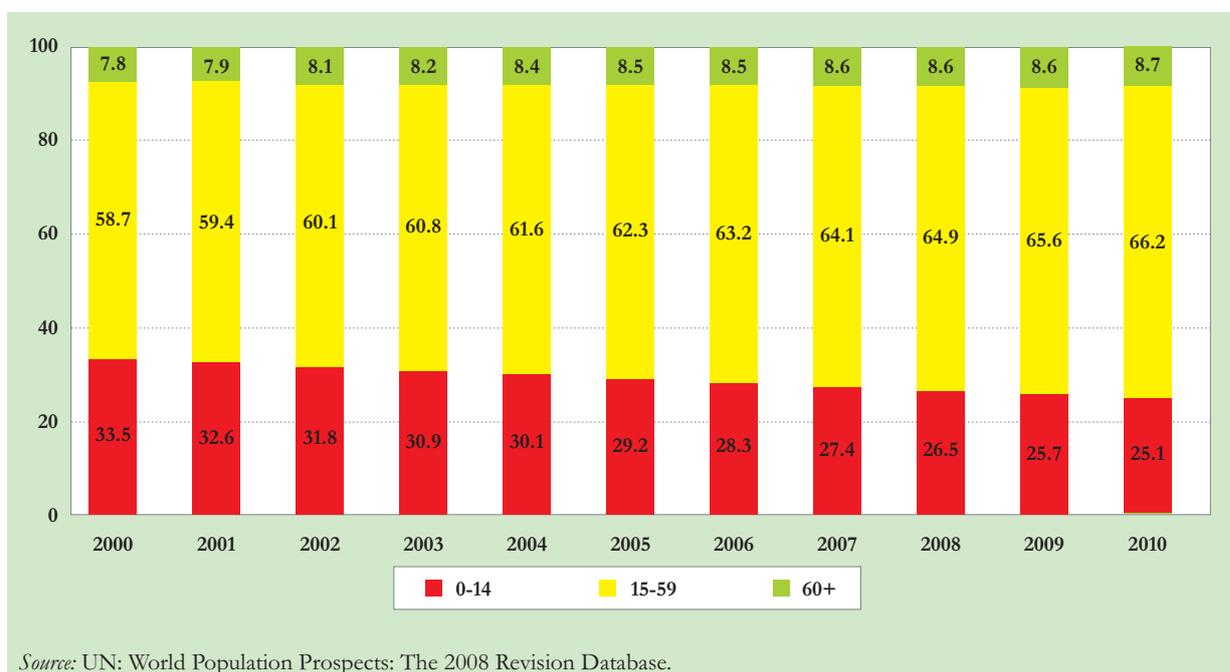
1.2. Labour market trends

1.2.1. Demographic patterns

The population estimate of Viet Nam in 2008 was 86.2 million, increasing yearly by about 1.07 million, or 1.3 per cent, from 2000 to 2008 (see Table A8.1).⁶ In a global comparison of population size, Viet Nam ranks as the thirteenth most populous country in the world.⁷ Due to the dramatic decrease in fertility rates that took place over the past few decades, the share of children ages 0-14 in the population is decreasing while the share of the working-age population ages 15-59 is growing significantly (see Figure 1.2). Reflecting this demographic trend, the population dependency ratio was around 70 per cent in 2000 but fell to approximately 54 per cent in 2008 and is projected to decline further to less than 50 per cent by 2012.⁸

The relative increase in the share of the working age population can lead to substantial dividends for Viet Nam's growth and development, given the appropriate policy choices. A larger potential workforce presents a golden opportunity that can lead to higher rates of savings, if investment and human resources development policies coherently support the absorption of a larger working-age population. This, in turn, can help drive productivity growth, competitiveness and economic development.⁹ However, if higher saving rates are not supported by investment and skills development policies, an expanding labour force may even exacerbate unemployment and underemployment in Viet Nam.¹⁰

Figure 1.2. Distribution of population by age, 2000-2010 (%)



⁶ The 2008 figure represents a provisional GSO estimate and subsequently may be revised downward based on the results of the 2009 Population and Housing Census, which indicate that the population of Viet Nam was 85.7 million as of April 2009.

⁷ UN: World Population Prospects: The 2008 Revision Database.

⁸ Ibid. Population dependency ratio measured as the population aged 0-14 and 60 and above as a ratio of the population aged 15-59.

⁹ ILO: *Labour and Social Trends in ASEAN 2008: Driving Competitiveness and Prosperity with Decent Work* (Bangkok, 2008), p. 76.

¹⁰ The "golden opportunity" refers to the first phase of the demographic transition, where both the percentage and the level of the working-age population increase. See: W.A. Lewis: "Economic Development with Unlimited Supplies of Labour", in *The Manchester School of Economic and Social Studies* (Manchester, UK, May 1954).

From 2000 to 2008, the proportion of females in the population aged 15-64 has decreased slightly but has remained around 51 per cent.¹¹ Women and the elderly are over-represented within the population as a consequence of past decades of war and because of the higher life expectancy for women as compared to men. However, new evidence point to an impending gender imbalance as the sex ratio at birth is estimated to have escalated from normal levels in 2000 to 111 male births per 100 female births in 2007.¹² While this pattern is unlikely to impact the country's age and sex distribution before 2025, it does have future socio-economic implications, including those related to the female workforce.

Rural-to-urban migration has been significant, spurred by rapid industrialization in specific regions. However, the population remains mostly rural as around 72 per cent of Viet Nam's population in 2008 still resided in rural areas (see Table A8.1). The sizeable rural population remains a challenge for the modernization and industrialization process as well as rural-based development.

1.2.2. Labour force trends

From 2000 to 2007, Viet Nam's labour force increased by an average of 1.06 million people annually (see Table A1.1). This represents a growth rate of around 2.5 per cent per year, or approximately twice the rate of growth of the total population, and reflects the “demographic dividend” discussed earlier. In 2007, the labour force totalled 46.7 million people, or a labour force participation rate of 69.7 per cent. The workforce consisted of 24.1 million men and 22.6 million women. Worth noting is the small decline in the overall labour force participation rate from 72.3 per cent in 2000, which partly reflects the increasing years of educational attainment and delayed entry into the labour force.

As in most countries, the labour force participation rate for males is higher than those for women although the difference is not as wide as in many countries. Although labour force participation rates declined for both men and women between 2000 and 2007, the gender gap widened from 7.3 percentage points in 2000 to 9 percentage points in 2007. This trend could reflect both the increased participation of women in education but also their disproportionate share of non-economic, household activities.

Viet Nam's labour force remains very young and engagement of the rapidly growing youth population in the workforce is an important national priority. The number of youth aged 15-24 in the workforce increased by 15 per cent, from 8.6 million in 2000 to 9.9 million in 2007 (see Table A1.1). This trend compared with a growth of 18.1 per cent (from 15.2 million to 18 million) in the total youth population. Hence, there was a decline in the labour force participation rate from 56.2 per cent to 54.8 per cent. Part of the reason for the lower economic activity rate among youth is due to increased participation in secondary and post-secondary education. Interestingly, while the female youth labour force participation rate was higher than males in 2000 (57.2 per cent compared to 55.3 per cent) the situation began to reverse in 2003. By 2007, young men had higher economic activity rates (56 per cent) than young women (53.5 per cent).

¹¹ UN: World Population Prospects: The 2008 Revision Database.

¹² The sex birth ratio is conventionally defined as the number of boys born per one hundred girls and is normally between 104-106 boys per 100 girls. See: UNFPA: *Recent Change in the Sex Ratio at Birth in Viet Nam: A Review of Evidence* (Hanoi, August 2009).

Despite some advances, the labour force remains mostly unskilled as 65.3 per cent did not have any technical education in 2007 (see Table A1.2). Of particular concern is the gender gap in technical education. In 2007, 70.9 per cent of the female workforce had no technical training compared to 59.9 per cent for men. Moreover, data indicate that women face barriers in terms of access to vocational training. Females represented only 27.4 per cent of the total labour force with either a short-term vocational certificate or long-term vocational diploma. Women have limited access to vocational education because of gender biases in society, particularly in rural and mountainous areas where limited resources or traditional ideas that girls do not need to study, continue to be prevalent.

As reflected in Table A1.3, educational attainment of the economically active population remains a significant challenge. Less than one-quarter of the labour force completed upper secondary education in 2007. In addition, a higher share of the female labour force was illiterate (4.5 per cent) relative to the male labour force (2.7 per cent). This evidence points to the human resource and skills deficits that Viet Nam must address in order to be competitive and sustain growth in the coming years.

1.2.3. Employment trends

The average annual growth in employment between 2000 and 2007 was approximately 1.03 million, or 2.5 per cent (see Table A2.1). However, this increase was slightly lower than the labour force growth rate over the same period, reflecting the difficult challenge of employment creation in Viet Nam. The number of employed workers expanded from 38.4 million to 45.6 million during this period, with the share of women workers in total employment decreasing from 49.7 per cent in 2000 to 48.4 per cent in 2007. In terms of the employment-to-population ratio, 68.1 per cent of the working age population was employed in 2007, but the growing gender gap, which reached 8.8 percentage points, reflects in part the inequality of employment opportunities that women face in the labour market.

The non-state sector continues to play an important role in employment creation. Workers in the non-state sector made up about 90 per cent of the total employed workforce.¹³ In addition, the sector generated approximately 91 per cent of total employment in the economy from 2000 to 2007. This is a reflection of the amendment and implementation of policies to encourage the development of a multi-sector economy and to re-structure state-owned enterprises, including the Labour Code, the Investment Law and the National Target Programme on Employment, among others.

Figure 1.3. Elasticity of total employment to total GDP, 2004-2008

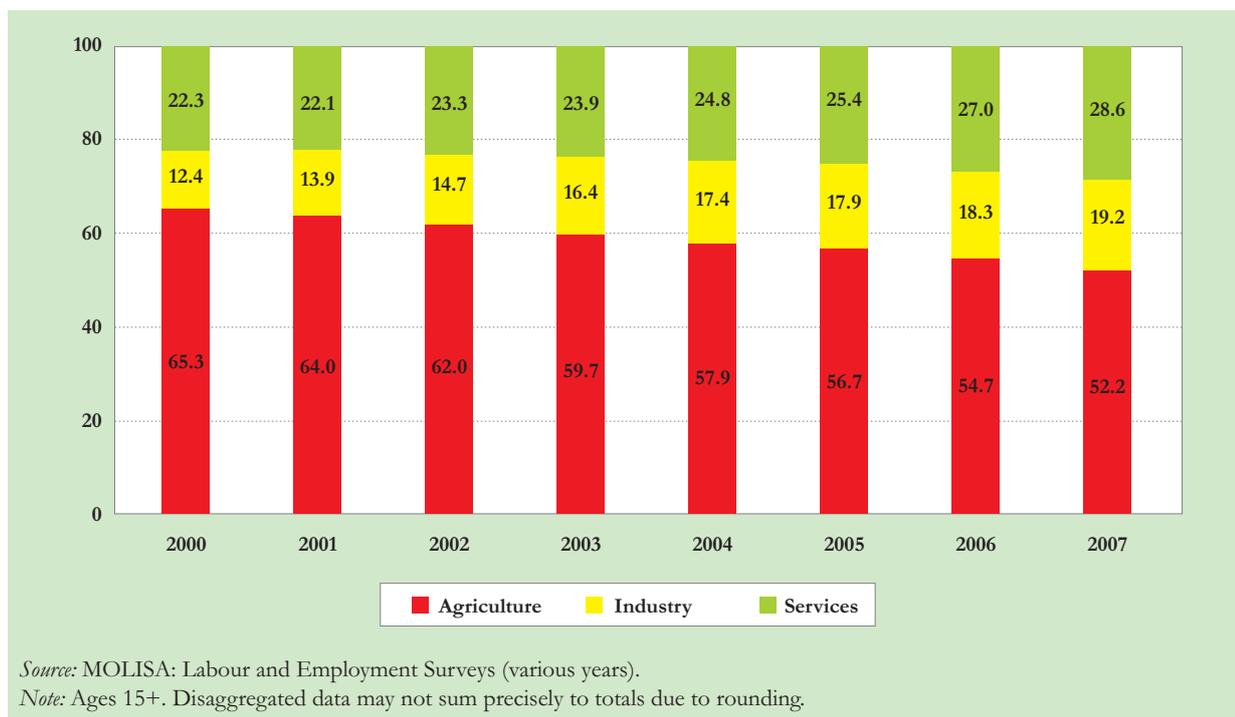


¹³ MOLISA: Labour and Employment Survey (various years).

Relative to the strong rate of economic growth, employment generation has been rather weak in Viet Nam. During the period 2004-2008, the employment elasticity of total employment to total GDP was only 0.28 (see Figure 1.3). This indicates that for every 1 percentage increase in GDP, employment grew by only 0.28 per cent. During the same period, for example, the employment creation relative to economic growth was much stronger in Brunei Darussalam (1.27), Singapore (0.58), the Philippines (0.58) and most other ASEAN Member Countries. Thus, employment generation in Viet Nam should not be a periphery result of economic growth but also the right mix of employment-centred development policies.

The Viet Nam economy has been experiencing a rapid structural transformation which is reflected in the shifting sectoral composition of employment. In 2000, almost two-thirds (65.3 per cent) of all workers were employed in agriculture (see Figure 1.4). However, by 2007 this had declined to 52.2 per cent, indicating a very rapid transition for both men and women. The most substantial shift from 2000 to 2007 has been toward the industrial sector, which accounted for nearly one-fifth of the workforce, while services employed the remaining 28.6 per cent of all workers in 2007. Noteworthy is the comparatively weaker engagement of women workers in the industrial sector relative to men, as female employment in industry was only 41.7 per cent of total employment in this sector in 2007 (see Table A2.2 and Table A2.3). On the other hand, women accounted for a proportionate share of employment in agriculture and services.

Figure 1.4. Distribution of employment by sector, 2000-2007 (%)



Examining data of the employed population disaggregated by their status in employment, it is immediately apparent that the majority of workers are engaged in non-wage employment (see Table A2.5). The proportion of workers who were wage or salary workers increased from 18.4 to 22.6 per cent from 2000 to 2007, reflecting a positive but modest development. This particularly reflects the expansion of manufacturing in Viet Nam. The share of vulnerable employment is

strikingly high at 76.7 per cent in 2007, with a higher proportion of women (78.2 per cent) working in vulnerable employment compared to men (75.3 per cent).¹⁴ Another alarming concern is that in 2007, a majority of women were unpaid for their work as contributing family workers (53.5 per cent), while a much smaller share of men (31.9 per cent) were classified in this status of employment. In sum, women were more likely to be engaged in home-based work and thus not employed in remunerative jobs with legal and social protection or often working in sectors with lower productivity and wages.

While comprehensive data on the quantity and quality of employment in the informal economy are limited, preliminary findings from recent studies in Viet Nam indicate that working conditions are much worse than in formal employment. In particular, the studies noted that most workers in the informal economy (95.7 per cent) do not sign labour contracts. In addition, the average work week in the informal economy (49 hours) is longer and wages are lower than in formal employment (VND 1.08 million per month compared with VND 1.8 million per month).¹⁵ Given the massive share of vulnerable and informal employment, bringing workers into the formal economy is critical for Viet Nam to raise living standards and enhance national competitiveness.

In terms of labour migration, there has been an increasing level of labour mobility in Viet Nam and international migrant workers have become a growing part of Viet Nam's employment strategy. In 2007, Viet Nam sent 79 thousand workers abroad and has plans to send up to around 100 thousand workers in 2010.¹⁶ The main destinations for overseas migrant workers include Malaysia, Taiwan (China) and the Republic of Korea. Also, the feminization of labour migration has recently begun with more and more women migrants going to Malaysia and Taiwan (China).¹⁷ In addition, workers' remittances have jumped considerably, from USD 2 billion (6.1 per cent of GDP) in 2001 to USD 7.2 billion (7.9 per cent of GDP) in 2008.¹⁸

Furthermore, rural-to-urban migration and urbanization are also on the rise, driven by geographic disparities in incomes and living standards. The urban population grew annually by 3.2 per cent on average from 2000 to 2008, while the rural population has grown only 0.6 per cent (see Table A8.1). Young adults dominate among migrants and most move to cities or to one of the booming industrial zones to seek emerging economic and employment opportunities. In 2000, the number of industrial parks and economic processing zones nationwide totalled 65. However, the level had risen to 145 - with a heavy concentration in the Southeastern region of Viet Nam - while generating 918 thousand employment opportunities in 2006.¹⁹

¹⁴ Vulnerable employment is defined as the sum of own-account and contributing family workers.

¹⁵ General Statistics Office and the Institute of Research for Development: *Informal Sector and Informal Employment in Viet Nam: First Estimates from LFS* (Hanoi, 2007).

¹⁶ Nguyen Minh Thao: *Migration, Remittances, and Economic Development: Case of Viet Nam* (Hanoi, 2008).

¹⁷ Dang Nguyen Anh: *Labour Migration from Viet Nam: Issues of Policy and Practice* (Bangkok, ILO, 2008).

¹⁸ World Bank: World Development Indicators (2009).

¹⁹ Ministry of Planning and Investment: *Viet Nam's IPs, EPZs and EZs: Ideal Places for Manufacturing Base: A Guide for Investing in Viet Nam's IPs, EPZs and EZs* (Hanoi, 2007).

1.2.4. Unemployment trends

Unemployment in Viet Nam has remained low throughout the period of 2000–2007, particularly due to weak labour market institutions and because the majority of workers simply cannot afford to remain unemployed. The general unemployment rate fluctuated between 2.1 per cent and 2.8 per cent during the period (see Table A3.1). There were 1.1 million unemployed jobseekers in 2007, representing 2.4 per cent of the labour force. In 2000, the male unemployment rate was 2.4 per cent but fell to 1.9 per cent throughout the 2002–2004 period, before returning to 2.4 per cent by 2007. The unemployment rate for female jobseekers actually increased slightly, from 2.1 per cent to 2.5 per cent over the same period.

Unemployment remains an issue primarily for youth. In 2007, more than half of the unemployed population (52.5 per cent) were youth aged 15–24. In contrast to the general unemployment rate, the youth unemployment rate was relatively higher, increasing from 4.8 per cent in 2000 to 6 per cent in 2007. As well, the ratio of the youth unemployment rate to the adult unemployment rate has steadily increased from 3.1 to 4 over the same period, indicating that young jobseekers are four times as likely to be unemployed than their adult counterparts. Moreover, unemployment for young women grew even faster than that of young men.

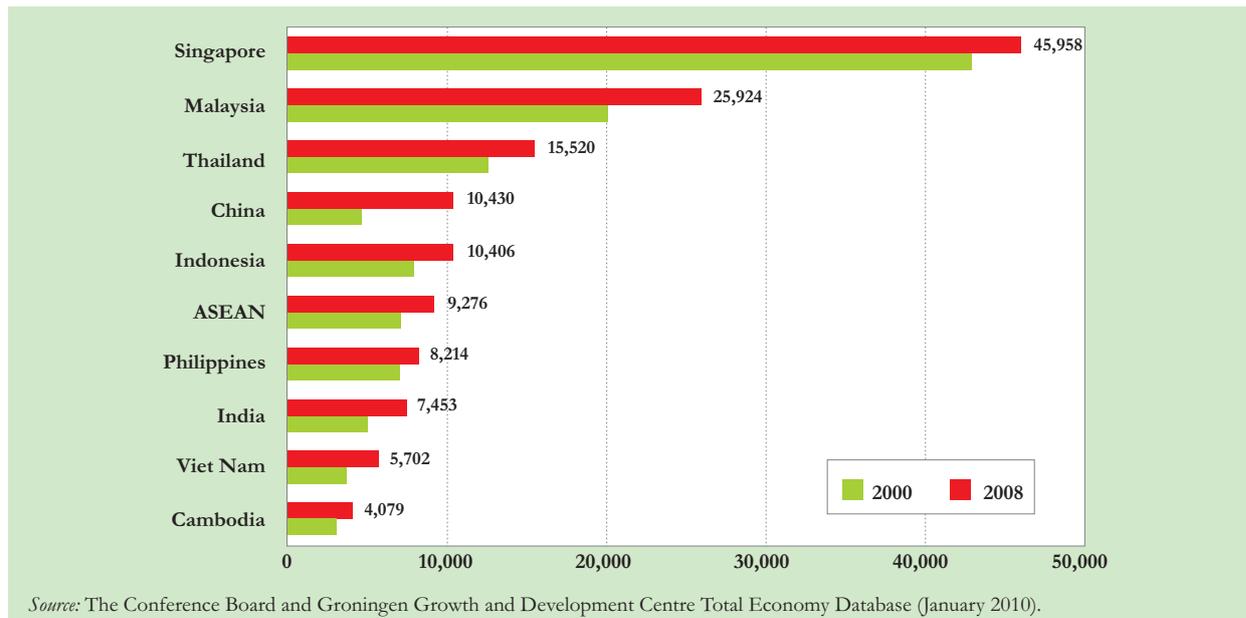
While general unemployment is not prevalent in Viet Nam, underemployment is a larger concern. The underemployment rate (as a share of total employment) fell from 14.4 per cent in 2001 but stood at around 5 per cent in 2007.²⁰ Most of the underemployed were rural workers, representing more than 89 per cent of the underemployed population in 2007. Like other agriculture-based countries with a high rate of underemployment, Viet Nam's rural underemployment rate was higher (5.8 per cent) than its urban rate (2.1 per cent). Over the decade, the rate of rural underemployment has fallen due to a transition of labour from farming to non-farm work and an increased diversification of agricultural activities, among others.

1.2.5. Labour productivity and competitiveness

Labour productivity is one of the key drivers of economic growth and sustainable wage increases and is essential for poverty reduction.²¹ From 2000 to 2007, labour productivity in Viet Nam increased remarkably from VND 7.1 million to VND 10.1 million, an annual average increase of 5.1 per cent (see Table A4.1). Reflecting the tremendous shift of workers out of agriculture as discussed earlier, average growth in agricultural labour productivity was the most rapid among the three main economic sectors at 4.5 per cent. Nonetheless, in 2007, industry remained the leader in terms of productivity at nearly VND 22 million, more than 50 per cent higher than productivity in services and more than six times the level in agriculture.

²⁰ MOLISA: Labour and Employment Survey (various years).

²¹ ILO: *Labour and Social Trends in ASEAN 2008: Driving Competitiveness and Prosperity with Decent Work* (Bangkok, 2008), p. 27.

Figure 1.5. Output per worker, 2000 and 2008 (constant 1990 USD)

In comparison with other countries in the region, Viet Nam's labour productivity growth from 2000 to 2008 was quite outstanding and exceeded all other ASEAN Member Countries, plus India, but was less than half the rate of productivity growth in China.²² However, it was very low in absolute terms (see Figure 1.5). Measured in constant 1990 USD, Viet Nam's average output per worker was USD 5,702 in 2008, or equal to only 61.4 per cent of the ASEAN average, 22 per cent of productivity in Malaysia and 12.4 per cent of the level in Singapore.

Labour productivity and competitiveness are intertwined concepts, as measures to bolster productivity - such as investing in infrastructure, enhancing the education and skills of the workforce and improving workplace safety and health, among others - can simultaneously drive competitiveness. Based on the World Economic Forum's Global Competitiveness Index, Viet Nam ranked 75 out of 133 countries in 2009-2010. This position represents a drop from a ranking of 70 in 2008-2009. As in regional comparisons of labour productivity, Singapore's ranking (3) was the highest in the ASEAN region, followed by Malaysia (24) and Thailand (36) and Indonesia (54).²³ Thus, the low level of productivity is concerning for Viet Nam's future competitiveness in the context of enhanced market integration and the process of moving up the value chain in regional and global production systems. However, sector-level analysis reveals certain issues and challenges for raising Viet Nam's competitiveness (see Box 1.1).

²² From 2000 to 2008, average annual growth of labour productivity was 3.3 per cent for ASEAN, 5 per cent for India and 10.6 per cent for China. See: The Conference Board and Groningen Growth and Development Centre Total Economy Database (January 2010).

²³ World Economic Forum: *The Global Competitiveness Report 2009-2010* (Geneva, 2009).

Box 1.1.
Competitiveness of Viet Nam's Textile and Garment Industry

The textile and garment industry has been a priority for Viet Nam's recent development policies. However, enhancing the competitiveness of this industry involves addressing a number of issues. Since textile and garment enterprises are mostly sub-contractors, it is difficult for them to expand into large business groups with the economies of scale and potential to move into higher value-added positions in the global production chain. In this regard, the number of enterprises with at least one thousand workers accounted for only 5.6 per cent of all textile and garment enterprises in Viet Nam.

Analyzing competitiveness in textile and garments, via its share of the total export value of textile and garments in the Asia region, Viet Nam faces a significant disadvantage compared to China. However, when excluding China, Viet Nam's textile and garment products are relatively competitive. Up to now, Viet Nam's textile and garment industry still depends heavily on imported accessories. This shortcoming results in cost increases and lower competitiveness in the world market. Comparing Viet Nam's textile and garment products with other countries exporting to the United States indicates that the average price of products from Viet Nam was more than half the price of India's products and approximately twice the price of those from China and Mexico.

Source: ILSSA: Globalization, Industry Adjustment and Employment Tendencies in Viet Nam's Textile and Garment Industry (Hanoi, 2008).

In order to raise productivity and competitiveness, focusing merely on expanding capital investment is not sufficient. However, estimates indicate that over the past decade, capital investment contributed to 55 per cent of the country's economic growth, which was three times higher than the contribution of labour.²⁴ Meanwhile, the role of total factor productivity (TFP), such as capital utilization efficiency, technological advancement and human resources development, was rather limited. In sum, efforts to harness the potential of the vast labour force are critical and must involve measures such as strengthening the technical and professional skills of the workforce and promoting and investing in workplace practices and technologies that can raise enterprise productivity.

²⁴ Estimates indicate that a one percentage increase in capital investment per worker, with all other factors remaining constant, would boost average labour productivity by 0.4 per cent. ILSSA: *Forecasting the Relation between Investment, Economic Growth and Employment and Income of Employees* (Hanoi, 2008).

1.2.6. Wages and income

Trends in wage data across all types of enterprises in Viet Nam indicate a positive and steady increase during the period from 1998 to 2006 (see Table 1.1). Growth in wages in foreign-invested companies as well as state-owned enterprises climbed the fastest, at 8.6 per cent annually, while wages in household-based enterprises increased a modest 2.3 per cent. Given the average consumer price inflation of 4.1 per cent during this period, workers engaged in household-based enterprises, many of which may not be registered and operate in the informal economy, actually experienced a fall in real wages.²⁵ By 2006, workers in foreign-invested enterprises earned 19.3 per cent and 40.7 per cent more than their counterparts in state-owned enterprises and private domestic firms, respectively, and nearly double the wages paid in household-based enterprises. In line with the earlier discussion on the shift in the sector of employment and the increase in wage employment, the rise in average wages resulted from either higher wages paid in general or from workers moving into wage employment or into higher-paid jobs.²⁶

Table 1.1. Average monthly wages by type of enterprise, 1998, 2002, 2004 and 2006

	1998	2002	2004	2006	Avg. annual change, 1998-2006 (%)
Domestic enterprises					
Household	552	606	649	664	2.3
Private	554	771	852	936	6.8
State-owned	572	1 002	1 077	1 103	8.6
Foreign-invested companies	680	1 037	1 044	1 316	8.6

Source: Authors' calculations based on data from General Statistics Office: Viet Nam Household Living Standards Survey (various years).

Note: Figures are in thousand Vietnamese dong per month.

Similarly, analysis of income data from 2002 to 2006 reveal strong growth trends that coincide with the dynamic economic development discussed previously. During this period, monthly income per capita increased by 78.7 per cent, with rural income growth (83.8 per cent) outpacing the rise in urban income levels (70.1 per cent).²⁷ Nonetheless, monthly urban income per capita reached VND 1.06 million in 2006 and remained more than twice the income level in rural areas. While the urban-rural income gap shrank modestly, the significant disparity has implications for labour mobility and internal migration patterns.

Also, Table A7.1 reveals that income inequality edged upward but was not relatively high; the Gini coefficient slowly increased from 35.5 in 1998 to 37.8 in 2006.²⁸ Likewise, the income ratio of the highest 10 per cent to the lowest 10 per cent indicates an increasing gap from 8.2 to 9.7 during the same period.

In terms of gender-based inequality, the average wages of female workers

²⁵ Inflation of average consumer prices from the General Statistics Office, as referenced in IMF: World Economic Outlook Database (October 2009).

²⁶ World Bank: *Viet Nam Development Report 2007: Aiming High* (Hanoi, 2006).

²⁷ Monthly income per capita at current prices. See: General Statistics Office: *Viet Nam Household Living Standards Survey* (2006), Table 5.1.

²⁸ The Gini coefficient is an indicator to express the degree of inequality in income distribution with a range from 0 to 100, with 0 representing total equality and 100 indicating total inequality.

were lower than that of male workers for the same occupations. In general, the average monthly wage of women workers was equal to 87.5 per cent of wages of male workers in 2006.²⁹ The largest gap in wages and salary was in occupations such as machine installation and operation (the wage of female workers was 66 per cent of their male counterparts). The next area of wage discrepancy was in the occupations requiring professional and technical qualifications, where women earned around 80 per cent of male earnings. However, from 2002 to 2006, the wage growth rate of female workers was slightly higher (16 per cent) than that of male workers (15 per cent), which helped to narrow the gender-based wage gap a little.

1.3. Key social developments

While concentrating on sustainable economic growth, the Government has also looked to balance development with social inclusion and the improvement of both working conditions and the quality of life in Viet Nam. Priority areas include economic growth along with agricultural and rural development, food security, increased rural incomes, poorly developed areas, the development gap between regions, income disparities and livelihood assistance for ethnic minority people.

1.3.1. Poverty reduction

Poverty trends highlight a dramatic reduction in the number of impoverished households, among the fastest poverty declines in the Asia region.³⁰ The national poverty rate fell from 37.4 per cent in 1998 to 14 per cent in 2008 (see Table A7.1).³¹ Rural poverty fell a remarkable 27.4 percentage points, from 45.5 per cent to 18.1 per cent during the same period, but remained much higher than in urban centres where the poverty rate was merely 3.1 per cent in 2008. Interestingly, the urban poverty rate slightly increased between 2004 and 2006 due to higher living costs. In the event of price fluctuations, urban households with expenditures slightly above the poverty line were more vulnerable to falling back into poverty.

The disparity between geographic regions remained large, despite the achievement of targeted poverty reduction efforts (see Box 1.2). Nearly one-third of households in the Northern Mountain region lived in poverty while less than 9 per cent and 6 per cent of households in the Red River Delta and the Southeast were impoverished, respectively. Not coincidentally, the wealthier regions are also the locations of a heavy concentration of the industrial parks and export processing zones discussed earlier. In terms of the rate of poverty reduction, the fastest decrease from 1998 to 2006 was in the Northern Mountain (34 percentage points), Mekong Delta (26.6 percentage points) and the Central Highlands (23.8 percentage points).

In addition, the poverty rate of ethnic minority people was much higher than that of the majority Kinh and Hoa (Chinese) ethnic groups. In 2006, 52.3 per cent of ethnic minorities were considered impoverished while only 10.3 per cent of the Kinh and Hoa population were living in poverty. Although poverty rapidly

²⁹ Authors' calculations based on data from General Statistics Office: Viet Nam Household Living Standards Survey (various years).

³⁰ World Bank: World Development Indicators (2009).

³¹ The poverty rate is the proportion of the population living in households with average expenditure per capita lower than the poverty line. The poverty line used in Viet Nam is the cost of critical food and the non-food consumption basket needed to supply 2,100 calories per person per day. For more information, see Table A7.1.

declined, food poverty affected nearly 9 per cent of all households in rural areas and 29 per cent of ethnic minority households. There were still 5-6 million people living in food poverty in Viet Nam as of 2006.³²

From 2004 to 2006, 13 per cent of poor households escaped poverty.³³ Of them, less than one out of ten were female-headed households compared with more than 14 per cent that were headed by men. One explanation for the difference is that some female household heads are widowed following the husband's long and expensive illness. These households are more disadvantaged in the struggle to escape poverty and need support from the community and the State. However, an analysis of the policies and projects of the National Targeted Programme for Poverty Reduction reveal that women-headed households consistently benefitted less than those headed by men. Thus, efforts to eradicate poverty in Viet Nam should prioritize support to women in terms of productive employment opportunities in addition to better access to Government assistance programmes.

Box 1.2. **The Government's Poverty Reduction Programmes**

Policies and programmes on poverty reduction are essential to help impoverished households improve their living standards, especially those in rural areas and among ethnic minorities. The various Government programmes include: i) the National Target Programme for Poverty Reduction, 2006-2010, ii) Phase II of the 135 Programme for Developing Infrastructure in Poor Communes, iii) Decision No. 33/2007/QĐ-TTĐ on Policies to Support the Relocation of Ethnic Minorities for Sedentary Farming and Settlement in the 2007-2010 period, and iv) Resolution No. 30a/2008/NQ-CP on Support Programmes for Prompt and Sustainable Poverty Reduction for 61 Poor Provincial Districts.

These poverty alleviation measures have reached a number of achievements. More than 90 per cent of the beneficiaries of these programmes are rural residents. From 2006 to 2008, nearly 4.2 million households received loans while nearly 2.1 million of the poor were provided with business development counselling. In addition, vocational training costs were exempted and reduced for 60 thousand poor people, along with school fee reductions or exemptions for about 7.8 million poor students.

In 2008, in light of the global economic crisis, the Government issued a social protection policy that expanded health insurance coverage, granting about 4 million near-poor people with entitlements to a 50 per cent reduction in health care costs, and raised the number of health insurance beneficiaries of the near-poor people to 15 million. Also, health insurance premiums for the poor were decreased to VND 80 thousand per person annually from VND 130 thousand. Preferential education loans were extended to students of poor and ethnic minority households, benefitting more than 700 thousand students.

Source: MOLISA: *Social Protection Policy Report* (Hanoi, 2008).

³² World Bank: *Viet Nam Development Report 2008: Social Protection* (Hanoi, 2007).

³³ General Statistics Office: *Viet Nam Household Living Standards Survey* (various years).

1.3.2. Social protection

Despite outstanding progress, pockets of poverty still exist, and Viet Nam also faces a number of impending challenges that will require continued social assistance and protection. This includes an ageing of the population and volatility in global markets that adversely impact workers and enterprises, among others. While Viet Nam has made concerted efforts to strengthen its social protection systems and institutions, considerable deficits remain.

Table 1.2. Participants in the compulsory social insurance scheme, 2001-2008

	2001	2002	2003	2004	2005	2006	2007	2008
Participants (millions)	4 061	4 356	4 974	5 399	6 177	6 746	8 173	8 527
Share of labour force (%)	10.1	10.6	11.8	12.5	13.9	14.8	17.5	17.8

Source: Viet Nam Social Insurance Agency.

Note: Participants as a share of the labour force are authors' calculations based on actual and estimated labour force data from MOLISA: Labour and Employment Surveys (various years).

The Social Insurance Law went into effect on 1 January 2007 with provisions regarding three schemes: compulsory social insurance, voluntary social insurance and unemployment insurance. However, the various insurance programmes confront a number of issues. The compulsory social insurance system is limited in reach and covers mainly the public sector and foreign-invested enterprises. Under the compulsory plan, only 8.5 million people, or less than one-fifth of the total workforce, were covered in 2008 (see Table 1.2). This represents about 80 per cent of those who were eligible and more than double the number of participants in 2001.

In terms of the voluntary social insurance scheme which started on 1 January 2008, most workers in the informal economy, especially agricultural workers, do not participate due to the regulations on contributions and benefits. The conditions and design of the voluntary scheme require contributions (20 per cent of average wages) that may be too high for the income level of most workers.³⁴ Moreover, the voluntary system has also been weak in attracting working youth, many of whom are not fully aware of the advantages of participation or simply choose not to participate because of the level of benefits relative to the stipulated contributions.

As a key element of social protection measures, the Viet Nam unemployment insurance system commenced on 1 January 2009 and includes unemployment benefits, vocational training allowance and job search assistance. In this scheme, both employers and employees contribute the same rate of one per cent based on whichever is lower - the contractual salary/allowances or the statutory cap which is set at 20 times the minimum salary. Benefit payment is 60 per cent of the average salary/allowances of the six consecutive months prior to the employment termination. However, the programme is only applicable for registered enterprises with ten or more employees; thus, its coverage does not extend to the vast majority of the labour force. Currently, around 5.4 million workers participate in the unemployment insurance scheme.³⁵

³⁴ ILO: *Inter-regional project: How to strengthen social protection coverage in the context of the European Union Agenda on decent work and promoting employment in the informal economy: Viet Nam: A case study* (Geneva, 2008), pp. 29-30.

³⁵ *Voice of Viet Nam News*: "Around 5.4 million people participate in unemployment insurance", 9 February 2010, <http://english.vovnews.vn/> (accessed 31 March 2010).

Regarding old-age pensions, Viet Nam also has a compulsory programme which applies to workers in formal enterprises with at least a three-month contract, in addition to public officials, the military and public security workers. The scheme requires a contribution of 16 per cent of the salary, with employers and employees paying 11 per cent and 5 per cent, respectively. In terms of coverage, the number of contributing participants in the compulsory scheme has nearly doubled from around four million in 2000 to about eight million in 2007, or around 18 per cent of the labour force and 54 per cent of workers in state-owned enterprises and foreign-invested and private domestic firms.³⁶ Moreover, around one-quarter of the population aged 60 years and above, or around 1.9 million people, were receiving pension benefits in 2007.³⁷

Viet Nam also has a regular social assistance scheme, and while the coverage has increased, it remains low due to strict regulations regarding eligibility. In 2008, more than 1.2 million people received social assistance, equivalent to approximately 1.5 per cent of the total population.³⁸ Of these beneficiaries, 43.1 per cent were the elderly aged 85 and above and 23.3 per cent were the disabled. However, assistance in the form of cash transfers was a very small amount, equivalent to around one-third of the poverty line on average.

In order to strengthen social protection coverage, increasing state resources for social protection is a primary priority as public investment remains scarce. From 2004 to 2008, spending on social protection as a share of the state budget showed a declining trend from 10.5 per cent to 9.3 per cent; as a proportion of GDP, social protection expenditure was a mere 3 per cent in 2008.³⁹ Disappointingly, Viet Nam's low investments in social protection as a share of GDP are in-line with many countries in the ASEAN region, but trail other developing countries outside of Asia.⁴⁰

1.3.3. Workplace safety and health

Protecting the health of workers and ensuring workplace safety are essential elements of social protection measures. In addition, a safe work environment can also boost enterprise productivity and competitiveness.⁴¹ However, in Viet Nam, the reported incidences of occupational injuries and fatalities show an increasing trend in recent years (see Table 1.3). This trend, in part, possibly reflects the rise in manufacturing and industrialization. From 2006 through 2009, there were more than six thousand reported occupational accidents each year in the formal sector. In addition, approximately 500 fatal accidents were recorded annually during that period with the number of fatalities even higher. However, the magnitude of the problem is difficult to assess as many workplace accidents often go unreported due to weak monitoring systems and inadequate injury compensation schemes. Moreover, the reported data do not cover the informal economy, which is estimated to engage a majority of workers in Viet Nam.

³⁶ World Bank: *Viet Nam Development Report 2008: Social Protection* (Hanoi, 2007).

³⁷ Ibid.

³⁸ MOLISA, Bureau of Social Protection Administrative Records.

³⁹ ILSA: *Viet Nam Social Protection Strategy for 2011-2020* (Hanoi, forthcoming).

⁴⁰ ILO: Social Security Expenditure Database, <https://www.ilo.org/dyn/sesame/ifpses.socialdbexp> (accessed 31 March 2010).

⁴¹ ILO: *Labour and Social Trends in ASEAN 2007: Integration, Challenges and Opportunities* (Bangkok, 2007), p. 62.

Table 1.3. Occupational injuries and fatalities in the formal sector, 2005-2009

	2005	2006	2007	2008	2009
Number of cases	4 050	5 881	5 951	5 836	6 250
Number of injured workers	4 164	6 088	6 337	6 047	6 421
Number of fatal accidents	443	505	505	508	507
Number of fatalities	473	536	621	573	550

Source: MOLISA Administrative Records on Workplace Safety and Health.

Provisions for inspection of working conditions have been broadly implemented as a critical component for ensuring compliance with the regulatory framework for occupational safety and health. But given the massive size of the working population, there is a major shortage of labour inspectors in both quantity and capacity in Viet Nam (see Table 1.4). In 2008, only 53.8 per cent of the 496 labour inspectors nationwide were professionally trained, with a slightly higher proportion at the central level relative to the local level. Furthermore, with limited labour law enforcement in small and medium firms and a lack of coverage in production establishments operating in the informal economy, a significant share of Viet Nam's workers are inadequately supported in terms of occupational safety and health protection.

Occupational safety and health in the rural areas, in both farm and non-farm employment, is another concern. Currently, there are more than two thousand handicraft villages producing or processing recycled metals, paper and other materials. These villages have made significant contributions to economic growth, job creation and poverty reduction in rural areas, but are also associated with negative impacts on the environment, communities and workers' health.

In sum, expanding the system of workplace safety and health protection to reach the most vulnerable workers across all sectors should be a key component of labour and social policies that can simultaneously drive economic development. To this end, Viet Nam has been increasing its practical efforts to address occupational safety and health issues, in particular for small enterprises and rural and informal economy workplaces. The First National Programme on Labour Protection, Occupational Safety and Health up to 2010 was launched in 2006 and provides a strong national policy framework. Within this framework, participatory occupational safety and health training services have been largely extended to workers and employers in small enterprises and to grass-roots farmers. In this regard, training programmes such as Work Improvement in Small Enterprises (WISE) and Work Improvement in Neighbourhood Development (WIND) have played key roles.⁴²

Table 1.4. Labour inspectors, 2008

	Whole country	Ministry and central branches	Localities
Total	496	55	441
Leaders	120	6	114
Officers in charge of inspection	180	29	151
Inspectors	196	20	176
Number of inspectors with professional training	267	32	235
Share of inspectors with professional training (%)	53.8	58.1	53.3

Source: MOLISA Administrative Records on Workplace Safety and Health.

⁴² T. Kawakami et al.: *Developing the WIND training programme in Asia: Participatory approaches to improving safety, health and working conditions of farmers* (Bangkok, ILO, 2009), http://www.ilo.org/asia/whatwedo/publications/lang--en/docName--WCMS_120488/index.htm.

1.3.4. Industrial relations and social dialogue

In the course of market reform, different interests and conflicts have arisen affecting all partners in the industrial relations regime in Viet Nam. At the national level, the industrial relations system has been stable, cooperative and oriented towards consensus for the sake of the nation. “Rules of the game” were formed in accordance with tripartite principles that require the participation of workers and employers, through their representative organizations, in the formulation of labour-related laws and policies. The National Industrial Relations Committee (NIRC) was established in 2007 as a tripartite committee that advises the Prime Minister in policy making and in resolving industrial relations issues. The NIRC also supports inter-sectoral collaboration in industrial relations at the provincial level.

The Viet Nam General Confederation of Labour (VGCL) is the representative organization of workers. Meanwhile, employers are represented by the Viet Nam Chamber of Commerce and Industry (VCCI) and the Viet Nam Cooperative Alliance (VCA). In addition, as small and medium-sized enterprises are the most dominant types of firms in the country, the Viet Nam SME Association was invited to participate in the NIRC as an employers' representative. At the provincial level, parties in industrial relations include the provincial Department of Labour, Invalids and Social Affairs (DOLISA), the provincial trade unions, branches of the VCCI, the VCA and the Viet Nam SME Association. However, unions affiliated to VGCL often have genuine difficulty effectively representing the voice of workers partially because of a lack of independence from management at the workplace level, and partially because of conflicting traditional roles of the trade union movement. Moreover, gaps remain in establishing tripartite structures down to the local levels. In fact, the formal tripartite structure exists only at the national level, through the NIRC. To this end, national policy campaigns have promoted the establishment of tripartite mechanisms at the provincial and lower levels.

The Labour Code assigns responsibilities to trade unions and employers' organizations in labour dispute settlements, but does not provide the guarantees for the representativity that these organizations need to effectively fulfil this role. Furthermore, while not required by law, there are also industry-level associations, associations of foreign investors and business associations in some localities but not in all industries. The power of these parties in negotiating and bargaining is limited, especially in the process of developing industry-level collective agreements. The first pilot industry-level collective agreement is being developed currently for the garment and textile industry (see Annex II); however, the negotiation process has revealed limitations that need to be addressed. For instance, the representative parties have limited decision-making power and little capacity for mobilizing organization members at the grass-roots level.

In terms of social dialogue and collective bargaining, these mechanisms were conducted fairly well at the national and provincial levels primarily through consultations during the formulation and promulgation of policies and during tripartite consultation conferences. But these systems were not used effectively to balance the interests of parties, especially at the industry and enterprise levels, where both labour laws and on-the-ground practice do little to support dialogue and bargaining. One reason for this situation is the limited representation and capacity of trade unions. Oftentimes, the trade union voice is not strong, leading to constraints in the dialogue and bargaining processes.

The rapid economic growth has given rise to the mounting number of workplace grievances. In order to resolve these disputes collectively, the VGCL has promoted collective bargaining. However, the proportion of enterprises operating with a collective labour agreement remained low, especially among those that were not state-owned firms. Based on VGCL data, only 25 per cent of domestic non-state enterprises, 40 per cent of foreign-invested enterprises and 95 per cent of state-owned enterprises had such an agreement. In addition, provisions within some of those agreements resulted from an inadequate negotiation process. Trade unions at the grass-roots level have limited capacity when bargaining, leaving them in a weaker position.

Table 1.5. Number of strikes by enterprise ownership, 2000-2008

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total	70	90	99	142	124	152	390	551	720
State-owned	15	9	5	3	2	8	4	1	0
Foreign-invested	38	55	65	104	92	105	287	438	584
Private domestic	17	26	29	35	30	39	99	112	136
Share of total (%)									
State-owned	21.4	10.0	5.1	2.1	1.6	5.3	1.0	0.2	0.0
Foreign-invested	54.3	61.1	65.7	73.2	74.2	69.1	73.6	79.5	81.1
Private domestic	24.3	28.9	29.3	24.6	24.2	25.7	25.4	20.3	18.9

Source: MOLISA: Report of the National Industrial Relations Committee (various years).

Regarding labour disputes, the number of strikes increased over the past decade, from 70 reported cases in 2000 to 720 incidences in 2008 (see Table 1.5), with workers demanding wage increases or payment for overtime work and bonuses, among other issues. Not surprisingly, labour conflicts were lowest in state-owned enterprises and most prevalent in foreign-invested companies (81.1 per cent of all strikes in 2008).

Viet Nam has used the advantage of an abundant pool of low-skilled and low-paid workers, which attracts foreign and domestic investment in such labour-intensive industries as garments, footwear, wood processing, electronics, aquaculture and aquaculture processing. The incidence of strikes increased in recent years reflecting the number of new enterprises established in these various export-oriented sectors. By industry, 41 per cent and 11 per cent of all strikes in 2007 took place in the garment and textile sector and the wood processing sector, respectively.⁴³

The strikes over the past decade were spontaneous and did not adhere to the legal procedure. Many resulted because of wage issues, and the lack of sufficient bargaining mechanisms complicated the situation. In recent years, workers also have faced rapidly increasing living costs commensurate with the quick pace of price inflation (see Table A6.1). As a result, industrial relations remained unstable and hindered the investment climate.

Another significant shortcoming is the setting of remunerations. Wages are determined by the market but influenced by the minimum wage, which serves as a basis for parties in an enterprise to bargain for a fair compensation level. However,

⁴³ MOLISA Administrative Records.

the mechanism of collective negotiations for wage increases is weak, and employers and workers do not have the same adequate level of bargaining capacity.

Also, the minimum wage varies between foreign-invested and domestic enterprises, as workers doing the same job in the same locality are sometimes compensated differently. The disparity in minimum wages between the foreign-invested and private domestic enterprises was relatively large, and in some cases nearly twice as high.⁴⁴ The greater pay also triggered large labour movements across different regions and types of enterprises. The wage levels were low, especially in state-owned and domestic private enterprises. In fact, the wages stated in the labour contract for newly recruited workers or workers working on defined labour contracts from 12 months to less than 36 months were only 10 per cent higher than the stipulated minimum wage level. To this end, the Government of Viet Nam is in the process of wage reform with the aim to have one unified minimum wage by 2012.

Thus, the rising trend in labour disputes is a reflection of deficits in the industrial relations system in Viet Nam, particularly in regards to effective social dialogue mechanisms and the capacity of all parties to negotiate on wages and other workplace issues. By strengthening industrial relations and social dialogue, Viet Nam could enhance working conditions while making the investment climate more attractive.

⁴⁴World Bank: *Viet Nam Development Report 2008: Social Protection* (Hanoi, 2007), p. 47.

Impact of the global economic crisis in Viet Nam

This chapter examines recent developments during the past couple of years with a particular emphasis on the labour market and social impacts of the global economic crisis. The crisis originated from the financial markets in the United States but quickly spread to industrial and developing countries around the world. Viet Nam was no exception. Facing contracting external demand from key export markets, numerous enterprises collapsed while thousands of workers were retrenched. However, the country now appears to have weathered the worse of the crisis as a result of concerted and decisive policy responses.

2.1. Macroeconomic impacts

Since 2007, Viet Nam has wrestled with the impacts of the multiple crises involving food and fuel prices and the global economy and financial system. The food-price crisis hit Viet Nam in 2007, leading to increased inflation as of the third quarter and raised the consumer price index (CPI) by 13 per cent. The CPI continued increasing through much of 2008, and consequently, the Government moved to restrain inflation through monetary tightening and decreasing public investment. The response worked to sufficiently gain control of the inflation situation by the fourth quarter of 2008. Although prices declined, they have yet to return to previous levels; the average CPI grew by 23.1 per cent in 2008, the highest annual average in the past ten years (see Table A6.1). The price inflation remained relatively low but edged upward towards the end of 2009 and during the first couple months of 2010 (see Figure 2.1). Though the increasing trend is not regarded as serious, a risk of higher inflation remains.

Figure 2.1. Consumer price index, monthly change, June 2008-February 2010 (%)

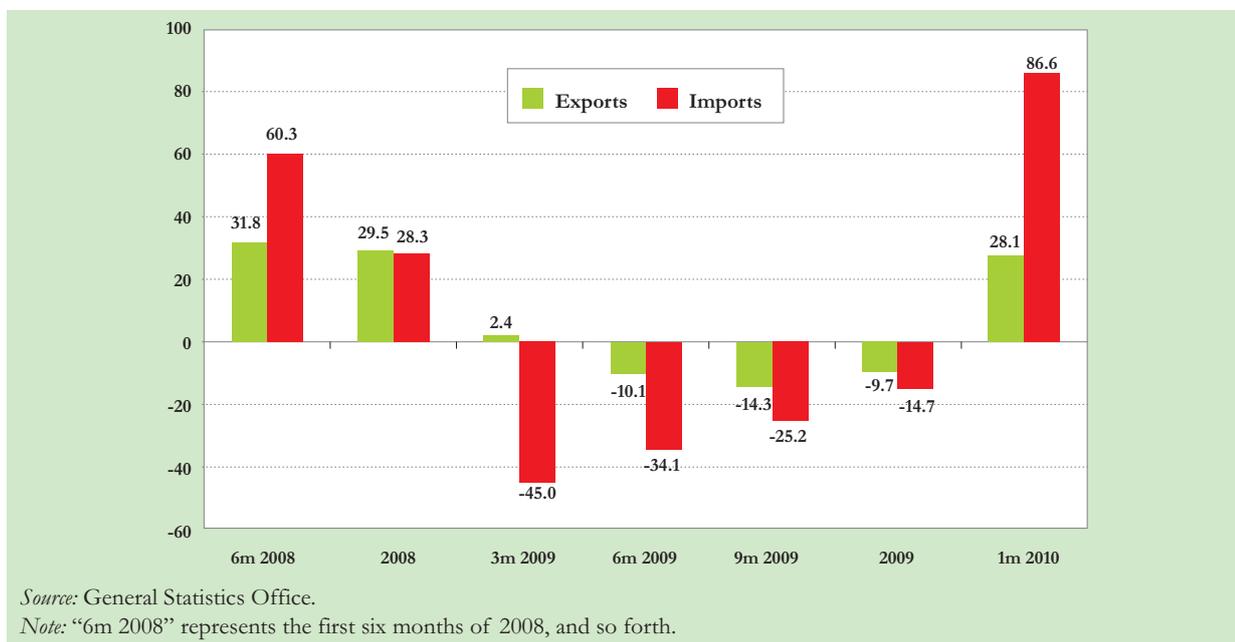


⁴⁵ General Statistics Office: *Statistical Yearbook 2007* (Hanoi, 2008).

As policymakers in Viet Nam struggled with rapid inflation, the crisis in the United States financial system, triggered by risky subprime mortgage lending, rippled around the world in late 2008. As a result, global consumer demand dropped which led to stagnate or declining production and rampant enterprise closures. Consequently, workers and households were affected as unemployment increased and incomes and purchasing power fell.⁴⁶

In October 2008, the Government shifted its inflation focus to the economic downturn, looking to sustain the macroeconomic environment while ensuring social stability. Due to the decline in external demand, particularly in Viet Nam's major export markets such as the United States and Western Europe, industries such as textile and garment, leather and footwear, fine art and consumer goods contracted or stagnated. With 60 per cent of GDP growth from export industries, it was a huge blow to the economy.⁴⁷

Figure 2.2. Export and import value, year-on-year change, 2008-January 2010 (%)



One of the key transmission channels of the impact of the global economic crisis in Viet Nam was through a decline in trade. Exports and imports both fell significantly, as imports contracted by 45 per cent by the first quarter of 2009 while exports shrank by around 10 per cent by the second quarter of 2009, as compared to the same periods in 2008 (see Figure 2.2). For the 2009 year, exports and imports decreased by nearly 10 per cent and 15 per cent, respectively. However, by January 2010, evidence indicate that trade had rebounded considerably, with exports increasing by 28.1 per cent and imports climbing by 86.6 per cent. The decline in global demand badly affected export-oriented industries, including in handicraft villages. According to GSO statistics for the first half of 2009, rattan, bamboo and sedge exports reached USD 85 million while pottery and porcelain exports reached USD 130 million, a reduction of 24 per cent and 26.4 per cent, respectively, from a year earlier.⁴⁸

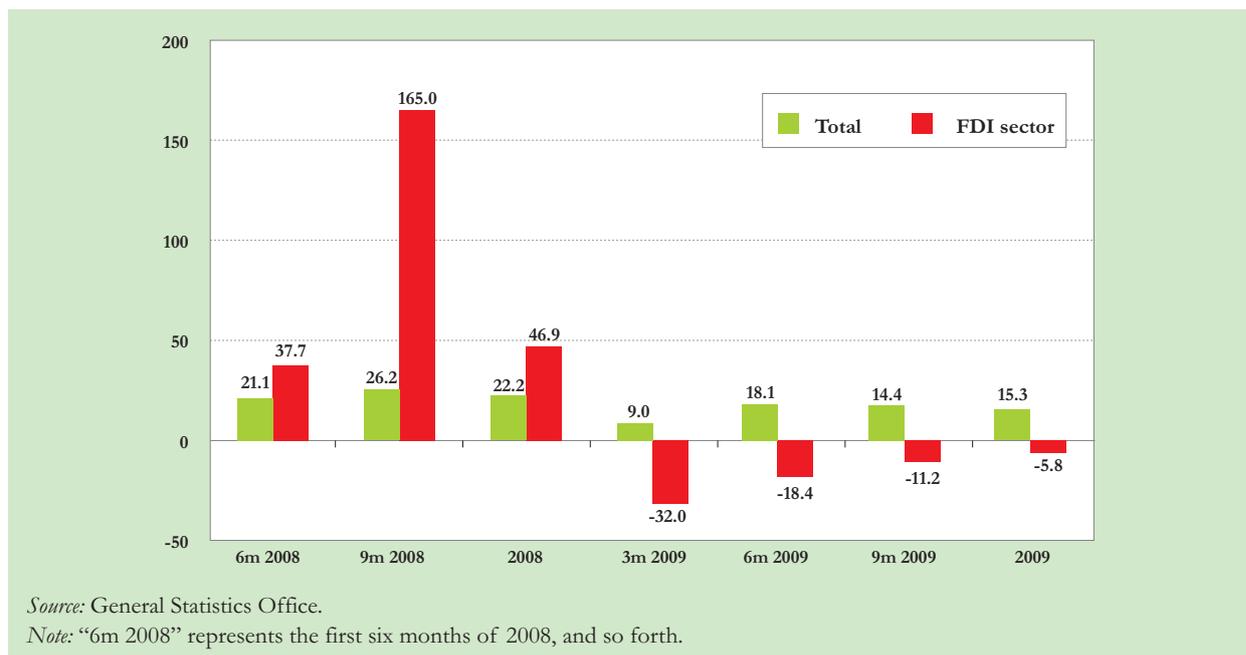
⁴⁶ J. B. Taylor: *The Financial Crisis and the Policy Responses: An Empirical Analysis of What Went Wrong*, NBER Working Paper No. 14631 (National Bureau of Economic Research, January 2009), <http://www.nber.org/papers/w14631>.

⁴⁷ Luu Van Nghiem: *Global Economic Crisis and Viet Nam Economic Outlook in the Coming Years*, The Economics and Forecast, No. 11 (Ministry of Planning and Investment, June 2009).

⁴⁸ General Statistics Office: Media release of socio-economic data in the first 6 months of 2008 and 2009, <http://www.gso.gov.vn> (accessed 31 March 2010).

Another impact of the crisis on the macroeconomic climate in Viet Nam was through falling investments. While total investment growth, including in the FDI sector, was healthy in 2008, the landscape changed significantly in 2009 (see Figure 2.3). By the first quarter of 2009, total investments had grown only 9 per cent, with FDI plummeting a dramatic 32 per cent, relative to the previous year. For the 2009 year, total investment increased by 15.3 per cent while FDI contracted by just less than 6 per cent. The economic downturn in FDI resulted from negative economic growth in major investor countries, such as Singapore, Japan, the United States and Western Europe, affecting not only FDI to Viet Nam in industry and manufacturing but also slowing down construction and real estate investment projects.

Figure 2.3. Investment capital, year-on-year change, 2008-2009 (%)



As shown in Figure 2.4, the impact on trade and investment has contributed to the slowdown in economic growth in Viet Nam. Due to the sharp decrease in economic activity in the fourth quarter of 2008, the GDP growth rate for the year was only 6.2 per cent, much lower than the overall annual average of 7.5 per cent for 2000-2008 (see Chapter 1.1). For the first quarter of 2009, GDP grew by only 3.1 per cent compared to 2008 but steadily climbed throughout 2009. By the end of the year, GDP had expanded by 5.3 per cent. Although not as robust as in recent years, the 2009 growth figure is relatively strong compared to estimates for many countries in the Asia region.⁴⁹ The steady rise in growth over the past four quarters, along with the positive trends in exports and investments, is a cause for optimism and could reflect a healthy sign that Viet Nam may have weathered the worse of the crisis.

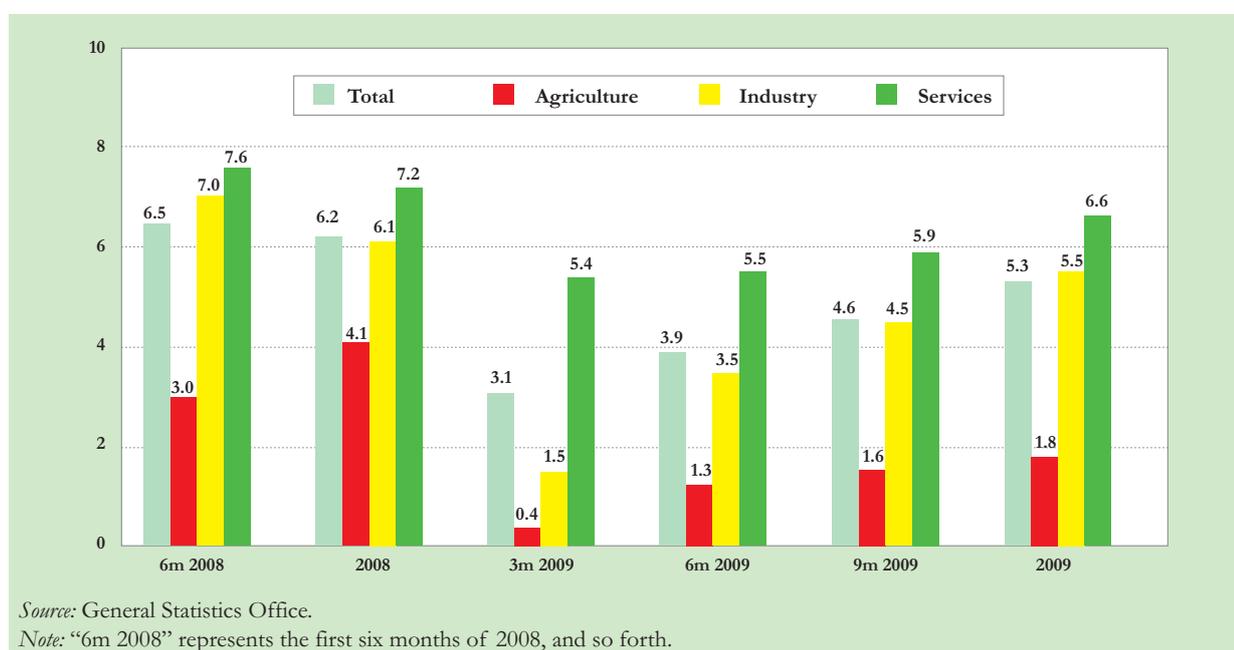
In terms of growth by sector, the depressed global demand resulted in the slowdown in value added by Viet Nam's industry. After growing by 6.1 per cent in 2008, the value of industry grew by only 1.5 per cent in the first quarter of 2009, on an annual basis, but gradually increased to 5.5 by the end of the year. Similarly, industrial production stagnated at the beginning of 2009 but grew steadily to 7.6

⁴⁹ IMF: World Economic Outlook Database (October 2009).

per cent for the year.⁵⁰ However, the increase was driven by raw oil production, indicating that many non-oil industries barely grew or even declined compared to the previous year.

The agricultural sector has also been affected by the global economic downturn. The preceding international price “shock” on food and fuel posed both negative and positive consequences. The increasing price of rice and rubber in 2008 helped to stimulate agricultural performance; however, the rising prices of fertilizer and foodstuff for cattle imposed difficulties on farmers. But subsequently, the declining prices for various food and foodstuff items in 2009 badly affected the value-added growth rate of the agricultural sector, which grew only 1.8 per cent for the year. Rice exports, for example, reached USD 2.2 billion in the first nine months of 2009, a decline of 7.8 per cent compared with the same period a year earlier.⁵¹

Figure 2.4. Gross domestic product by sector, year-on-year change, 2008-2009 (%)



The extent of the impact of the global economic crisis is also reflected in the sharp reduction of international visitors to Viet Nam. The number of international arrivals in 2008 was estimated at 4.3 million, only 0.6 per cent higher than in 2007, with the number of tourists increasing by 1 per cent. By country, the reduced number of visitors decreased the most from the Republic of Korea, Japan and Taiwan (China).⁵² In 2009, the figures contracted further. Through November 2009, international visitors had totalled only 3.4 million, representing a 12.3 per cent decline from the same period in 2008, with the number of tourists contracting at an even higher rate (16.2 per cent).⁵³

⁵⁰ General Statistics Office: Media release of socio-economic data for the first nine months of 2009, <http://www.gso.gov.vn> (accessed 31 March 2010).

⁵¹ General Statistics Office: Media release of socio-economic data for the first nine months of 2009, <http://www.gso.gov.vn> (accessed 31 March 2010).

⁵² General Statistics Office: Media release of socio-economic data for 2008, <http://www.gso.gov.vn> (accessed 31 March 2010).

⁵³ General Statistics Office: Media release of socio-economic data for the first eleven months of 2009, <http://www.gso.gov.vn> (accessed 31 March 2010).

2.2. Labour market impacts

Examining the full impact of the global economic crisis on enterprises and workers in Viet Nam is a significant challenge as comprehensive data on the labour market during the period of 2008-2009 are lacking.⁵⁴ Nonetheless, innovative impact assessments covering various key sectors have helped to fill the information gap.⁵⁵ The findings from these different surveys indicate that the crisis has indeed adversely affected Viet Nam's labour market.

2.2.1. Workers in enterprises

According to an ILSSA enterprise survey, 24.8 per cent and 38.2 per cent of enterprises posted a contraction in sales and revenue in 2008 and through April of 2009, respectively, due to the global economic downturn (see Box 2.1). Many enterprises scaled back their production, resulting in a contraction in working time or the loss of jobs. In 2008, 22.3 per cent of the surveyed enterprises downsized their workforce; 24.8 per cent of enterprises did so in 2009.⁵⁶ However, there were also enterprises that expanded their production and their demand for labour. In 2008, 29.8 per cent of enterprises expanded their workforce, and 28.4 per cent did so by April 2009. Furthermore, 12.9 per cent and 5.5 per cent of these enterprises grew by more than 20 per cent in 2008 and 2009, respectively.

Box 2.1. Enterprise Survey on the Impact of the Global Economic Crisis

In April 2009, ILSSA, in cooperation with the MOLISA Department of Labour and Wages, conducted a survey to monitor the impact of the global economic crisis on enterprises and employment and workers' income in order to quickly assess if the Government's response was effective. While not nationally representative, the survey did cover 1,661 firms, with the distribution of firms being state-owned enterprises (19.7 per cent), private domestic enterprises (60.6 per cent) and foreign-invested enterprises (19.7 per cent). Some 40 per cent of the enterprises produced exports, while 74.5 per cent were small or medium-sized enterprises with less than 300 workers.

The survey was conducted in 16 provinces, representing 8 economic zones, over 30 days. The questionnaire covered: i) changes in enterprises' revenue and investment; ii) changes in the size of the workforce, retrenchments and income; iii) characteristics of retrenched workers; iv) accessibility to government support policies; and v) solutions applied or will be applied by the enterprises to cope with the crisis.

Not surprisingly, the survey results clearly showed a negative impact, especially on foreign-invested enterprises, private domestic enterprises and export-oriented enterprises in such industries as textile and garment,

⁵⁴ The General Statistics Office conducted a national labour force survey towards the end of 2009 but the survey findings had not been released by the time of this publication.

⁵⁵ World Bank: *Viet Nam Development Report 2010: Modern Institutions* (Hanoi, 2009), p. 128.

⁵⁶ Of the downsizing enterprises surveyed, 15.9 per cent and 23.3 per cent cut more than 20 per cent of their workforce in 2008 and in 2009, respectively. ILSSA: *Draft Report on Results of the Enterprise Survey on the Impact of the Global Economic Crisis on Enterprises, Employment and Income* (Hanoi, July 2009).

leather and footwear, construction and transportation. The enterprises utilized a variety of strategies, such as labour rotation, reduction in working hours and working shifts and increased leave time. These strategies helped some enterprises keep their workforce relatively stable and to retain skilled workers.

However, other enterprises relied on questionable practices: keeping their workers underemployed, not paying for leave time or paying only 70 per cent of the leave time, or imposing long unpaid or partially paid leave time in order to pressure workers to quit and thus avoid paying the required lay-off allowance.

Source: ILSSA: Draft Report on Results of the Enterprise Survey on the Impact of the Global Economic Crisis on Enterprises, Employment and Income (Hanoi, July 2009).

Other information sources corroborate this simultaneous pattern of retrenchment and recruitment across Viet Nam. Because retrenchments and labour shortages occurred concurrently, 80 per cent of the retrenched workers were able to find new employment.⁵⁷ Thus, the overall increase in unemployment as of the first half of 2009 was not very significant. According to reports from 41 provinces and cities, 67 thousand workers were retrenched (of which 25.5 per cent were female) in 2008, accounting for 16.3 per cent of the total workforce in enterprises. Another 107 thousand workers lost their job in the six first months of 2009 (of which 31 per cent were female), accounting for 18 per cent of the total workforce in enterprises, according to reports from 53 provinces and cities.⁵⁸

Despite the lower percentages of retrenched female workers, women remained vulnerable during the crisis due to the nature of the impact on the export industry. Estimates indicate that female workers accounted for 43.7 per cent of the total workforce in enterprises.⁵⁹ In addition, the share of women working in export industries such as textile and garment is as high as 80 per cent.⁶⁰ Thus, due to the nature of the crisis and its impact on the labour-intensive export industry, female workers were highly vulnerable.

Of course, reduced working time and retrenchments mean the loss of income for a worker and the family. It can be worse when employers do not terminate the employment contract but keep workers on leave with only 70 per cent or less of their basic salary as compensation. In this way, employers can avoid paying the required allowance for retrenching workers and sometimes can avoid paying the social and health insurance contributions. This puts workers in a difficult position because most cannot afford to be underemployed at such low wages, and thus they are forced to quit and look for another job or, in the case of many internal migrants, return to the countryside altogether.⁶¹

⁵⁷ Bureau of Employment: *Synthesis Report on Job Lost Situation Due to Economic Downturn in the First Six Months of 2009 and the Implementation of Decision No. 30/2009/QĐ-TTg dated 23 February 2009 of the Prime Minister* (Hanoi, MOLISA, July 2009).

⁵⁸ Ibid.

⁵⁹ Authors' calculations based on data from General Statistics Office: Enterprise Census (2007).

⁶⁰ Authors' calculations based on data from General Statistics Office: Viet Nam Household Living Standards Survey (2006).

⁶¹ Xuân Nghi: "Nghịch lý nhân lực thời suy thoái kinh tế [Human Resource Paradox in the Economic Recession Period]", in *VnEconomy*, 3 April 2009, <http://vneconomy.vn/> (accessed 31 March 2010).

2.2.2. Workers in handicraft villages

Viet Nam's handicraft villages, which have developed significantly after WTO accession, were also badly affected by the global economic crisis. The industry includes around 2,790 trade villages which provide employment for nearly 11 million workers, including people who are old and disabled and those who want to work in their leisure time.⁶² Depending on the type of handicraft, female workers represented 45-98 per cent of those employed in the villages.⁶³ During the crisis, handicraft villages have faced a number of serious problems such as shrinking foreign and domestic market demand and the cancellation of signed contracts as wholesale customers were unable to pay. From 2008 to the second quarter of 2009, more than 37 thousand workers (of which females accounted for 45 per cent) in the handicraft villages had lost their job.⁶⁴

For example, the La Phu handicraft village in Hanoi had over 97 enterprises and more than one thousand household-based establishments operating before the crisis, employing 25 thousand workers (10 thousand regular enterprise-based workers and 15 thousand household-based workers producing on a per-unit contract system for enterprises in the district and in neighbouring localities). However, the economic crisis led to a fall in the demand for labour in the village by 50-70 per cent.⁶⁵ Likewise, the Dong Ky handicraft village in Bac Ninh province, with 140 enterprises and 20 co-operatives producing traditional products, reduced the number of workers by two-thirds.⁶⁶

Before the crisis, workers in the handicraft villages were earning three to four times more income than doing agriculture work. Many of those who have since lost their job have had to return to agricultural work. This has given rise to rural underemployment as well as falling rural household incomes.

2.2.3. Workers in rural areas

The global economic crisis also has had a negative impact on the employment of agricultural workers. Most of the retrenched workers in industrial processing zones were rural migrants who were then forced to return home and look for work elsewhere. The majority of workers in handicraft villages are rural residents, many of whom have returned to agricultural work. A number of overseas migrant workers who were from rural areas have had to return before their contract expired due to the economic crisis. By the early months of 2009, more than 7 thousand overseas workers had returned and that figure was projected to be 10 thousand by the end of 2009.⁶⁷ As a result, rural areas faced increasing labour surplus pressure.

⁶² Figures are according to the Viet Nam Handicraft Village Association. See: *VTC News*: “Khoảng 5 triệu lao động làng nghề sẽ mất việc năm 2009 [Approximately 5 million workers in handicraft villages will lose their job in 2009]”, 15 March 2009, <http://www.vtc.vn/> (accessed 31 March 2010).

⁶³ *Văn Hóa Doanh Nhân Việt Nam [Viet Nam Business Culture]*: “Lực lượng lao động nữ ở các làng nghề chiếm tới hơn 80% [Female labour force in the handicraft villages account for over 80%], 24 April 2009, <http://www.vhdn.vn/index.php> (accessed 31 March 2010).

⁶⁴ Bureau of Employment: *Synthesis Report on Job Lost Situation Due to Economic Downturn in the First Six Months of 2009 and the Implementation of Decision No. 30/2009/QĐ-TTg dated 23 February 2009 of the Prime Minister* (Hanoi, MOLISA, July 2009).

⁶⁵ Bureau of Employment: *Report on the Situation of Job Losses Due to the Impact of the Economic Recession* (Hanoi, MOLISA, May 2009).

⁶⁶ *Ibid.*

⁶⁷ *Ibid.*

According to findings from a survey conducted by the Institute of Policy and Strategy for Agriculture and Rural Development (IPSARD), the crisis has impacted rural communities and households significantly in four provinces (see Box 2.2). Across the surveyed provinces, 21.7 per cent of migrant workers had been retrenched and returned home. Of the returning migrants, those retrenched from industrial and processing zones and urban areas accounted for 36.9 per cent. Only 11.3 per cent of these retrenched workers could find new employment, including 5.3 per cent who found jobs in agriculture and 6 per cent who were re-employed in the industry or services sectors. In addition, 17.2 per cent of overseas migrants from the surveyed provinces returned prior to the completion of their contract stipulations.

In terms of household spending, 68.4 per cent of households faced a reduction in expenditure for meat and fish in the four provinces. The number in An Giang and Nam Dinh provinces were higher, at 73.9 per cent and 71.2 per cent, respectively. In addition to cutting food expenditure, 65.2 per cent of communal farmers were not willing to spend on expensive appliances. Moreover, the crisis has pushed some near-poor rural households into poverty, particularly in the mountainous areas.

Box 2.2.

Surveying the Impact of the Economic Crisis in Rural Areas

At the request of the Economic Committee of the National Assembly, the Institute of Policy and Strategy for Agriculture and Rural Development (IPSARD) conducted a survey to assess the impact of the economic downturn on the lives of rural people and on social security policies. The survey targeted farm-based households and covered the following four provinces: Nam Dinh province (representing the Red River Delta with a diversified production system and migrant labour); Lang Son province (representing the Northern mountainous area with ethnic minority groups and communes); Binh Thuan province (representing the Central area); and An Giang province (representing the Mekong Delta area).

The survey sample included 584 communes in the four provinces, of which 85 per cent of the communes earned at least 50 per cent of their income from agriculture, forestry or fishery. Non-agricultural communes accounted for nearly 4 per cent of the survey sample. The survey included questions to assess employment of local workers, including returning migrants, and rural household expenditures and poverty.

Source: IPSARD: Impact of Economic Downturn on People's Lives and the Impact of Policies to Support Social Security, Reference Report No. 1 (Hanoi, May 2009).

2.3. Policy responses and recovery

To support workers retrenched from enterprises since the economic downturn, the Prime Minister issued Decision No. 30/2009/QĐ-TTg in late February 2009 with the following provisions:

- ◆ Enterprises that cannot pay salaries, social insurance, retrenchment allowances or severance pay to their workers will be offered preferential interest-free loans. The lending limit will be equal to the amount needed to pay salaries, debts and other responsibilities to the employees facing retrenchment with a maximum lending time of 12 months. The Vietnam Development Bank will be responsible for launching and implementing the programme.
- ◆ Laid-off employees of enterprises that have become insolvent will receive their remaining due wages. Payroll costs will be advanced from provincial budgets and refunded from the proceeds from the liquidation of the assets of the enterprise. In case the asset value is not sufficient, a report should be sent to the Prime Minister for consideration.
- ◆ Retrenched workers (including overseas workers who lost their jobs and have had to return home prior to their contract provisions) are entitled to loans with a preferential interest rate from the National Job Creation Fund to create new employment. They are entitled to loans for job training within 12 months of the date of retrenchment, following the Government's Decision No. 157/2007/QĐ-TTg on credit for disadvantaged students, and to loans from the lending programme of overseas workers within 12 months of the date of retrenchment or the date of coming home, following the State Bank of Vietnam's Decision No. 365/2004/QĐ-NHNN. The Vietnam Bank for Social Policies is responsible for managing the lending programme.

To implement policies on social protection, the Government increased its 2008 budget to VND 52 trillion, equivalent to 13 per cent of the total state budget expenditure. The increased allocation covered direct payments to beneficiaries (VND 19 trillion dong), minimum wage adjustments, additional pensions and veterans' allowances (VND 28.9 trillion). In the first four months of 2009, the Government added VND 16.7 trillion to the budget, an 8 per cent increase against the same period in 2008. Some 40 thousand tons of rice were distributed in 2008 to people in natural disaster-affected areas and where the threat of hunger prevailed. Also in 2008, the Government exempted or reduced irrigation and other fees that farmers typically need to pay and made VND 28 trillion available through 12 preferential credit programmes.⁶⁸

The Government's policies and initiatives strengthened the confidence of enterprises and workers of its capacity and commitment in stabilizing the economy in times of major crisis (see Box 2.3). As a result, Viet Nam maintained a relatively high GDP growth rate in 2009 compared with other countries in the region and in the world as discussed earlier. In addition, the number of poor households is projected to have declined by 11 per cent in 2009, compared with 12.1 per cent in 2008, and the unemployment situation is predicted to be less serious than initially feared as the economy continues its strong recovery.⁶⁹

⁶⁸ Bureau of Employment: *Synthesis Report on Job Lost Situation Due to Economic Downturn in the First Six Months of 2009 and the Implementation of Decision No. 30/2009/QĐ-TTg dated 23 February 2009 of the Prime Minister* (Hanoi, MOLISA, July 2009).

⁶⁹ Economic Committee of the National Assembly: *Assessment on Implementation of National Assembly Resolution on the Socio-economic Development Plan in 2009 and the Socio-economic Development Orientation and Plan in 2010, Investigation Report No. 1097/BC-UBKT12* (Hanoi, October 2009).

Box 2.3. Policy Responses During the Crisis Period

In 2008 and 2009, in order to meet various social protection targets and to support workers and households to weather the crisis, the Government issued and implemented some new policies:

1. Adjustment of pension, social insurance allowance and monthly allowances for retired communal officers, implemented since 1 October 2008 (Decree No. 101/2008/ND-CP);
2. Adjustment of allowances for the national devotees who rendered contributions to the national revolution, implemented since 1 October 2008 (Decree No. 105/2008/ND-CP);
3. Continuation to provide allowances for wage earners with low incomes, implemented since 1 October 2008 (Decision No. 81/QD-TTg);
4. Regulation on regional minimum wages for workers in companies, enterprises, cooperatives, cooperative groups, farms, households, individuals and other organizations of Viet Nam, implemented since 1 January 2009 (Decree No. 110/2008/ND-CP); and Regulation on regional minimum wages for Vietnamese workers employed by FDI enterprises, foreign agencies, organizations and individuals in Viet Nam, implemented since 1 January 2009 (Decree No. 111/2008/ND-CP);
5. Programme on fast and sustainable poverty reduction for 61 poor districts (Resolution 30a/2008/NQ-CP);
6. Implementation of unemployment insurance under the Social Security Law, implemented since 1 January 2009 (Decree No. 127/2008/ND-CP);
7. Support for retrenched workers in enterprises affected by economic recession (Decision No. 20/2009/QD-TTg);
8. Support on housing for poor households (Decision No. 167/2008/QD-TTg);
9. Preferential interest rate on loans for procurement of equipment and materials for agricultural production and materials for rural housing construction, implemented since 14 April 2009 (Decision No. 497/QD-TTg); and
10. Preferential interest rate on loans from Social Policy Bank, implemented since 14 April 2009 (Decision No. 579/QD-TTg).

However, several concerns remain in relation to social protection during the crisis recovery period. First, despite continued poverty reduction in 2009, the poverty line is now outdated due to the recent years of high inflation. Assessing the depth of poverty across the country has been based on the 2006 poverty line at VND 200 thousand per month in rural areas and VND 260 thousand per month in urban areas. Due to rising prices, the poverty situation could be worse than what estimations indicate.

Second, implementation of the Prime Minister's Decision No. 30/2009/QD-TTg to support workers retrenched from enterprises that encountered difficulties due to the economic downturn has faced various challenges. First, the policy is applicable only to workers retrenched in 2009, while a sizeable portion of retrenchments took place in 2008. Second, the conditions for enterprises to receive assistance are too strict and unreasonable. For example, only enterprises with more than 30 per cent of their workforce retrenched (excluding seasonal workers with labour contracts valid for less than three months) or more than 100 workers retrenched are entitled to receive assistance. However, 97 per

cent of enterprises in Viet Nam are small and medium-sized firms with less than 300 workers, and the number of enterprises with fewer than 50 workers accounts for 87 per cent of the total.⁷⁰ Thus, the number of enterprises and workers who could benefit from the policy is small. By 30 June 2009, only four enterprises had received the preferential credit to cover their wage payments, which benefitted only 728 workers.⁷¹

Third, most of the retrenched workers were unskilled and working in labour-intensive industries, typically as seasonal workers with a contract valid for less than three months. These workers do not participate in the social insurance system. Thus, they are not eligible for either the regular social insurance or the Government's supplemental scheme. In other cases, retrenched workers who did participate in the social insurance system sometimes discovered that their employer had not paid their share of the social insurance contribution.

⁷⁰ General Statistics Office: Enterprise Census (2007).

⁷¹ Bureau of Employment: *Synthesis Report on Job Lost Situation Due to Economic Downturn in the First Six Months of 2009 and the Implementation of Decision No. 30/2009/QĐ-TTg dated 23 February 2009 of the Prime Minister* (Hanoi, MOLISA, July 2009).

Viet Nam and the Asian Decent Work Decade

As 2015 approaches, Viet Nam's economy will become more integrated with and sensitive to the global economy. Competition in regional and global markets will intensify, and Viet Nam will need a strong response during the Asian Decent Work Decade and beyond to address a number of labour market and social challenges.

3.1. Key challenges

3.1.1. Addressing deficits in the quantity and quality of jobs

Viet Nam's labour force will continue to expand significantly from 2010 to 2015, at an estimated 1.5 per cent each year, or by 738 thousand (see Table 3.1). While this represents a deceleration in the growth rate of the economically active population in comparison to the 2000-2010 period, labour force growth in absolute terms will be among the highest in the ASEAN region, trailing only Indonesia and the Philippines. This projected pattern will continue to exert tremendous pressure on the economy to generate enough employment opportunities to absorb the new labour force entrants.

Table 3.1. Labour force growth in ASEAN, 2000-2010 and 2010-2015

	Avg. annual change, 2000-2010 ('000s)	Avg. annual change, 2000-2010 (%)	Avg. annual change, 2010-2015 ('000s)	Avg. annual change, 2010-2015 (%)
ASEAN	5 120	1.9	4 632	1.5
Brunei Darussalam	5	2.7	4	2.0
Cambodia	215	3.2	194	2.3
Indonesia	2 062	1.9	1 862	1.5
Lao PDR	71	2.5	92	2.7
Malaysia	252	2.3	224	1.8
Myanmar	215	0.8	389	1.4
Philippines	816	2.3	861	2.1
Singapore	57	2.5	32	1.2
Thailand	467	1.3	237	0.6
Viet Nam	959	2.3	738	1.5

Source: ILO: LABORSTA, Economically Active Population Estimates and Projections (5th Edition, revision 2009).

Note: Ages 15+.

In addition, rural-to-urban migration will continue to grow rapidly. The share of the population residing in urban areas is forecast to reach 33.6 per cent in 2015 from 30.4 per cent in 2010, and this five-year growth in the urban population is significantly higher than in most countries in the ASEAN region.⁷² In combination with the considerable labour force growth, this urbanization trend yields major stress on urban centres in terms of employment, infrastructure and services.

Given these projected rural-to-urban migration patterns, the remarkable employment shift from agriculture to industry that took place during the last decade are unlikely to subside. From 2000 to 2007, employment in industry grew by an average of 9.1 per cent each year while agricultural employment contracted by -0.7 per cent. With the assumption that the current growth rate of employment in each sector continues, agriculture could absorb less than 40 per cent of total employment by 2015, a sizeable decline from approximately 52 per cent in 2007 (see Table A2.2).

Over the next five years, expanding labour demand in the formal economy will be another critical challenge. To this end, wage employment will need to grow significantly from its extremely low level of less than 23 per cent in 2007, and at an even faster rate than the annual average of 5.5 per cent from 2000 to 2007 (see Table A2.5). However, this challenge will not be easy to achieve in Viet Nam's current context. First, the number of registered enterprises per capita remains tremendously low, and the majority of enterprises are small or medium-sized firms with limited capacity to generate new wage employment. Second, labour market information is weak, leading to a mismatch between labour market demand and supply. In addition, development policies have not been employment-centred, have not encouraged labour-intensive investments and have neglected to stimulate economic and labour demand in less-developed regions.

Furthermore, creating quality employment for youth and women will be essential in the coming years. The share of youth ages 15-24 in the total labour force will decrease from 19 per cent in 2010 to 17.2 per cent in 2015.⁷³ Nonetheless, the projected 8.9 million economically active youth population in 2015 will be massive and will demand special assistance in regards to the school-to-work transition and ensuring the dynamism and potential of youth are not squandered. This will require enhancing their access to practical career guidance, sound labour market information and market-driven vocational and technical training, among other measures.

Similarly, female workers will continue to face specific labour market challenges, including a disproportionate share of employment in sectors with low productivity, low wages and inadequate security. As noted in Chapter 1.2, a majority of employed women are unpaid for their work as contributing family workers. In addition, in 2007, women were concentrated in labour-intensive industries, including agriculture and forestry (53.6 per cent), wholesale and retail trade (13.4 per cent) and manufacturing (12.8 per cent).⁷⁴ Their engagement in various export-oriented sectors may also leave them vulnerable to growing external market volatility. Thus, it will be essential to monitor employment trends for women between 2010 and 2015 to ensure that they are increasingly absorbed into quality wage employment with greater participation in relevant social protection mechanisms.

⁷² UN: World Urbanization Prospects: The 2009 Revision.

⁷³ ILO: LABORSTA, Economically Active Population Estimates and Projections (5th Edition, revision 2009).

⁷⁴ See Table A2.3.

3.1.2. Boosting productivity and competitiveness

Raising labour productivity and enhancing the competitiveness of Vietnamese products will continue to be a priority during the next five years. In fact, the Government's draft Socio-Economic Development Plan for 2011-2015 has set the economic growth target of 7-8 per cent annually for the coming five-year period, with labour productivity in 2015 reaching 1.5 times the 2010 level. While these goals are extremely ambitious, it signifies the prominence of productivity for enhancing living standards and sustaining the country's robust economic growth.

The structural transformation taking place in the economy and in the sector of employment (see Chapter 1) has significantly raised Viet Nam's overall productivity level. Estimates indicate that a large movement of workers from agriculture to industry - and therefore from a low-labour productivity to a high-labour productivity sector - has been a strong driver for growth. From 2000 to 2006, the sectoral shift in employment contributed to 36.7 per cent of Viet Nam's labour productivity growth, which was second in the ASEAN region to only the 46.9 per cent in Cambodia.⁷⁵ But Viet Nam has yet to reach its potential and continued economic restructuring and facilitation of workers out of agriculture can increase labour productivity further. However, with the shifting labour force coming from rural areas where professional and technical skills are lower, labour productivity growth could be constrained unless requisite policy measures are pursued. In addition, promoting productivity growth within sectors remains a critical driver of growth and cannot be neglected.

Enhanced regional and global integration will also lead to an easier flow of goods, investment as well as labour. Foreign workers will seek new opportunities in Viet Nam while more Vietnamese will work outside the country - but only if they can upgrade their skills and knowledge to be internationally competitive. Moreover, one main advantage of international integration is that Viet Nam's goods and products will overcome trade barriers and enhance their market position by applying the WTO's fair and effective dispute settlement system. Consequently, Viet Nam's enterprises will experience new opportunities to enter untapped markets, attract greater investment and adopt new technologies.

However, a primary challenge to Viet Nam's domestic enterprises is the continued use of outdated technology and machinery and their deficiency in management capacity. As the Government realizes its international commitments on trade and investment, domestic enterprises will be increasingly confronted by foreign enterprises that possess abundant financial resources, modern technology, progressive management and workplace practices, high-quality products and sound marketing strategies. These Vietnamese domestic firms will be forced to adapt in order to survive.

In the past, Viet Nam has relied on low labour costs in building its export-oriented and labour-intensive industries such as textiles, garments and footwear. However, this cannot remain a comparative advantage in the coming years as the country moves up the value chain in regional and global production networks and produces more technology and capital-intensive products.⁷⁶ The trend of using cheap and abundant labour has decreased production costs for Viet Nam's

⁷⁵ ILO: *Labour and Social Trends in ASEAN 2008: Driving Competitiveness and Prosperity with Decent Work* (Bangkok, 2008), p. 38.

⁷⁶ World Bank: *East Asia and the Pacific Economic Update 2010: Emerging Stronger from the Crisis*, Volume I (Washington, DC, 2010), pp. 36-38.

enterprises. However, these firms will experience growing difficulties in exporting and appealing to foreign markets as production will increasingly require advanced technologies and skilled labour. To raise its competitiveness in the international arena, Viet Nam's enterprises will need to reduce their production costs to drive down their product prices and increase their productivity through adopting progressive workplace practices and upgrading the skills of its workforce.

To this end, the Government must support the skills development and technical training of Viet Nam's vast human resources. The Government's draft Socio-Economic Development Plan for 2011-2015 calls for an increase in the share of the labour force with skills training to 45 per cent by 2015. Given limited institutional capacity and infrastructure, this will pose a tremendous challenge for Viet Nam's current education and training system as 65.3 per cent of the labour force did not have any technical training in 2007 (see Table A1.2).

But meeting the increased demand of technical education and training in terms of numbers alone will not be the only challenge. Possibly even more important will be the major reformation of the vocational training system required to raise the quality of training, which is often not responsive or market-oriented. Moreover, Viet Nam must enhance the infrastructure and network of the training system and improve access, including for women and rural youth. As rural-to-urban migration patterns continue, it is also vital to support rural workers to access relevant vocational training at both the point of departure (rural areas) and destination (urban areas).

3.1.3. Extending social protection coverage

Expanding the coverage of the current social protection system will be a pressing issue during the 2010-2015 period. While Viet Nam pursues a path of enhanced market integration and robust economic growth based on rapid structural change, the country also faces the possibility of more frequent and intensive economic, social and environmental risks. Growth and integration will create new opportunities for wealth and job creation, but there will also be those who do not benefit. One of the greatest challenges in the coming years will be to find ways to take advantage of these prospects while protecting the poorest and most vulnerable people against the threats to their living standards and their access to basic social services. In sum, economic prosperity must be balanced with social inclusion and equity.

Moreover, strengthened social protection measures will be critical as the Government strives to further reduce poverty in the coming five-year period. In this regard, farming-oriented, rural households are among the most impoverished and disadvantaged groups in Viet Nam. The integration of the agricultural sector into the global and regional economies has presented farmers with liberalization of trade protection policies in key markets but also increased competition. Also, there are increasing risks that near-poor farmers could fall back into poverty as a result of natural calamities, price variations, economic integration and market-oriented development. With inadequate technical skills, the rural poor will also find less employment opportunities as a result of scientific and technological advances and unequal economic investment and development among geographic regions.

New groups of the poor also could emerge due to economic shocks, limited or curtailed natural land resources and the loss of wage employment because of state-owned enterprise reform or the impact on export industries from global market instability. Changing land uses, especially in near-urban centres, could also push more people into poverty. In addition, domestic and international migrants are particular concerns as economic and social changes increasingly are associated with spatial mobility. Rural-to-urban migrants may experience more difficulties than urban jobseekers in finding quality employment and could be forced to accept lower wages and poor working conditions. Also, ensuring that women and girls have equal access to educational, economic and political opportunities is indispensable to the creation of a just society and is also vital to household welfare and the efficient use of the country's human resources. Minimizing the negative impacts of industrialization, urbanization and agricultural intensification on the natural environment will require sound social policies, improved governance and greater public involvement in decision making.

To this end, there must be a comprehensive strategy on universal social protection to support the population in coping with the potential risks and shocks that could threaten a reduction in incomes and expenditures and jeopardize living standards. In addition, strengthening the social protection system must accompany reform of labour market regulations to support workers from the insecurities associated with flexible labour markets and to facilitate the adjustment to rapid labour market changes.

The Government aims to gradually extend the coverage of the social insurance system by expanding eligibility under the compulsory scheme. Moreover, it must target more people, especially workers in the informal economy, to participate in the voluntary scheme by making contributions flexible and benefit options more relevant.⁷⁷ This will be complemented by support policies for vulnerable groups and ethnic minorities to involve them in the voluntary scheme. Successful extension of the social insurance scheme will be critical. Despite positive growth trends in wage employment, vulnerable employment also grew on average by 1.9 per cent each year from 2000 to 2007 as nearly 35 million workers were engaged as own-account or contributing family workers in 2007.⁷⁸ By 2015, this vulnerable population will certainly remain massive and will require stronger participation and inclusion in the national social insurance programme.

In terms of unemployment insurance, the Government will also aim to enhance policies along with its capacity to fully implement and operationalize the system to better support the unemployed. This will entail strengthening the provision of career counselling and vocational training and matching of employers with jobseekers. To this end, a robust labour market information system that can provide timely and reliable data on both labour market demand and supply is essential.

⁷⁷ According to ILSSA projections, by 2015 there will be an estimated 14.5 million workers participating in the social insurance system, accounting for less than one-third of the total labour force. Of them, 12.8 million workers will participate in the compulsory scheme and 1.6 million in the voluntary plan. Also, the total number of participants in the unemployment insurance scheme is forecast to be 8.9 million by 2015. See: ILSSA: *Viet Nam Social Protection Strategy for 2011-2020* (Hanoi, forthcoming).

⁷⁸ See Annex III, Table A2.1 and Table A2.5.

3.2. Key policy considerations

The report has highlighted the remarkable achievements in Viet Nam during the past decade, including the tremendous structural transformation in the economy and in employment, rapid labour productivity growth and a massive decline in poverty, among others. However, a number of deficits in achieving decent work during the period of 2010-2015 were also underlined and call for concerted action by the country's tripartite constituents and other key stakeholders.

3.2.1. Invest in labour market governance to foster sustainable and inclusive development

Improving Viet Nam's labour market governance regime will be a key strategy for Viet Nam to achieve progress towards decent work in the coming five years.⁷⁹ Economic restructuring towards market orientation and global economic integration, on one hand, augment employment opportunities. But it also requires sound administration of policies to balance the flexibility of labour markets with the security concerns of workers. In addition, the economic reforms have imposed new challenges for enterprises and workers - such as developing workplace relations, wage policies and labour dispute settlements - that will require priority action.

First, given an economy in transition, the legal framework and labour market institutions are the fundamental building blocks that need to be strengthened in order to create a favourable environment for economic development, foreign investment and the capacity to compete internationally. Special attention should be paid to establishing or reforming policies and legislation on collective bargaining, minimum wages, labour dispute settlements, unemployment insurance and the gender pay gap, among others.

Second, Viet Nam must invest in the industrial relations system to foster the mechanisms for dialogue and negotiation. A comprehensive system involving workers' and employers' representation and tripartite institutions at the industry, regional and local levels and even in industrial zones should be developed to effectively establish different types of collective labour agreements. Harmonious industrial relations need to be based on voluntary, actual dialogue and negotiation principles. Also, the capacity of the Government and the social partners in labour negotiations and workplace representation should also be strengthened, while the roles of each party need to be clearly defined based on independence and autonomy. In this regard, education and training should focus on not only expanding professional qualifications and skills but also cultivating a different work style compatible with a market economy and better understanding of labour laws to fully engage in the industrial relations processes.

Finally, supporting labour market institutions that can facilitate the match between labour demand and supply could assist jobseekers from poor households, workers in the informal economy, young new entrants into the labour market, the

⁷⁹ Labour market governance covers the range of policies, norms, laws, regulations, institutions and processes that influence the demand and supply of labour. Strengthening the capacity of and improving industrial relations between those who demand labour (employers) and those who supply it (workers) is an integral part of labour market governance. See: ILO: *Asian Decent Work Decade Resource Kit: Labour Market Governance* (Bangkok, 2008).

elderly and the disabled and people affected by economic and structural reforms. This will require formulating a full range of policies and programmes to respond to a flexible labour market while developing a comprehensive package of employment and re-training services. Special policy focus should be paid to domestic and international migrant workers, particularly in terms of training and social protection. Moreover, the Government should enhance access to vocational training for women and youth, in combination with job-search support services that aim to break through gender stereotypes, while developing a public works programme to meet the temporary needs of jobseekers and special vulnerable groups.

3.2.2. Sustain rapid productivity growth to drive competitiveness and raise living standards

To ensure sustainable economic growth and improved living standards, special attention should be given to factors that can enhance workforce productivity and national competitiveness. First, the Government can play a significant role in facilitating the shift of workers across sectors by developing and nurturing higher-productivity industrial sectors. To continue rapid new investment growth, the Government must lower the cost of doing business and improve administrative efficiency in terms of enterprise registration and support services for domestic and foreign investors and entrepreneurs. In addition, it should look to further reform its own state-owned enterprises.

Second, support for within-sector growth is essential. Given the dominance of small and medium-sized enterprises in terms of employment of the labour force, policies that promote investment in small and medium-sized firms, in both industrial and rural areas, would boost overall productivity and improve job quality. In this regard, special focus is needed to support these enterprises in adopting new technologies, embracing progressive workplace practices, locating new markets and developing their human resources.

Finally, raising the skill level of the workforce, particularly in managerial and highly technical competencies, could drive productivity considerably but will require concerted measures in improving the relevance and quality of the education and training system. Training must be better oriented to the shifting needs of employers and trainees. To this end, strengthening the institutional linkages between employers and training providers could enhance the design of vocational and technical training curriculum to adapt better to emerging occupations, workplace practices and technological applications. Moreover, Viet Nam must enhance the training infrastructure, expand the vocational training network and increase the quantity and quality of vocational teachers.

3.2.3. Support job creation and improve job quality through employment-centred policies

The relatively weak employment generation during the past decade, despite considerable economic prosperity and rapid investment growth, begs for a comprehensive national employment strategy. The strategy should be linked to broader economic development and investment policies with the main objectives to create a large number of jobs in high labour productivity sectors; speed up the labour market transition from agriculture to industry and from the informal to the formal economy; develop non-farm jobs in rural areas; and support rural workers to prepare for new occupations as agricultural land use diminishes. Moreover, the

employment strategy should prioritize and mainstream gender-related concerns considering the disproportionate engagement of women in unpaid or poorly paid jobs and in sectors where productivity is low and protection is weak.

Enterprise development will continue to be the crucial driver for employment generation and, in particular, quality wage employment in the formal economy. In the short term, measures should focus on removing barriers that hinder business creation and expansion and access to credit and land for production. In this regard and given the constraints faced by women, the promotion of women's entrepreneurship is critical. In addition, investment policies should focus on nurturing and developing sectors with high capacity for generating quality employment.

3.2.4. Strengthen social protection to balance growth with equity

Improving social protection in Viet Nam to ensure the most vulnerable in society - including the poor, ethnic minorities, women and youth and workers susceptible to the adverse impacts of market reform and integration - will entail various initiatives. First, the Government should consider measures to extend the coverage of the system. Through public awareness and information campaigns, the requirements of the compulsory social insurance plan and the benefits of the voluntary schemes should be promoted. Also, the Government will need to further reform the parameters of the social insurance scheme to accommodate informal economy workers while assisting the poor and other vulnerable groups to participate in and benefit from the system.

Second, in terms of the unemployment insurance programme, the Government must make the system fully operational, extend coverage and enhance its implementation to better support jobseekers. This will involve, in particular, investing in public and private employment service centres which can offer sound and practical career guidance that is free of gender bias, as well as providers of quality vocational and technical training that can respond to the demands of the industry. In addition, supporting and facilitating the matching of enterprises recruiting new workers with active jobseekers will be essential.

Finally, increasing state investment in the social protection system and enhancing efficiency should be a priority. As discussed in Chapter 1.3, budgetary allocations for social protection are insufficient and limit the effectiveness of the programme to support vulnerable workers and households. In addition to addressing financial constraints, Viet Nam should focus on strengthening its institutional capacity, including human resources and the physical and technical infrastructure to make social protection programmes more efficient, while also improving the system of revenue and benefits management.

3.2.5. Establish a robust labour market information system to support informed decision-making

Investment in the national labour market information and analysis system is strongly advisable and can support the implementation of many of the policy recommendations above. Such a system should track and forecast trends in the labour market and provide quality, reliable and up-to-date information on workforce skills and training needs and new opportunities for jobseekers. In addition, strengthening the sex- and age-disaggregated data collection and analysis

of various aspects of the labour market - including informal employment, working poverty, labour migration, working conditions and the gender wage gap, among others - would help to identify in detail the decent work deficits that Viet Nam must prioritize and address.

In light of the global economic crisis and its rapid impact on enterprises and workers, Viet Nam must develop strong capacity for monitoring potential economic and climate-related crises which can affect the labour market. This will require enhanced capacity to conduct surveys and rapid impact assessments and analyze data trends for informed socio-economic policy making. Ultimately, the labour market information system should maintain a rich database of comprehensive labour market information and indicators that can be readily accessible to policymakers, enterprises, jobseekers, researchers and other stakeholders engaged in the advancement of decent work in Viet Nam.

Annex I

Background note on key data sources utilized in the report

1. Labour and Employment Survey

The Labour and Employment Survey is a national sample survey conducted by the Ministry of Labour, Invalids and Social Affairs (MOLISA) from 1996 to 2007, with support from the General Statistical Office (GSO) in survey techniques and data processing. The survey is the official data source for analysis and assessment of Viet Nam's labour force and the employed and unemployed populations.

The survey collects information on employment and unemployment in the national labour market, including in all cities and provinces and key economic zones. In particular, it covers the unemployment situation in urban areas and underemployment in rural areas to support the implementation of the Government of Viet Nam's labour market development policies. The survey target group is the resident population aged 15 and above.

In 2006 and 2007, the total sample size was 100,680 households in 3,356 locations. Survey locations and households are selected to ensure accurate representation based on provincial and city characteristics, rural and urban levels and sex demographics. The survey unit is the household and survey information is collected through direct interviews with the head of each household who provides answers regarding each household member.

The survey covers the following key content:

1. Structure of the labour force by age group, sex and geographic area;
2. Employment situation in the labour market (employed, underemployed and unemployed) by age group, sex and geographic area;
3. Labour movement by age group, sex and geographic area; and
4. Size and share of rural and urban unemployment and underemployment in the labour force, disaggregated by age group, sex, education level, reason of unemployment, period of unemployment, and type of unemployment (including unemployed people who have never been employed and unemployed people who have held a previous job), among others.

However, the survey does not cover information on income and wages of the working population.

The 2007 survey was the last year that the survey was conducted by MOLISA as the responsibility for Viet Nam's labour force surveys has shifted from MOLISA to the GSO. The GSO did not conduct a labour force survey in 2008 and the results of the labour force survey in 2009 had not been released at the time of this publication.

2. Viet Nam Household Living Standards Survey (VHLSS)

The Viet Nam Household Living Standards Survey (VHLSS) is a household-based, sample survey conducted by the GSO every two years and generates a dataset that is published officially by the GSO. The survey aims at collecting information on households and communes and wards for monitoring and evaluation and designing policies, plans and national programmes on the living standards of residents all over the country and in each region, including data on the poverty situation and inequality. In addition, the VHLSS also collects information for research and analysis on health care, education, employment, while providing data for the calculation of consumer price index weights and national accounts.

The survey is conducted nationwide with the following sampling features:

- ◆ The 2002 survey included an income and expenditure module covering a sample of 30 thousand households. This sample was divided into four smaller ones, with 7,500 households per each, and the survey was conducted in the first month of each quarter in 2002. The sample of 30 thousand households provided estimations at the national and regional levels.
- ◆ The 2004 survey covered 45,900 households, of which 36,720 households were interviewed based on the income module while 9,180 households were interviewed based on the income and expenditure module. The survey was conducted in 3,063 wards/communes, representing the entire country and provides data disaggregation at the rural-urban, provincial and city levels.
- ◆ The 2006 sample covered 45,945 households, of which 36,756 households were interviewed based on the income module while 9,189 households were interviewed based on the income and expenditure module. As in 2004, the 2006 survey was conducted in 3,063 wards/communes, representing the entire country and provides data disaggregation at the rural-urban, provincial and city levels.

The VHLSS covers the following key content:

1. Demographic information of the household members including age, sex, ethnic group and marital status;
2. Household income, including income levels, income classified by source (wages, salary and subsistence agriculture, among others) and income classified by regions and economic sectors;
3. Household expenditure, including expense levels, expenses classified by purpose and expenditure items (for example, expenses on eating, clothing, living, transport, education and health, among others);
4. Education level of each household member;
5. Type of healthcare access classified by out-patient and in-patient treatment;
6. Employment and working time;
7. Housing and furniture including fixed assets, electricity and water consumption; and

8. Participation in poverty alleviation programmes.

In addition, information at the commune and ward level includes the general situation of household members and ethnic groups; infrastructure including access to electricity, roads, schools, markets, post offices and water sources; economic conditions including agricultural production and factors which can increase crop production; agricultural support such as irrigation; non-agricultural employment opportunities; and some basic information about social security.

3. Viet Nam Enterprise Survey

The report also uses data from the Viet Nam Enterprise Survey from 2000 to 2007, which is conducted by the GSO. The survey covers only enterprises in the formal sector and the sample size had grown steadily each year, from 42,288 in 2000 to 72,012 in 2003 to 155,771 in 2007.

The survey provides rather sufficient information on wages, employment and production output of enterprises. Wages are reflected in the total wage fund and the labour cost of the enterprise. The average wage for a worker is calculated by dividing the total wage fund by the total number of workers. The survey data enables analysis by group of enterprise disaggregated by sector, type of ownership and size. However, one of the most important indicators, the share of skilled workers in each enterprise, cannot be calculated.

Annex II

Sector-based collective bargaining

Process, results and shortcomings of the piloted sector-based collective bargaining process in the textile and garment industry

1. Process and results of the piloted sector-based collective bargaining process

Step 1: Proposing a collective agreement

Due to the lack of a legal document as well as the limited capacity of parties in the industry to develop the sector-based collective agreement, the Ministry of Labour, Invalids and Social Affairs (MOLISA) established a task force on piloting the negotiation and signing of a collective labour agreement in the textile and garment industry. The task force is in charge of steering and supporting the parties. It includes 20 members who are representatives of relevant ministries and agencies, such as the Labour-Wage Department within MOLISA, which is a governmental administrative agency for industrial relations; the Viet Nam Chamber of Commerce and Industry (VCCI), an employers' organization; the Viet Nam General Confederation of Labour (VGCL), a workers' organization; the Textile and Garment Association, a sector-based employers' organization; the Textile and Garment Trade Union, a sector-based workers' organization; the Textile and Garment Corporation; the Industry and Trade Labour Union; the Department for Legislation within the Ministry of Trade and Industry; and the Hanoi Department of Labour, Invalids and Social Affairs (DOLISA).

Step 2: Choosing sector representatives for negotiating

No agency meets the requirements to be a representative for the sector negotiation. However, for the pilot implementation, the Textile and Garment Association was chosen to represent employers and the Textile and Garment Trade Union was designated as the representative of workers.

Step 3: Developing the collective agreement framework

The Textile and Garment Association and the Textile and Garment Trade Union, supported by the task force, developed a draft framework for collective bargaining. The draft includes 20 provisions on employment and employment security; working and rest hours; wages, bonus and wage allowance; labour norms; workplace safety and social insurance for workers. Based on the agreed framework, consultation workshops were organized for feedback from international and domestic experts on industrial relations and from international organizations. These consultations involved the International Labour Organization (ILO) and representatives from the executive board of grass-roots trade unions and employers from over 100 textile and garment enterprises in the North and South and gathering experience based on implementation of international conventions

and successful sector-based collective agreements of other countries. A number of comments were raised in the workshops and were taken into consideration by the Textile and Garment Association and the Textile and Garment Trade Union. The content of the collective bargaining on wages, wage allowance, bonus and other agreements on industrial relations were discussed and agreed upon before being circulated for comments.

Step 4: Consulting parties on the textile and garment collective bargaining framework

The Textile and Garment Trade Union sought the opinions of grass-roots trade unions regarding the draft agreement while the Textile and Garment Association asked its member employers for their feedback.

The procedure of consultation by the Textile and Garment Trade Union on the draft agreement included the following:

- ◆ Organized workshops in the North and the South with the chairperson of each trade union to disseminate the draft framework and discuss its merits.
- ◆ Sent the draft framework to the executive board of the grass-roots trade unions to ask for members' opinions, which were relayed to the Textile and Garment Trade Union. The consultations in the grass-roots trade union were made to resemble the consultation process for collective bargaining at the enterprise level.
- ◆ After consulting the grass-roots trade unions, the Textile and Garment Trade Union synthesized the comments and prepared for negotiations with the Textile and Garment Association.

Similarly, the procedure of consultation of the Textile and Garment Association on the draft agreement involved the following steps:

- ◆ Sent the draft framework to all owners of member enterprises for consultation. Comments were sent back to the Textile and Garment Association.
- ◆ Organized workshops in the North and the South with the chairperson of the 12 branches of the Textile and Garment Association (12 owners of big enterprises) and other enterprise owners (including foreign-invested enterprises) to discuss and gather opinions.
- ◆ After receiving opinions from enterprise owners and from the workshops, the Textile and Garment Association synthesized the comments and prepared to negotiate with the Textile and Garment Trade Union.

Step 5: Conducting the first round of negotiations

After consulting parties on the draft framework to ensure the collective bargaining was in accordance with the law, the Textile and Garment Association and the Textile and Garment Trade Union organized a meeting for negotiations. Through the negotiation process, both parties agreed on a number of provisions. However, there were also many conflicting opinions.

Step 6: Revising the draft for further negotiation

The two parties continued revising the draft and repeated the consultation steps. By June 2009, the last round of consultation was conducted. An agreement

was expected to be reached and signed in the fourth quarter of 2009 and go into effect in early 2010.

Where 50 per cent of the workers agreed with the collective bargaining terms, the executive board of the grass-roots trade unions would inform the Textile and Garment Trade Union in writing, authorizing it to sign the agreement. At the same time, the employers, if in agreement with the draft, also would send a letter to the Textile and Garment Association, giving authorization to sign the agreement. Once an enterprise has performed that step, it is considered as participating in the sector-based collective bargaining process.

A preliminary assessment of the sector-based collective bargaining process indicates that most of the provisions raised for comments were welcomed by both the workers and trade unions. However, the process requires further improvements because the trade unions do not really believe in the success of this collective bargaining mechanism.

2. Shortcomings in implementing the piloted collective bargaining process

According to the law, regulations on collective bargaining at the enterprise level also apply to collective bargaining practices at the industry level. However, there are no specific instructions on building a sector-based collective agreement, which caused some difficulties.

For example, there were difficulties in selecting representative organizations to participate in the collective bargaining process because none of the existing ones are fully representative of the tripartite partners. Other difficulties related to the following:

- ◆ *Willingness is a key determinant of the success of collective agreement.* However, during the pilot implementation, the willingness of parties was weak. They mainly followed the “instructions” rather than appearing truly motivated to participate.
- ◆ *Authority and roles of representative parties.* It was evident through the consultation steps that the role in decision making of representative parties is weak. They only play an intermediary role in negotiation instead of actively seeking an outcome from the negotiation. Their capacity to mobilize subordinate representatives is weak. This indicates that the sector-based collective agreement process could be enhanced if more power was given to each party.
- ◆ *Limited capacity and skills of the representative parties.* Although their capacity and position were better than those of the grass-roots trade unions, the industry-level trade union failed to provide persuasive explanations and interpretations during the negotiation process and the consultation workshops. In particular, they did not successfully execute the function of protecting workers and even sometimes exposed their lack of understanding of the law on such specific issues as salary scales. Despite the fact that the trade union is the representative of workers, sometimes the trade union officials expressed views that favoured the employers. At the same time, the officials of the employers' association were limited in their knowledge of enterprise management and in their negotiation skills.

Annex III: Statistical tables

Table A1.1. Labour force and labour force participation rate by age and sex, 2000-2007

	2000	2001	2002	2003	2004	2005	2006	2007
Total population, ages 15+ ('000s)	54 284	54 910	56 623	58 499	60 557	62 441	64 867	66 968
Male	25 962	26 292	27 221	28 170	29 222	30 143	31 368	32 402
Female	28 323	28 618	29 402	30 329	31 335	32 298	33 500	34 566
Labour force, ages 15+ ('000s)	39 253	40 108	41 033	42 125	43 242	44 382	45 579	46 708
Male	19 760	20 202	20 754	21 362	22 059	22 758	23 430	24 097
Female	19 493	19 906	20 280	20 763	21 183	21 624	22 149	22 611
Labour force participation rate, ages 15+ (%)	72.3	73.0	72.5	72.0	71.4	71.1	70.3	69.7
Male	76.1	76.8	76.2	75.8	75.5	75.5	74.7	74.4
Female	68.8	69.6	69.0	68.5	67.6	67.0	66.1	65.4
Youth population, ages 15-24 ('000s)	15 231	15 160	15 515	15 895	16 524	17 021	17 860	17 982
Male	7 715	7 714	7 969	8 230	8 594	8 814	9 223	9 292
Female	7 516	7 445	7 546	7 666	7 930	8 207	8 637	8 690
Youth labour force, ages 15-24 ('000s)	8 567	9 210	9 101	9 060	9 276	9 387	9 998	9 855
Male	4 265	4 597	4 631	4 700	4 884	4 935	5 260	5 205
Female	4 302	4 613	4 470	4 360	4 393	4 452	4 738	4 650
Youth labour force participation rate, ages 15-24 (%)	56.2	60.8	58.7	57.0	56.1	55.1	56.0	54.8
Male	55.3	59.6	58.1	57.1	56.8	56.0	57.0	56.0
Female	57.2	62.0	59.2	56.9	55.4	54.2	54.9	53.5

Source: MOI/ISA: Labour and Employment Surveys (various years).

Note: Disaggregated data may not sum precisely to totals due to rounding.

Table A1.2. Distribution of labour force by technical education and sex, 2006 and 2007 (%)

	Total	No technical level	Technical workers without degree	Short-term vocational diploma	Long-term vocational diploma	Professional secondary	College	University and above
Total, 2006	100.0	68.5	17.2	2.2	1.9	4.6	1.7	4.1
Male	100.0	63.6	20.4	2.7	3.0	4.3	1.3	4.7
Female	100.0	73.6	13.8	1.6	0.8	4.8	2.1	3.4
Total, 2007	100.0	65.3	18.3	2.7	2.1	5.3	1.9	4.4
Male	100.0	59.9	21.5	3.5	3.2	5.4	1.5	5.0
Female	100.0	70.9	14.9	1.7	1.0	5.2	2.4	3.9

Source: MOLISA: Labour and Employment Surveys (various years).

Note: Disaggregated data may not sum precisely to totals due to rounding.

Table A1.3. Distribution of labour force by educational attainment and sex, 2006 and 2007 (%)

	Total	Illiterate	Did not finish primary school	Finished primary school	Finished lower secondary school	Finished upper secondary school
Total, 2006	100.0	3.5	12.4	33.8	26.9	23.5
Male	100.0	2.6	11.1	33.0	28.2	25.0
Female	100.0	4.4	13.7	34.6	25.4	21.8
Total, 2007	100.0	3.6	11.9	28.9	31.1	24.5
Male	100.0	2.7	10.8	28.4	32.1	25.9
Female	100.0	4.5	13.0	29.4	30.1	23.0

Source: MOLISA: Labour and Employment Surveys (various years).

Note: Disaggregated data may not sum precisely to totals due to rounding.

Table A2.1. Employment and employment-to-population ratio by age and sex, 2000-2007

	2000	2001	2002	2003	2004	2005	2006	2007
Total employment, ages 15+ ('000s)	38 368	39 000	40 162	41 176	42 316	43 452	44 549	45 579
Male	19 292	19 744	20 356	20 959	21 649	22 313	22 894	23 525
Female	19 076	19 257	19 807	20 217	20 666	21 140	21 655	22 053
Employment-to-population ratio, ages 15+ (%)	70.7	71.0	70.9	70.4	69.9	69.6	68.7	68.1
Male	74.3	75.1	74.8	74.4	74.1	74.0	68.3	72.6
Female	67.4	67.3	67.4	66.7	66.0	65.5	64.6	63.8
Youth employment, ages 15-24 ('000s)	8 158	8 665	8 705	8 626	8 848	8 931	9 511	9 262
Male	4 052	4 381	4 439	4 491	4 670	4 701	5 000	4 905
Female	4 106	4 283	4 266	4 136	4 178	4 230	4 511	4 357
Youth employment-to-population ratio, ages 15-24 (%)	53.6	57.2	56.1	54.3	53.5	52.5	53.3	51.5
Male	52.5	56.8	55.7	54.6	54.3	53.3	54.2	52.8
Female	54.6	57.5	56.5	53.9	52.7	51.5	52.2	50.1

Source: MOLISA: Labour and Employment Surveys (various years).

Note: Disaggregated data may not sum precisely to totals due to rounding.

Table A2.2. Distribution of employment by sector, 2000-2007 (%)

	2000	2001	2002	2003	2004	2005	2006	2007
Employment by main economic sector	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture	65.3	64.0	62.0	59.7	57.9	56.7	54.7	52.2
Industry	12.4	13.9	14.7	16.4	17.4	17.9	18.3	19.2
Services	22.3	22.1	23.3	23.9	24.8	25.4	27.0	28.6
Employment by 1-digit sector	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture and forestry	63.4	61.2	58.9	56.4	54.5	53.6	51.8	52.2
Fishery	1.9	2.8	3.2	3.2	3.4	3.2	2.9	-
Mining and quarrying	0.5	0.7	0.6	0.8	0.7	0.9	0.6	0.6
Manufacturing	9.2	9.7	10.1	11.0	11.7	11.6	11.6	12.2
Electricity, gas and water supply	0.2	0.3	0.3	0.3	0.3	0.3	0.4	0.6
Construction	2.5	3.2	3.7	4.4	4.6	5.0	5.8	5.8
Wholesale and retail trade; repair of motor vehicles, motor cycles and personal and household goods	10.7	10.2	10.7	10.9	11.1	11.5	12.8	10.6
Hotels and restaurants	1.3	1.3	1.3	1.6	1.4	1.6	1.4	2.2
Transport, storage and communications	2.9	3.0	3.2	3.2	3.1	3.2	3.1	3.5
Financial intermediations	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.5
Scientific activities and technology	0.0	0.1	0.1	0.1	0.1	0.0	0.0	0.3
Real estate, renting and business activities	0.2	0.3	0.4	0.5	0.5	0.5	0.5	0.0
Public administration and defence; compulsory social security	1.6	1.4	1.5	1.5	1.7	1.7	1.7	0.4
Education and training	2.4	2.5	2.6	2.7	2.8	2.8	2.8	2.8
Health and social work	0.7	0.7	0.7	0.7	0.8	0.8	0.9	0.9
Recreational, cultural and sporting activities	0.3	0.2	0.2	0.3	0.3	0.3	0.3	0.4
Activities of Party and of membership organizations	0.3	0.3	0.3	0.3	0.4	0.4	0.4	2.1
Community, social and personal service activities	1.3	1.5	1.5	1.3	1.8	1.5	1.9	4.0
Private households with employed persons	0.2	0.4	0.5	0.5	0.6	0.4	0.7	0.8
Activities of international organizations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: MOLISA: Labour and Employment Surveys (various years).

Note: Ages 15+. Disaggregated data may not sum precisely to totals due to rounding. 2007: Agriculture and forestry includes fishery.

Table A2.3. Distribution of employment by 1-digit sector and sex, 2000-2007 (%)

	2000	2001	2002	2003	2004	2005	2006	2007
Male	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture and forestry	61.1	58.8	56.3	52.8	51.0	50.4	49.0	50.9
Fishery	3.1	4.2	4.7	4.9	4.9	4.6	4.2	-
Mining and quarrying	0.7	0.8	0.8	0.9	0.8	1.1	0.7	0.8
Manufacturing	9.2	9.6	9.7	10.5	11.2	11.0	10.8	11.7
Electricity, gas and water supply	0.3	0.4	0.5	0.5	0.5	0.5	0.6	0.8
Construction	4.5	5.7	6.7	7.8	8.2	8.5	10.4	8.5
Wholesale and retail trade; repair of motor vehicles, motor cycles and personal and household goods	7.7	7.2	7.5	8.0	8.2	8.6	8.6	8.0
Hotels and restaurants	0.8	0.7	0.7	0.9	0.8	1.0	0.9	1.4
Transport, storage and communications	5.3	5.2	5.5	5.5	5.2	5.6	5.2	5.8
Financial intermediations	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4
Scientific activities and technology	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.4
Real estate, renting and business activities	0.3	0.3	0.5	0.6	0.6	0.7	0.7	0.0
Public administration and defence; compulsory social security	2.3	2.0	2.1	2.2	2.4	2.4	2.3	0.4
Education and training	1.4	1.5	1.6	1.6	1.7	1.7	1.7	1.7
Health and social work	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7
Recreational, cultural and sporting activities	0.4	0.3	0.3	0.4	0.4	0.4	0.4	0.4
Activities of Party and of membership organizations	0.4	0.4	0.4	0.4	0.5	0.5	0.5	2.9
Community, social and personal service activities	1.4	1.6	1.6	1.5	2.0	1.6	2.2	4.6
Private households with employed persons	0.2	0.3	0.3	0.4	0.4	0.3	0.5	0.6
Activities of international organizations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Table A2.3. Distribution of employment by 1-digit sector and sex, 2000-2007 (%) (continued)

Female	2000	2001	2002	2003	2004	2005	2006	2007
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture and forestry	65.6	63.6	61.5	60.2	58.2	56.9	54.7	53.6
Fishery	0.7	1.4	1.6	1.5	1.8	1.6	1.5	-
Mining and quarrying	0.3	0.5	0.4	0.6	0.5	0.7	0.4	0.4
Manufacturing	9.3	9.9	10.5	11.4	12.2	12.3	12.4	12.8
Electricity, gas and water supply	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.5
Construction	0.5	0.6	0.7	0.8	0.9	1.4	0.8	2.9
Wholesale and retail trade; repair of motor vehicles, motor cycles and personal and household goods	13.8	13.4	14.1	14.0	14.1	14.7	17.3	13.4
Hotels and restaurants	1.9	1.8	1.9	2.2	2.0	2.3	2.0	3.0
Transport, storage and communications	0.6	0.7	0.8	0.7	0.8	0.7	0.8	1.1
Financial intermediations	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.5
Scientific activities and technology	0.0	0.1	0.0	0.0	0.1	0.0	0.0	0.2
Real estate, renting and business activities	0.2	0.2	0.3	0.3	0.3	0.4	0.4	0.0
Public administration and defence; compulsory social security	0.8	0.7	0.8	0.8	0.9	0.9	1.0	0.3
Education and training	3.4	3.5	3.7	3.8	4.0	4.1	4.0	4.0
Health and social work	0.8	0.8	0.8	0.8	0.9	1.0	1.0	1.1
Recreational, cultural and sporting activities	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.4
Activities of Party and of membership organizations	0.2	0.2	0.2	0.2	0.3	0.2	0.3	1.3
Community, social and personal service activities	1.1	1.4	1.3	1.1	1.6	1.4	1.6	3.4
Private households with employed persons	0.3	0.5	0.6	0.7	0.7	0.6	0.9	1.0
Activities of international organizations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: MOLISA: Labour and Employment Surveys (various years).

Note: Ages 15+. Disaggregated data may not sum precisely to totals due to rounding. 2007: Agriculture and forestry includes fishery.

Table A2.4. Distribution of employment by occupation and sex, 2000-2007 (%)

	2000	2001	2002	2003	2004	2005	2006	2007
Total								
Leaders at all levels	0.6	0.4	0.5	0.5	0.7	0.7	3.2	0.6
Higher level of technical professions	2.4	2.8	2.9	3.2	3.5	3.8	3.9	4.5
Secondary level of technical professions	2.9	2.7	2.8	3.0	3.2	3.1	2.7	2.9
Professional workers (including elementary technical workers and office workers)	0.9	0.9	1.0	1.0	1.0	1.0	0.9	1.2
Staff of personal service, guard and social security	8.3	8.4	8.9	8.9	8.5	8.8	6.4	7.3
Skilled workers in agriculture, forestry and fishery	7.1	11.4	10.6	8.4	6.3	5.2	4.6	5.8
Skilled craftsmen	9.6	10.5	11.0	11.9	12.4	11.9	12.1	12.5
Machinery assemblers and operators	3.1	3.3	3.4	3.6	3.4	3.8	3.6	3.3
Manual workers	63.9	58.5	58.1	58.9	61.0	61.7	62.5	61.7
Not classifiable	1.2	1.1	0.7	0.6	0.0	0.0	0.0	0.3
Male								
Leaders at all levels	0.9	0.7	0.8	0.8	1.1	1.1	3.2	0.9
Higher level of technical professions	2.4	2.8	2.9	3.2	3.6	3.8	4.0	4.4
Secondary level of technical professions	2.6	2.5	2.5	2.6	2.8	2.6	2.1	2.4
Professional workers (including elementary technical workers and office workers)	1.0	0.8	1.0	0.9	1.0	1.0	0.9	1.2
Staff of personal service, guard and social security	5.3	5.2	5.5	5.8	5.8	6.1	4.8	5.6
Skilled workers in agriculture, forestry and fishery	8.3	13.0	12.2	9.7	7.5	6.2	5.4	7.0
Skilled craftsmen	11.9	13.1	13.6	14.9	15.1	14.8	14.9	15.1
Machinery assemblers and operators	4.9	5.1	5.4	5.6	5.6	6.0	5.8	5.6
Manual workers	61.8	55.9	55.6	55.9	57.5	58.5	59.0	57.6
Not classifiable	1.0	0.9	0.5	0.5	0.0	0.0	0.0	0.2

Table A2.4. Distribution of employment by occupation and sex, 2000-2007 (%) (continued)

	2000	2001	2002	2003	2004	2005	2006	2007
Female								
Leaders at all levels	0.2	0.2	0.2	0.2	0.3	0.3	3.3	0.3
Higher level of technical professions	2.4	2.9	3.0	3.2	3.4	3.8	3.8	4.6
Secondary level of technical professions	3.3	3.0	3.2	3.3	3.6	3.6	3.4	3.6
Professional workers (including elementary technical workers and office workers)	0.9	0.9	1.0	1.1	1.0	1.0	0.9	1.1
Staff of personal service, guard and social security	11.4	11.6	12.4	12.1	11.4	11.6	8.1	9.0
Skilled workers in agriculture, forestry and fishery	5.8	9.8	9.1	7.1	5.0	4.2	3.7	4.5
Skilled craftsmen	7.4	7.7	8.3	8.7	9.5	8.9	9.2	9.7
Machinery assemblers and operators	1.2	1.4	1.3	1.5	1.0	1.5	1.4	0.9
Manual workers	66.1	61.1	60.7	62.1	64.7	65.1	66.2	66.0
Not classifiable	1.4	1.4	0.9	0.7	0.0	0.0	0.0	0.3

Source: MOLISA: Labour and Employment Surveys (various years).

Note: Ages 15+. Disaggregated data may not sum precisely to totals due to rounding.

Table A2.5. Distribution of employment by status and sex, 2000-2007 (%)

	2000	2001	2002	2003	2004	2005	2006	2007
Total								
Wage and salaried workers	18.4	20.7	20.4	21.9	25.6	25.7	21.5	22.6
Employers	0.2	0.3	0.4	0.3	0.5	0.4	0.9	0.3
Own-account workers	43.0	40.3	40.4	41.1	41.2	41.0	38.5	34.3
Contributing family workers	37.0	37.2	37.9	35.9	32.7	33.0	38.4	42.4
Others	1.3	1.4	0.9	0.8	0.0	0.0	0.7	0.5
Male								
Wage and salaried workers	21.7	24.2	23.8	25.7	29.8	29.7	24.2	23.6
Employers	0.3	0.3	0.5	0.5	0.7	0.5	1.3	0.4
Own-account workers	55.7	52.3	51.4	51.2	50.7	50.8	46.2	43.3
Contributing family workers	21.2	21.9	23.6	21.9	18.9	18.9	27.4	31.9
Others	1.1	1.3	0.7	0.7	0.0	0.0	0.9	0.7
Female								
Wage and salaried workers	15.1	17.1	16.9	17.9	21.2	21.4	18.7	21.4
Employers	0.1	0.3	0.3	0.2	0.3	0.2	0.5	0.2
Own-account workers	30.2	28.1	29.2	30.7	31.3	30.6	30.4	24.7
Contributing family workers	53.1	52.9	52.6	50.3	47.2	47.8	49.9	53.5
Others	1.5	1.6	1.0	0.9	0.0	-	0.4	0.3
Share of vulnerable employment in total employment	80.1	77.5	78.3	77.0	73.9	74.0	76.9	76.7
Male	76.9	74.2	75.0	73.1	69.5	69.8	73.6	75.3
Female	83.2	81.0	81.8	81.1	78.5	78.4	80.3	78.2

Source: MOLISA: Labour and Employment Surveys (various years).

Note: Ages 15+. Disaggregated data may not sum precisely to totals due to rounding. Vulnerable employment is defined as the sum of own-account and contributing family workers.

Table A3.1. Unemployment by age and sex, 2000-2007

	2000	2001	2002	2003	2004	2005	2006	2007
Total unemployment, ages 15+ ('000s)	886	1 107	871	949	926	930	1 031	1 129
Male	468	458	398	402	410	445	537	571
Female	418	650	473	547	517	485	494	558
Unemployment rate, ages 15+ (%)	2.3	2.8	2.1	2.3	2.1	2.1	2.3	2.4
Male	2.4	2.3	1.9	1.9	1.9	2.0	2.3	2.4
Female	2.1	3.3	2.3	2.6	2.4	2.2	2.2	2.5
Youth unemployment, ages 15-24 ('000s)	409	545	396	434	428	456	486	593
Male	213	216	192	209	214	234	260	300
Female	196	329	204	224	214	221	226	293
Youth unemployment rate, ages 15-24 (%)	4.8	5.9	4.3	4.8	4.6	4.9	4.9	6.0
Male	5.0	4.7	4.1	4.5	4.4	4.7	4.9	5.8
Female	4.6	7.1	4.6	5.1	4.9	5.0	4.8	6.3
Adult unemployment, ages 25+ ('000s)	477	562	476	515	498	474	544	536
Male	255	242	207	193	196	211	277	271
Female	222	320	269	322	302	263	268	265
Adult unemployment, ages 25+ (%)	1.6	1.8	1.5	1.6	1.5	1.4	1.5	1.5
Male	1.6	1.6	1.3	1.2	1.1	1.2	1.5	1.4
Female	1.5	2.1	1.7	2.0	1.8	1.5	1.5	1.5

Source: MOLISA: Labour and Employment Surveys (various years).

Note: Disaggregated data may not sum precisely to totals due to rounding

Table A4.1. Labour productivity by main economic sector, 2000-2007

	2000	2001	2002	2003	2004	2005	2006	2007
GDP per person employed, constant 1994 Vietnamese dong ('000s)	7 133	7 501	7 800	8 166	8 565	9 045	9 548	10 124
Agriculture	2 545	2 630	2 744	2 883	3 017	3 119	3 272	3 464
Industry	20 312	19 749	19 836	19 146	19 423	20 289	21 357	21 993
Services	13 206	13 894	13 675	13 811	13 928	14 367	14 256	14 308
GDP per person employed, annual growth rate (%)	6.1	5.2	4.0	4.7	4.9	5.6	5.6	6.0
Agriculture	3.5	3.3	4.3	5.1	4.7	3.4	4.9	5.9
Industry	5.5	-2.8	0.4	-3.5	1.4	4.5	5.3	3.0
Services	7.9	5.2	-1.6	1.0	0.8	3.2	-0.8	0.4

Source: Authors' calculations based on GDP data from General Statistics Office and employment data from MOLISA: Labour and Employment Surveys (various years).

Table A5.1. Gross domestic product by main economic sector, 2000 and 2002-2009e

	2000	2002	2003	2004	2005	2006	2007	2008	2009e
GDP, constant 1994 Vietnamese dong (billions)	273 666	313 247	336 242	362 435	393 031	425 373	461 443	489 833	515 909
Agriculture	63 717	68 352	70 827	73 917	76 888	79 722	82 436	86 081	87 653
Industry	96 913	117 125	129 399	142 621	157 867	174 259	192 734	203 791	215 047
Services	113 036	127 770	136 016	145 897	158 276	171 392	186 273	199 960	213 209
Distribution of GDP (%)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture	23.3	21.8	21.1	20.4	19.6	18.7	17.9	17.6	17.0
Industry	35.4	37.4	38.5	39.4	40.2	41.0	41.8	41.6	41.7
Services	41.3	40.8	40.5	40.3	40.3	40.3	40.4	40.8	41.3
GDP, annual growth (%)	6.8	7.1	7.3	7.8	8.4	8.2	8.5	6.2	5.3
Agriculture	4.6	4.2	3.6	4.4	4.0	3.7	3.4	4.4	1.8
Industry	10.1	9.5	10.5	10.2	10.7	10.4	10.6	5.7	5.5
Services	5.3	6.5	6.5	7.3	8.5	8.3	8.7	7.3	6.6

Source: General Statistics Office.

Note: 2009e represents GSO estimate. Disaggregated data may not sum precisely to totals due to rounding.

Table A5.2. Gross domestic product per capita, 2000-2008

	2000	2001	2002	2003	2004	2005	2006	2007	2008
GDP per capita (constant 1994 Vietnamese dong, '000s)	3 525	3 718	3 929	4 156	4 418	4 729	5 056	5 419	5 681
GDP per capita (constant 2000 USD)	402	423	448	473	503	539	576	617	647
GDP per capita (current USD)	402	415	440	480	553	635	711	806	1,052
GDP per capita (constant 2005 international \$ at PPP)	1 597	1 684	1 780	1 883	2 002	2 143	2 291	2 455	2 574

Source: General Statistics Office; World Bank: World Development Indicators (2009).

Table A6.1. Consumer price index, 2000-2009f

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009f
CPI, average consumer prices (2000=100)	100.0	99.7	103.8	107.2	115.6	125.4	134.8	146.0	179.8	192.3
CPI, average consumer prices (annual % change)	-1.8	-0.3	4.1	3.3	7.9	8.4	7.5	8.3	23.1	7.0

Source: General Statistics Office, as referenced in IMF: World Economic Outlook Database (October 2009).

Note: 2009f represents IMF forecast

Table A7.1. Poverty and income distribution, various years

	1993	1998	2002	2004	2006	2008
Poverty rate, national poverty line (%)						
Urban	58.1	37.4	28.9	19.5	16.0	14.0
Rural	25.1	9.2	6.6	3.6	3.9	3.1
Kinh and Chinese	66.4	45.5	35.6	25.0	20.4	18.1
Ethnic minorities	53.9	31.1	23.1	13.5	10.3	-
86.4	75.2	69.3	60.7	52.3	-	-
Poverty rate by region, national poverty line (%)						
Northern Mountains	58.1	37.4	28.9	19.5	16.0	-
Red River Delta	81.5	64.2	43.9	35.4	30.2	-
North Central Coast	62.7	29.3	22.4	12.1	8.8	-
South Central Coast	74.5	48.1	43.9	31.9	29.1	-
Central Highlands	47.2	34.5	25.2	19.0	12.6	-
Southeast	70.0	52.4	51.8	33.1	28.6	-
Mekong Delta	37.0	12.2	10.6	5.4	5.8	-
47.1	36.9	23.4	15.9	10.3	-	-
Poverty rate, international poverty line (%)						
USD 1.25 poverty line	63.7	49.7	40.1	24.2	21.5	-
USD 2 poverty line	85.7	78.2	68.7	52.5	48.4	-
Income inequality						
Gini index	35.7	35.5	37.6	39.2	37.8	-
Income ratio of highest 10% to lowest 10%	8.4	8.2	9.1	10.0	9.7	-

Source: World Bank calculations based on data from General Statistics Office: Viet Nam Household Living Standards Survey (various years); World Bank: World Development Indicators (2009).

Note: National poverty line calculated based on average monthly expenditure per capita as follows: 1998: VND 149,000; 2002: VND 160,000; 2004: VND 173,000; 2006: VND 213,000.

Table A8.1. Population, 2000-2008

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Population, total ('000s)	77 635	78 686	79 727	80 902	82 032	83 106	84 137	85 172	86 211
Male	38 166	38 684	39 197	39 755	40 311	40 846	41 355	41 868	42 385
Female	39 469	40 002	40 530	41 147	41 721	42 260	42 782	43 304	43 826
Urban	18 772	19 469	20 022	20 870	21 737	22 337	22 793	23 399	24 233
Rural	58 864	59 217	59 705	60 033	60 295	60 770	61 344	61 773	61 978
Population growth rate (%)	1.4	1.4	1.3	1.5	1.4	1.3	1.2	1.2	1.2
Male	1.3	1.4	1.3	1.4	1.4	1.3	1.3	1.2	1.2
Female	1.4	1.4	1.3	1.5	1.4	1.3	1.2	1.2	1.2
Urban	3.8	3.7	2.8	4.2	4.2	2.8	2.0	2.7	3.6
Rural	0.6	0.6	0.8	0.6	0.4	0.8	1.0	0.7	0.3

Source: General Statistics Office.

Note: Disaggregated data may not sum precisely to totals due to rounding. 2008 represents provisional GSO estimate. Population estimates may be subsequently revised downward based on the results of the 2009 Population and Housing Census, which indicate that the population of Viet Nam was 85.7 million (42.4 million men and 43.3 million women) as of April 2009.