



Institute of Labour Science and Social Affairs



International Labour Organization

POLICY BRIEF

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# SKILLED LABOUR

## A determining factor for sustainable growth of the nation

Vietnam has not yet had a skilled workforce with desired structure and quality. There is a lack of proper education and training and utilization mechanisms to motivate this force to lead the economy in the right direction, towards competitiveness and efficiency. The small size of the skilled workforce coupled with inefficient utilization of the most crucial resource of the nation has weakened the social labour productivity and the economy's competitiveness.

**“The virtuous and talented are the vital energy of a nation; if its energy is thriving, the nation is powerful and prosperous; if its energy is withering, the nation is weak and lowly”**  
**Than Nhan Trung, 1442**

### Who are skilled workers and what are their characteristics?

Skilled workers are part of the human resources, who currently hold leadership/management, professional or technician/associate professional positions.

Highly skilled labour is generally characterized by advanced education (college and higher), possession of knowledge and skills to perform complicated tasks, ability to adapt quickly to technology changes, and creative application of knowledge and skills acquired through training in their work<sup>1</sup>.

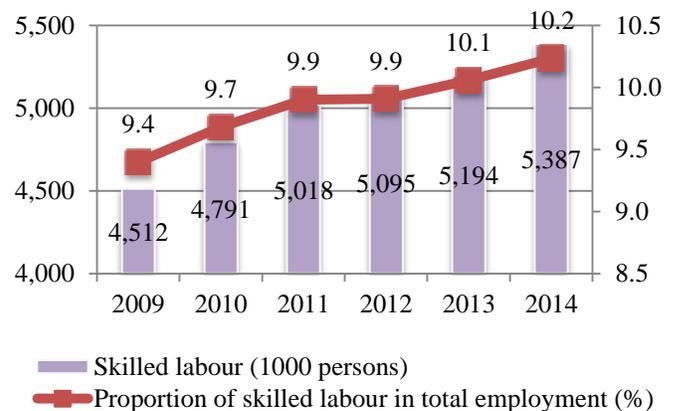
In essence, skilled workers are those directly and closely involved in the generation, development, spreading and application of knowledge.

### Size and structure of skilled labour

In 2014, Vietnam has nearly 5.4 million skilled workers, including 585,000 leaders, managers and administrators

of different sectors, levels and organizations (10.9% of the total skilled workforce), 3,165,000 professionals (58.7%) and 1,638,000 technicians and associate professionals (30.4%). The period of 2009-2014 saw a relatively rapid increase in the number of skilled workers, from 4.5 million to 5.4 million persons.

**Size of skilled labour force and proportion in the total number of jobs**



Source: GSO, Labour Force surveys of 2009-2014. The 2014 data are of the first six months

<sup>1</sup> State-level Key Science & Technology program, KX.01/11-15, Solutions to improve the quality of skilled labour force to meet the needs of economic growth towards industrialization and modernization, ILSSA 2013.

## SKILLED LABOUR: A determining factor for sustainable growth of the nation

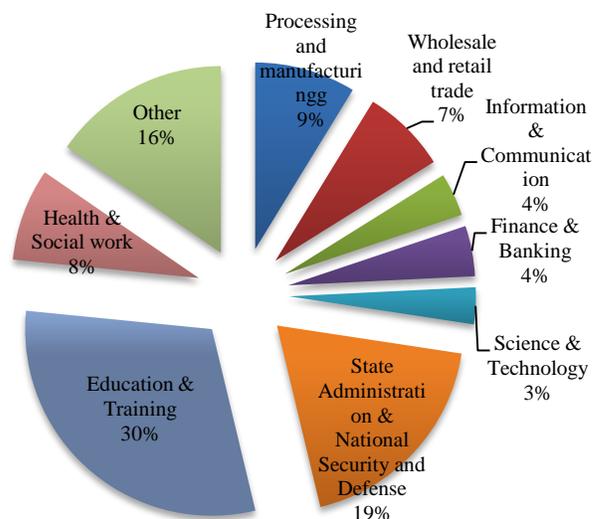
Among the skilled workers, nearly 1.4 million persons (a quarter) do not have a degree, or only hold a primary or secondary vocational certificate; persons with a college degree or a higher degree constitute 74.3% of the total number of skilled workers.

Despite the rapid increase, the size of skilled labour is still small as compared to the demand of the industrialization, modernization and international integration process. With nearly 5.4 million persons, the skilled labour force currently makes up only 10.2% of the total number of jobs nation-wide. From 2009 to 2014, the skilled workforce grew annually by an average of only 175,000 persons, equivalent to only 1/5 of the increase in the total number of jobs.

Skilled labour is most concentrated in the areas of education and training (30% of the skilled labour force, and 88.4% of the workforce of the sector), activities of the Communist Party, socio-political organizations, State administration and National Security and Defence (19%), and health and social work (8%). The processing and manufacturing industry, which plays the leading role in the process of industrialization and

modernization, only makes up 9% of the total number of skilled labour force, while this percentage in developed countries has now increased up to 40-60%.

**Skilled labour by industry, 2014**



Source: GSO, Labour force Survey, first 6 months of 2014

### Mismatch between education and training and utilization of labour force

Despite the lack of skilled workers, a substantial proportion of persons having college or university or higher education levels are still doing low-level jobs, which is a type of "underemployment". During the first 6 months of 2014, 1160 thousand persons with

college and higher education levels are working in low skill jobs (occupation groups No. 4 to No. 9) compared to their qualifications, of which 631 thousand persons (55.8%) have a university or higher degree.

**Employed population by occupation group and education level (degree/diploma), first 6 months of 2014**

|  | No qualification | Primary     | Secondary vocational school | College     | University and higher | Total        |
|--|------------------|-------------|-----------------------------|-------------|-----------------------|--------------|
| 1. Leaders, managers and administrators of sectors, levels and organizations | 101              | 6           | 93                          | 32          | 353                   | 585          |
| 2. Professionals   | 26               | 3           | 41                          | 318         | 2776                  | 3164         |
| 3. Technicians and associate professionals                                   | 213              | 34          | 866                         | 409         | 114                   | 1636         |
| 4. Clerks  | 479              | 29          | 189                         | 62          | 145                   | 904          |
| 5. Service workers and market sales workers                                  | 7334             | 174         | 453                         | 164         | 256                   | 8381         |
| 6. Skilled agricultural, forestry and fishery workers                        | 6301             | 58          | 109                         | 24          | 32                    | 6524         |
| 7. Craft and related workers   | 5336             | 352         | 305                         | 93          | 53                    | 6139         |
| 8. Plant, machine assemblers and operators                                   | 2600             | 719         | 267                         | 66          | 56                    | 3708         |
| 9. Elementary occupations  | 20742            | 137         | 380                         | 120         | 89                    | 21468        |
| 10. Other  | 35               | 5           | 33                          | 12          | 51                    | 136          |
| <b>Total</b>   | <b>43167</b>     | <b>1517</b> | <b>2736</b>                 | <b>1300</b> | <b>3925</b>           | <b>52645</b> |

Source: GSO, Labour Force Survey, first 6 months of 2014

While the economy is suffering from shortages of skilled labour in various occupations such as consultants, designers, human resource managers, high-level corporate leaders, environmental scientists, information technology engineers, biotechnology engineers, electricity, electronic and mechanical engineers, logistic engineers etc., most of young graduates are trained in finance, banking, accounting, law, office and administrative work etc.; and while there is a lack of skilled industrial workers to increase the productivity and competitiveness of products and enterprises, the majority of high school graduates choose to follow the path of university education.

### Quality of the skilled labour force quality has not met the labour market demands

While professional knowledge and skills, soft skills and modern industrial working styles and qualities are specific for each occupation and working position in enterprises, young Vietnamese graduates are often merely equipped with general theoretical knowledge, have low executing capacity, and lack important life skills. In particular, the skilled labour force is weak at informatics and languages and lack effective competencies for working, which greatly affects their ability to work independently and improve productivity.

A large number of enterprises report that the current graduates do not meet their requirements. In 2012, the World Bank publicized their survey results on the extent to which university graduates meet their recruiters' requirements in 7 East Asian countries, including Vietnam<sup>2</sup>: "where work attitude is considered a serious gap, while creative thinking, information technology, leadership, and problem-solving skills are strong gaps". Vietnam Development Report 2014<sup>3</sup> writes "A majority of employers surveyed for this report said that hiring new workers is difficult either because of the inadequate skills of job applicants (a "skills gap"), or because of a scarcity of workers in some occupations (a "skills shortage)". ILSSA- Manpower Survey 2013 also showed a similar situation<sup>4</sup>; nearly 30% FDI

<sup>2</sup> World Bank, *Putting higher education to work, skill and research for growth in East Asia*, Regional Report , Washington DC, 2012.

<sup>3</sup> WB, Vietnam Development Report 2014, *Skilling up Vietnam: Preparing the workforce for a modern market economy*, Hanoi 2013.

<sup>4</sup> ILSSA-Manpower, *Labour skills in demand in the foreign invested sector*, Hanoi 2014.

enterprises have difficulties filling worker and office staff jobs; awareness of quality and punctuality/reliability are skills of biggest shortages, with an percentage of around 30% in the worker and foremen jobs; the next big gaps are ability to adapt to changes, team work, ability to learn and apply new technologies, and basic computer skills.

Due to quality limitations, highly educated persons are still being faced with difficulties in finding jobs. In the first 6 months of 2014, the unemployment rate of college graduates is 6.3%, while that of university and higher education graduates is 3.9% (3.1 and 1.9 times higher than the average unemployment rate, respectively)<sup>5</sup>.

The quality of the skilled workforce in a number of "backbone" jobs such as civil servants, science & technology staff, university professors, entrepreneurs and highly skilled technicians etc. has not met the needs for their mission of "leaders of growth".

### Low executing capacity and backward employment structure have directly limited the competitiveness of Vietnam's economy

Vietnam's labour productivity in 2013 is USD 5,440 (based on 2005 PPP), higher than that of Myanmar, Cambodia and Laos but lower than the rest of the ASEAN nations (equivalent to only 55% of Indonesia, 54% of the Philippines, 37% of Thailand, 15% of Malaysia and 6% of Singapore). Vietnam's Global Competitive Index falls in the lower category: in 2014, Vietnam is only ranked 68<sup>th</sup> out of 144 participating countries, although this has been an improvement (by two ranks in 2013 (70/148) and 7 ranks in 2012 (75/144).



<sup>5</sup> GSO, Labour Force Survey, first 6 months of 2014

## IMPLICATIONS FOR POLICY

Improving the quality of Vietnam's skilled workforce should become the most crucial factor in competition and growth. How to build a skilled labour force that is of adequate size, appropriate structure and improved quality? How to make them become "leaders of growth" and how to link education and training to work?

To meet the needs of industrialization, modernization and international competition in the context of globalization, it is estimated that to the year 2020, the economy will need approximately 13.6% skilled workers out of the total number of jobs, which means doubling the current size (an increase by more than 4.3 million persons in absolute terms), or an average annual increase by 400-500 thousand persons (11%-12%/year):

### *1. Create enabling environment and positions for skilled workers*

- Create an enabling environment to nurture and appreciate talents;
- Reform fundamental policies of attracting, hiring, managing, evaluating and treating skilled workers;
  - Build teams of leading specialists in key areas associated with the country's industrialization strategies;
  - Develop specific policies to attract talents and Vietnamese students abroad to come back and serve the country.

### *2. Reform education and training in the direction of standardization and modernization*

- Change the mindset, shifting from the goal of fulfilling the system capacity to fulfilling labour market demands;
- Develop quality criteria and national standards on professional capacity for international integration;
- Renovate education and training contents in the direction of standardization and modernization;
- Strengthen training of human resources for key industries;
- Build a "learning society" following the motto of "lifelong learning";
- Link education and training institutes to enterprises.



### *3. Renovate growth model, and truly embrace science and technology as the top national policy*

- Change the economic model, restructure the economy towards intensive growth, using "human capital" and science & technology as foundation for growth;
- Develop key industries based on priority technologies and high technology application;
- Increase the proportion of spending on building national science and technology capacity, with special priorities for information and communication technology, development of technology nurseries, strengthening of R&D and technology transfer.

### *4. Link demand to supply of skilled labour and manage labour market*

- Improve the legal framework and strategic orientation for activities of labour market;
- Establish and develop a system of vocational counselling and orientation, employment services and labour market information;
- Enhance the role of policy debate of intellectual associations;
- Facilitate the quality improvement of activities of labour service companies, especially in skilled labour supply-demand linkages.

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