

Case Study by Economy
Southeast Asia

Vietnam

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EXPORTED LABOUR – PRACTICE AND POLICY ISSUES

VIETNAMESE CASE

by

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ABSTRACT

In Vietnam, international labor mobility has more than 3 decade long experience. After the collapse of Eastern Europe block, during the 1990s, Vietnam sought to access new market places while maintained old ones. At present, the Government consider increasing international labor mobility a high priority, as a mean to increase employment opportunities, generate more income for workers, and to meet poverty alleviation & socio-economic development strategic targets. A set of comprehensive laws has been introduced since 2007.

By now over 400,000 Vietnamese workers, that counts for 25% of the number of annual new jobs in the country, have been working in 40 countries. Most of workers are of low skill or semi-skill nature, doing 30 job categories such as hi-tech, manufacturing, construction & fishing. However, they generate a relative high source earnings, accounts for about 3.3% GDP. The major markets are Malaysia, Chinese Taipei, Korea, Japan. The target is, by 2010, send 100,000 workers abroad per year, and in 2008, create 85,000 new jobs overseas. At the same time, job categories need to be diversified, and labor exchange relationship to be maintained.

To achieve the social and economic targets and overcome the constraints in this field, it is necessary to: a) upgrade the quality of vocational training; b) take advantage of international economic expansion to seek for new labor exporting channels; c) push the Law on Overseas Vietnamese Labor and relevant regulations to be implemented effectively; d) adopt preferential bank loans and fees policies, especially for rural workers; and e) develop a national labor export strategy.

I. BACKGROUND

Past History

Overseas labor in Vietnam has more than three-decade-long experience. In the early 1980s after the end of the (Vietnam) war the Government adopted policies to send young people and workers to East European countries to learn vocational jobs and work there. As a result, thousands of young people were sent every year to these traditional labor markets during the decade. However, due to the dissolution of the Soviet Bloc following the collapse of the (former) Soviet Union, which led to economic recession and restructuring of the East European economies, many Vietnamese workers were repatriated resulting in the sharp shrink or closure of most of these labor markets.

The 1990s was the period Vietnam sought to access to new market places. In the later part of the decade, whilst maintaining the labor exchange with some traditional partners (Russia, Germany, Kyrgyzstan), the Government of Vietnam expanded and diversified employment ties with economies in new markets. As a result, by 2000 Vietnam entered into labor relationship with 23 economies and territories in all continents. They included Korea, Japan, Thailand, Singapore, Malaysia, Chinese Taipei, Cambodia, Myanmar (in Asia); Yugoslavia, Italy, Poland, Russia, Germany (in Europe); Norway, Sweden (in Scandinavia) and South Africa, Congo (in Africa).

Nevertheless, the volume of exported labors remained modest¹. Except for Korea market (with a total of 3,800 workers), only between some dozens to less than 500 workers were sent to each of these economies in the 1995 – 2000 period.

Government Targets

In the last seven years, increasing exported labor has been put as a high priority in Government's work agenda and overseas employment has always been set as an annual target of the National Assembly. Formed as an integrated part of national Program of Socio-economic Development (SEDP) (2001 – 2010), the exported labor policy aims to contribute to increasing employment opportunities (for 1.2 million young people who join the work force every year). It also helps generate additional income for individual workers and their families, especially those live in rural poor localities, and a source of contribution to the country's revenue (GDP). The improvement in job creation and wellbeing will, in turn, contribute to meeting poverty alleviation and socio-economic development strategic targets.

II. EXPORTED LABOUR PICTURE

Magnitude and Patterns

¹ In the 1995 – 2000 period, only some 5,190 Vietnamese laborers worked abroad. (<http://www.sovilaco.com.vn/vi/labour-introduction.asp>)

Today, more than 400,000 Vietnamese workers have been working abroad². The last two years saw a continued increase in Vietnam's exported labor volume. According to the latest statistic figure³, in 2007 around 85,000 workers were sent abroad – an increase by 7.8 per cent as against that of 2006 (78,800 people). If compared to the aggregated figure of the 2001 – 2005 (295,000 people), the rate of exported labor has increased by 44 per cent annually. Vietnamese migrant workers now have their presence in nearly 40 foreign economies and territories.

Prominent is the remarkable increase in Asian markets that have been established in the past decade. As indicated in the table below, Malaysia is listed as the biggest market with the total workers of 120,000 working today. The additional 26,700 laborers sent in 2007 has contributed to the highest rank of this market. This is due to the relatively low skill requirements and a low pre-departure fees required in this market. However, the number of workers fell by 30 percent compared to that in 2006. Such a fall resulted from a common tendency of young people wanting new markets with higher pays.

In 2007, some additional 23,500 workers were sent to Chinese Taipei, nearly doubled compared to the volume reached in 2006, making a total of 90,000 Vietnamese laborers working in this territory. Due to the lower skilled jobs, average salary is around US\$ 300.00 – 500.00 per month.

Ranked third is the Korea market. With more than 12,000 young people sent in 2007, an increase by 17 per cent as against the number of 2006, the country is now having some 46,000 Vietnamese migrant workers. In the previous years, the country received interns (working and skills improvement) in various assembly and

² VOV/Vietnam Net.

³ 2007 Annual Labor Report - Ministry of Labor War Invalid and Social Affairs (MOLISA).

manufacturing industries. This labor category was however no longer applied since early 2007. In stead, fishermen become a bigger need of Korean fishing industries. In 2007 some 1,700 Vietnamese fishermen were provided to Korean markets. Though seen as a relatively small market (10,000 sent people every year) Korea is still attractive to Vietnamese workers due to relatively high wage (UD\$ 850.00 – 1,100.00 per month).

In the last two years, with some 9,000 people sent to Japan, this number account for nearly half (of 20,000) of the total Vietnamese worker exported to the country today. The majority of the number of workers sent were those working under internship programs. The rest was limited in the hi-tech industries. Last year some 5,500 workers of the first group worked in Japan. The Government set a target to send around 10,000 people of this category to Japanese market annually. The pay is relatively high (US\$ 700.00 – 1,100.00 per month) compared to other markets.

In recent years, effort was sustained to expand labor export to some Middle East countries. Last year, some 2,000 workers were sent to United Arab Emirates (UAE). It is expected that with the opening of Embassy and the establishment of a labor management mechanism in 2008, labor expansion will take place in this market. In parallel, some new markets also opened or reopened in this region. They include Qatar and the traditional markets of Algeria and Libya.

Labor ties were resumed with the Czech Republic last year after nearly two decades of interruption with the sending of the first batch of 400 workers. It is expected that with the broadening of business relations together with intensified diplomatic and consulate ties, a sharp increase in exported labor volume will be attained in the following years.

TABLE 1**Number of Vietnamese Workers Sent Overseas in 2007**

Economy/Territory	2007	(Compared to) 2006	Total
Chinese Taipei	23,646	Increase by 53%	90,000(*)
Malaysia	26,704	Decrease by 30%	120,000
Korea	12,187	Increase by 17%	46,000
Japan	5,517	3,864	20,000
United Arab Emirates (UAE)	2,130		3,000(*)
Qatar		4,340	7,000(*)
Macau		1,631	
Czech Republic	400		400
Others	14,000	7,023	
TOTAL	85,000	60,000	

Source: *Overseas Worker Management Department (MOLISA)*

<http://www.molisa.gov.vn>

() 2006 figure*

Since 2006, active policy measures have been undertaken by MOLISA and labor enterprises to explore western markets such as Canada, the US, Australia, Italy.... These markets become more attractive and potential because of high earnings and ensured interests. However, though first group of workers went to Australia in 2007, these markets are remained potential due to high skill requirements and consulate barriers.

Vietnamese workers today do 30 job categories all markets. However, besides a small proportion of workers involved in hi-tech categories (in Japan market), most of them are of low-skill or semi-skill nature. The biggest number of people works in assembly and manufacturing industries (Chinese Taipei), construction (Malaysia, UEA, Qatar) and fishing (Chinese Taipei, Korea). In particular, few countries having

Vietnamese workers working in hotel services (UAE). In Japan and Korea, part of the workers work under internship programs as earlier discussed.

Last year, negotiation was undertaken with Japanese government to open to medical services (nursery and midwifery).

Impact

It might be said that the effort of central and local government sustained in the past years in exported labor has been an increased contribution to improving Vietnam's employment picture. The sending of over 400,000 workers to international markets, 85 per cent of whom from rural areas, have contributed to providing one fourth of the 1.6 million new jobs. This has also been recognized as an effort complemented to reducing urban employment (by 0.19 per cent compared to 2006) and the rural unutilized labor (of over 20 per cent)⁴.

At a higher level, labor export work also creates numerous jobs for related service sectors like vocational training, teaching foreign languages, which partly helps to generate jobs for laborers in the country.

In economic terms, migrant workers have also generated a relative high source earnings. In 2004 alone, overseas workers brought home some US\$ 1.6 billion, adding to the national income from the labor export sector to nearly US\$ 1 billion. This figure accounts for 3.3 per cent of the annual GDP⁵. Labor export firms every year contribute

⁴ Thanh Nien Newspaper Online, 22 January, 2008.

⁵ Thanh Nien Newspaper Online, 22 January, 2008.

tens of billions VND to the State Budget.

Future Targets

Vietnam has many opportunities to expand its labor export markets because international markets are in great need of guest workers, especially in the sectors suitable to Vietnamese laborer's abilities. They include electronic assembly, garments and textiles, service, domestic work and those in forestry-agriculture sector.

Therefore, further development of overseas labor market will still be a priority for Vietnam in the years to come. According to information from MOLISA, in the mid-term future (by 2010), Vietnam plans to send around 100,000 workers abroad. In 2008, it aims to create some additional 85,000 jobs abroad out of the totally required 1,700,000 new jobs.

To achieve the above-stated target, besides efforts to diversify job categories and maintain labor exchange relationship with traditional, higher income and safer markets (Chinese Taipei, Japan, Korea, Middle East and Malaysia), expansion will be concentrated on new markets (US, Australia, Canada, Czech Republic, Russia) and smaller ones (Laos, Libya, Qatar, Bahrain, UAE...).

III. POLICY ENVIRONMENT

To facilitate environment conducive to the development of the exported labor tasks, in recent years different policies have been revised or newly issued. The biggest achievement in this regard was the promulgation by the National Assembly (in July 2007) of the Law on Overseas Vietnamese Labor. Developed for the first time ever, this law and the implementation decrees⁶ that have been issued in 2007 and will be disseminated in 2008 will create a fuller and more comprehensive legal environment to improve Vietnam's exported labor industry. This is critical in Vietnam's WTO post-accession context, where further economic and business cooperation opportunities are opening.

At the local level, most of provincial governments have set up their exported labor steering committees. These local management bodies have issues many policies and adopt different solutions to boost provincial exported labor activities.

The active partner involved in the export labor activities are the labor export enterprises. Today more than 100 enterprises nationwide have been licensed to labor export services, 40 of them have been seen as specialized in supplying laborers to international markets. MOLISA also reported that in 2007 closer cooperation between local governments and labor export companies was reached, resulting in such an improvement in labor sources supply and a reduction of recruitment costs for workers.

On the other hand, MOLISA in the last two years adopted a policy to push up job training and orientation for guest workers before getting a job abroad. The Ministry itself last year developed a pre-departure training program for migrant workers. The

⁶ In 2007, MOLISA in cooperation with various ministries (Finance, State Bank of Vietnam and Justice) have drafted and issued 11 legal documents guiding the implementation of the Law. They covers various areas, ranging from procedural simplification, fees and funding, pre-departure training, settlement of administrative violation of labor export businesses, etc (*2007 Annual Labor Report - Ministry of Labor War Invalid and Social Affairs (MOLISA)*).

program comprised of 74 period, including basic knowledge on Vietnam's regulations and policies on overseas labor, law and customs of recipient countries and topics on work disciplines ... Implementation of this policy have somehow contributed to the improvement of quality of Vietnamese guest workers with over 50 percent of them have attended vocational training courses.

Various banks from the credit system (Bank of Agriculture and Rural Development, and Bank of Social Policies) adopted policies to offer soft loans to those who want to work abroad.

To serve a longer-term targets, late last year in a working mission with MOLISA, the Prime Minister decided to invest US\$1 billion of government budget in a vocational training program. This reflects Government's strong determination to improve workforce quality – a biggest challenge of Vietnam in the global economic integration context. A project to materialize this decision was under development by Vietnam's Youth Union in cooperation with MOLISA.

IV. KEY ISSUES OF CONCERN

Low Labor Quality

Despite progress in recent years, the volume of Vietnam's migrant laborers remains small compared some Asian countries of the same situation. Today, the Philippines has around eight million people working in 56 countries (including, the US,

Saudi Arabia, Malaysia, Canada, Japan ...). This exported workforce brought to the country some US\$ 9 million a year.⁷

The shortcoming of greatest concern lying in the fact that most of the workers work in the job categories of simple or low-skill nature. Among the total of those sent abroad, only half underwent pre-departure short training program, but up to 90 percent of which involved courses on general knowledge or of orientation characteristic⁸.

Besides a small number of vocational training centers classified as qualified for job training, most of the training institutions have neither understanding on job requirements of international markets nor the ability to trained higher skilled jobs. It is also a general observation that language training serviced by these institutions is evaluated as by far meeting the proficiency required in the recipient markets.

Consequently, Vietnam's exported workforce has not met the newly required labor (nursery and midwifery in Japan or husbandry in Korea). It has also limited opportunity to enter into existing and new (western) markets requiring labor of higher skills (engineering, specialist, research in information technology or in medical services).

In economic terms, such a low quality has been the shortcoming that affects the most the country's labor export services. Besides the relatively low in number of worker sent as discussed in the early part, Vietnam's labor force of low quality (working in simple or low skilled jobs) has created a far low rate of return compared to Indonesia, the Philippines and India (as shown in the table below).

⁷ <http://www.molisa.gov.vn>

⁸ According to the labor study conducted in 2006, only 32 per cent of the country workforce (from age of 15) attended short-term training program, and only nearly 15 percent of them got vocational certification (<http://www.molisa.gov.vn>).

TABLE 2

Labor Export in Some Asia Economies

Economy	Annual Exported Labor Volume	Contribution to National Revenue (US\$ bil.)
Indonesia	80,000	4.67
The Philippines		9
India	50,000	11

Source: <http://www.molisa.gov.vn>

On the other hand, this situation is putting Vietnam into a less competitive position compared to the other neighboring countries – a factor that threatens the shrinking of existing markets and the lost of new ones that are seen as potential.

Poor Capacity and Cooperation

The limited number and low quality of exported laborers are also attributed to the following factors.

Capacity of labor export companies in Vietnam remains low. Among the 150 businesses engaged in exporting labor with 40 seen as having specialized service only 15 can send over 1,000 workers each year.

Despite improvement in regulatory environment Vietnam still lacks a research-based labor market information and forecast system. This shortage hinders labor export businesses and training institutions from improving service policies that meet the labor quality and supply needs.

Poor cooperation between business training institutions and labor exporting firms is also an outstanding shortcoming. Whilst service of the former is weak in quality

and not market-oriented, it maintains almost no connection with the latter to supply the better workers. On the contrary, few cases are seen that labor exporting firms having plans to order supplies from vocational services.

Laborers in rural areas account for a large number of Vietnamese guest workers abroad, but funding policy and practice remain a big challenge for them. As informed by the labor service (DOLISA) of the central province of Nghe An, only VND 2 billion (\$125,000) is funded by the Government every year for job training for the province's 1.5 million workers. The other part of the issue is the increase debt burden of the workers. It is reported that up to 57 percent of the workers bear the debt due to high recruitment and migration fees. The average debt ranges from US\$ 370 to 2,300 USD with the interest rate of between 0 – 60 percent for 1 to 3 years⁹.

According to the 2006 statistic figure, female workers sent abroad accounted for 45 per cent. The number is on the increase, but a comprehensive set of policies and measures to prevent discrimination and abuse and other potential acts of women rights has not yet been in place.

V. RECOMMENDATIONS

1. To overcome the aforesaid shortcomings and to meet the set targets discussed in Part I, perhaps upgrading the quality of vocational training is the immediate and urgent action. Besides enhancing the quality of pre-departure training services, training institutions should invest fund and human resource to develop and

⁹ <http://www.sovilaco.com.vn/vi/labour-introduction.asp>

diversify high-skilled and market-oriented vocational training programs. One of the measures might explore is to cooperate with businesses to help students to get access to jobs. On the other hand, the Government should have appropriate funding or loans policies applied to training institutions.

2. Secondly, central and provincial labor services may take advantage of international economic expansion to seek to new labor exporting channels. They may include encouraging overseas investment of Vietnamese businesses or business entering into overseas sub-contracting.
3. Post Overseas Vietnamese Labor Law rules and regulations to be adopted and implemented this year should ensure the transparency and simplification of administrative procedures. On the other hand, labor export information of central and provincial labor services should be improved for easy access of all clients (companies, training institutions and workers).
4. Preferential bank loans and fees policies should be adopted, especially applied to rural workers so that more of them can have opportunity to join the exported labor while not falling into the debt burden.
5. To serve the longer-term goals, there is a need to develop a national labor export strategy. Such a big job can only be successful should it be based on a comprehensive study at the national level. The study should be global-approached, client-need-based and result-oriented. The output of the study will be used to feed in the labor export strategy that help tackle the shortcomings analyzed above (regulatory and policy environment, research and information, labor training and export services, budget and loans issues etc.).