



VIETNAM'S LABOR MARKET

UPDATE

Vol.1, Quarter 1 - 2014*



Ministry of Labor,
Invalids and Social
Affairs

General
Statistics Office

1. Overview

Table 1. Key economic and labor market indicators

	2012	2013			
	Q4	Q1	Q2	Q3	Q4
1. GDP growth rate (% , year-on-year)	5.4	4.8	5.0	5.5	6.0
2. Export growth rate (% , year-on-year)	17.6	21.1	16.8	15.1	15.8
3. Total investment (% of GDP)	33.5	29.6	29.6	31.2	28.8
4. Consumer price index (%)	9.2	6.9	6.7	6.3	5.9
5. Labor force, age 15+ (million people)	52.8	53.0	53.4	53.9	53.7
6. Labor force participation rate (%)	76.7	77.3	77.5	77.9	77.5
7. Share of trained workers with certificates/degrees (%)	17.3	18.2	18.0	18.2	18.4
8. Employment (million people)	51.9	51.9	52.4	52.7	52.8
9. Share of waged workers in total employment (%)	35.3	34.7	34.6	34.3	35.6
10. Share of agricultural, forestry and aquacultural workers in total employment (%)	47.7	47.5	47.1	46.8	45.8
11. Unemployment (thousand people)	852	1,068	1,027	1,106	900
12. Unemployment rate(%)	1.8	2.3	2.2	2.3	1.9
12.1. Urban unemployment rate (%)	2.9	3.8	3.7	3.6	3.2
12.2. Youth unemployment rate, age 15-24 (%)	5.3	6.2	5.6	7.0	6.0

Source: GSO Monthly statistics data and Quarterly labor and employment survey data(2012,2013).

Economic growth in 2013 was moderate but showed signs of progress. Gross domestic product (GDP) expanded in 2013 by 5.4%, slightly higher than 5.3% in 2012.

In terms of the sectoral contribution, the service sector accounted for 52.6% of GDP growth while industry and construction contributed 38.6% and agriculture, forestry and aquaculture contributed only 8.8%. In terms of final demand, domestic demand accounted for 68.6% of growth, followed by capital formation (29.9%) and net exports (1.5%). The positive contribution from external trade reflects an expansion of exports by 15.4% in comparison with 2012.

Consumer prices remained relatively stable in 2013 with inflation falling to 6.6%, much lower than the 9.2% recorded in 2012, and reflects the lowest rate in the last 10 years.

Along with the economic recovery, labor market trends were positive. Economic participation in the labor market increased, and the share of the labor force with technical expertise expanded. Moreover, job quality improved overall as reflected in the rising share of wage workers, a continued shift in employment out of low productivity agriculture and increasing wages and earnings. To this end, employment service and recruitment centers played an important role in connecting labor demand and supply and facilitating labor market adjustments.

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2. Labor supply

The working-age population (age 15 years and above) in the 4th quarter of 2013 reached 69.3 million people, reflecting an annual increase of 0.6%, and consisted of 35.7 million women and 33.6 million men (table 2). Around two-thirds of Vietnam's working-age population, or 46.1 million people, were still based in rural areas.

The labor force, or the economically active population, age 15 years and above was 53.7 million people in the 4th quarter of 2013, an increase of 1.7% year-on-year. Women accounted for slightly less than half of the labor force, or 26.1 million, and growth in the labor force in rural areas (2%) outpaced that in urban areas (1.1%).

Table 2. Population age 15 years and above and labor force by gender and urban-rural area (million people)

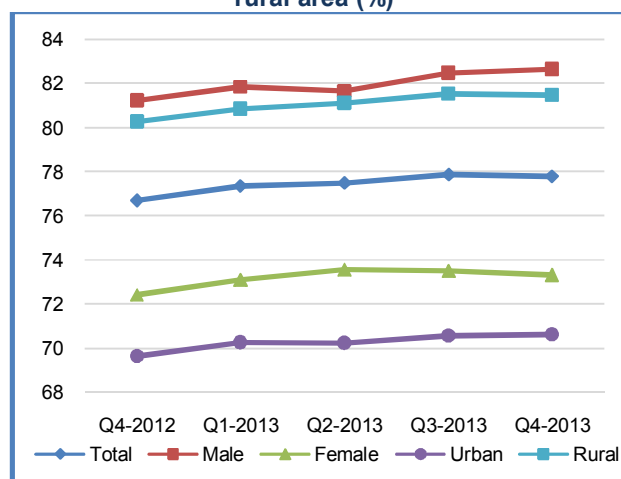
	2012	2013			
	Q4	Q1	Q4	Q1	Q4
1. Population age 15+	68.8	68.5	69.0	69.2	69.3
2. Labor force	52.8	53.0	53.4	53.9	53.7
+ Female	25.6	25.8	26.1	26.1	26.1
+ Male	27.2	27.2	27.4	27.7	27.6
+ Urban	16.1	15.9	16.1	16.3	16.3
+ Rural	36.7	37.1	37.4	37.6	37.4

Source: GSO Quarterly labor and employment survey (2012, 2013).

The labor force of the statutory working age (15-54 for women and 15-59 for men) was 47.4 million people in the 4th quarter of 2013, a slight annual increase of 0.7%. However, the elder labor force (over the statutory working age) rapidly increased by 10.1% and reached 6.3 million people. This trend points to a significant challenge for job creation and income generation for an aging population.

The labor force participation rate of the population age 15 years and above was 77.8% in the 4th quarter of 2013, with the male-female gap in participation increasing slightly to 9.3 percentage points (see figure 1). Similarly, the labor force participation rate of the rural population was 81.1%, more than 10 percentage points higher than in urban areas.

Figure 1. Labor force participation rate of population age 15 and above by gender and urban-rural area (%)



Source: GSO Quarterly labor and employment survey (2012, 2013).

The share of the workforce with technical skills in the 4th quarter of 2013 increased to 47.4%, or 25.5 million (table 3). In general, however, qualifications of labor force remained low with slow progress. The share of workers with a degree or certificate accounted for only 18.4%, with considerable differences between male and female workers and between rural and urban areas.

Table 3. Workforce by technical qualifications

	2012		2013		
	Q4	Q1	Q4	Q1	Q4
1. Number of technical skilled workers (million)	23.9	24.5	24.6	25.3	25.5
2. Proportion of technical skilled workers (%)	45.2	46.3	46.0	47.0	47.4
Of which:					
+ Technical workers without degree/certificate	27.9	28.1	28.0	28.8	29.0
+ Workers with degree/certificate	17.3	18.2	18.0	18.2	18.4
+ Vocational trained workers	5.2	5.5	5.3	5.3	5.3

Source: GSO Quarterly labor and employment survey (2012, 2013).

Box 1: Targeting vulnerable groups through vocational training

In the first 6 months of 2013, a total of 268,343 rural workers were trained under the Decision No. 1956/QĐ-TTg dated 27 November 2009, an increase of 132,946 trainees in comparison to the same period of 2012. Overall, it raised the total number of trained workers in rural areas to 1,356,736 people under the plan.

In 53 provinces and cities, 228,600 rural workers had been trained, of which 36.8% were women, 17.5% were ethnic minorities, 8.4% were poor, 4.4% were from near poor households and 0.5% were people with disabilities.

By the end of 2013, there were 1,339 vocational training institutions, including 162 vocational colleges (an increase of 7 schools compared to 2012), 302 vocational secondary schools and 875 vocational training centers. A majority of vocational training institutions were managed by the public sector.

New vocational training enrolments increased in 2013, totaling 1.7 million new enrolments (a spike of 14% in comparison with 2012). New recruitments in vocational colleges and secondary schools grew by 13.6% or over 216 thousand trainees. By comparison, vocational primary schools with regular training of less than 3 months recruited 1.5 million new trainees (a year-on-year rise of 10.2%), including many rural workers.

As of 2013, 401 occupations at the secondary level had been promulgated to the occupational training list. Furthermore, 147 occupations had been promulgated to the national skill standards system (reflecting an additional 21 occupations compared to 2012). These comprised of 64 occupations in industry and trade, 33 occupations in transportation, 24 occupations in construction, 5 occupations in the health sector and 21 occupations in agriculture, forestry, fisheries and irrigation.

Indicators reveal that vocational training is increasingly meeting labor market demand. Among nearly 48 thousand graduates, more than 70% had found employment. For technical jobs, the proportion was higher at 83%. The average salary of vocational college graduates was 3.5 million VND per month.

Source: The Directorate of Vocational Training

4. Employment

Employment in the 4th quarter of 2013 reached 52.8 million people, of which urban areas accounted for 15.8 million and women made up 25.6 million (table 1). On a year-on-year basis, employment expanded by 1.7% and kept pace with labor force growth.

Despite improved economic conditions, the job-creating capacity of the economy remains weak. The employment elasticity of GDP growth in 2013 was merely 0.27, reflecting only 0.27% growth in employment with each 1% of GDP growth.

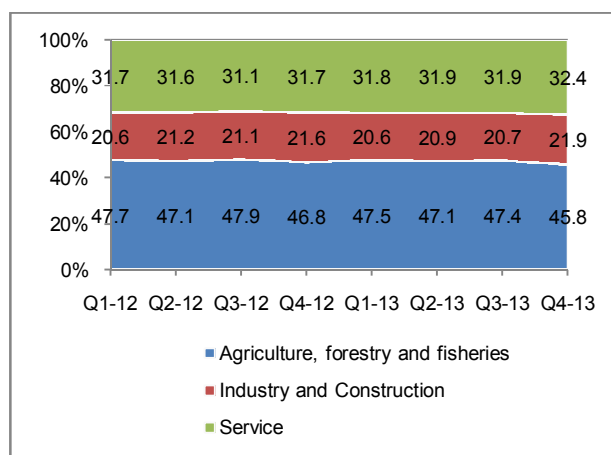
Table 4. Ratio of employment to population (%)

	2012		2013		
	Q4	Q1	Q4	Q1	Q4
Total	75.5	75.8	76.0	76.3	76.2
Male	80.0	80.2	80.1	80.8	80.9
Female	71.1	71.6	72.2	72.0	71.8
Urban	67.8	67.8	67.8	68.2	68.3
Rural	79.3	79.1	80.1	80.3	80.2

Source: GSO Quarterly labor and employment survey (2012, 2013).

In the 4th quarter of 2013, the employment-to-population ratio was 76.2%, edging up from 75.5% in the 4th quarter of 2012 (table 4). The ratio for women (71.8%) was lower than that for men (80.9%) while the urban-rural gap was 11.9 percentage points.

Figure 2. Employment structure by main economic sector (%)



Source: GSO Quarterly labor and employment survey (2012, 2013).

Employment structural change was evident with a greater concentration towards service and industry sectors (figure 2). The share of employment in agriculture, forestry and fisheries declined 1 percentage point year-on-year whereas in industry and construction and services, the employment share increased 0.3 percentage point and 0.7 percentage point, respectively.

The change in employment levels by industry varied considerably (table 5). Industries with the largest contractions include agriculture,

forestry and fisheries (115 thousand), transportation and storage (48 thousand people) and mining (39 thousand people).

By contrast, other industries showed robust activity in business operations such as processing and manufacturing (327 thousand) and wholesaling and retailing and car and motor repair (265 thousand).

Table 5. Employment changes by industry 2012-2013 (thousand)

	Q4 2013	Q4 2012	Change
Largest reductions			
Agriculture, forestry and fisheries	24,160	24,275	-115
Transportation and storage	1,477	1,525	-48
Mining	268	307	-39
Water supply; waste and waste water management	109	119	-10
Science technology expertise	241	250	-9
Largest increases			
Processing, manufacturing	7,543	7,216	327
Wholesaling and retailing; car, motor repair	6,757	6,492	265
Activities of the Party, Socio-political organizations; Governmental control, national security, compulsory social security	1,764	1,620	144
Other services	815	711	103
Education and training	1,834	1,766	69

Source: GSO Quarterly labor and employment survey (2012, 2013).

The share of employment in the domestic private sector was 77.2%. Self-employment and employment in household businesses was 62.1%, reflecting high employment vulnerability given the precarious nature of these jobs. By comparison, the proportion of wage workers in total employment slightly increased to 35.6% (compared to 35.3% of the 4th quarter of 2012).

In regard to international labor migration, the service of sending workers abroad reached its planned target. In 2013, the number of workers with a labor contract abroad reached 88,155 people (of which women accounted for 36%). By destination country, Taiwan (China) accounted for 52.6% or 46,368 migrant workers. The diversity of migrant workers spanned across 30 occupational groups, with about 60% unskilled and 40% skilled. These workers remit from 1.8 to 2 billion USD each year. To-date, 178 private enterprises have registered as labor migration recruitment and facilitation agencies.

5. Wages

The average wage per month of wage workers stagnated at 4.11 million from Q4 2012 to

Q4 2013 (table 6).

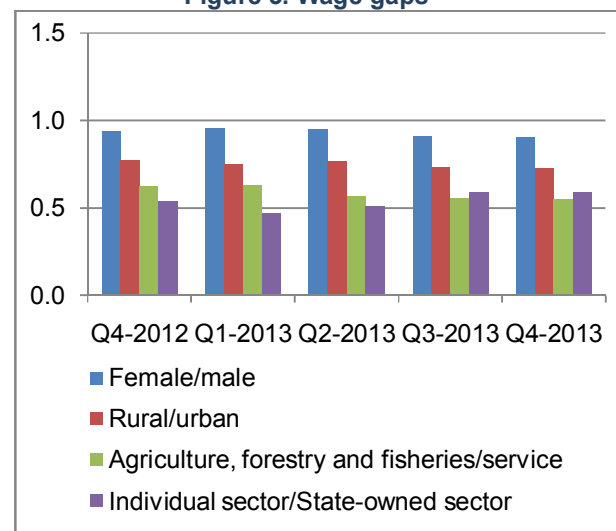
Table 6. Average nominal wages in current prices (thousand VND)

	2012		2013		
	Q4	Q1	Q4	Q1	Q4
General	4112	4719	4406	4058	4107
Male	4219	4810	4504	4220	4276
Female	3964	4597	4276	3824	3862
Urban	4517	5232	4847	4755	4865
Rural	3487	3938	3711	3475	3518

Source: GSO Quarterly labor and employment survey (2012, 2013)

Significant wage gaps persisted between men and women, urban and rural areas and agriculture compared with other industries (figure 3). Women's wages average 3.97 million VND, or 5.7% lower than that of men. Likewise, the rural wage rate was 3.49 million VND, or 29.5% lower than that in the urban area. The average wage in agriculture, forestry and fisheries was 2.61 million VND, which is almost half of the average wage in the industry and service sectors. Average wages in the domestic private sector was 3 million VND, which was 70% lower than earnings in State-owned enterprise sector and 36% lower than in the FDI sector. Moreover, this gap trended upward in comparison with the same period of 2012.

Figure 3. Wage gaps

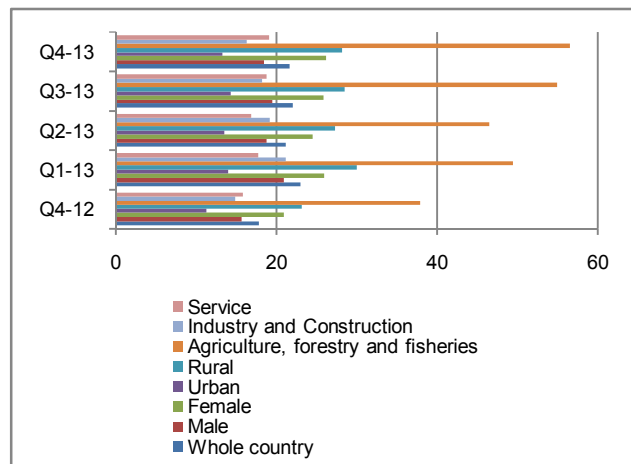


Source: GSO Quarterly labor and employment survey (2012, 2013).

The proportion of low wage earners, or those with wages lower than two-thirds of the median wage (3.187 million VND) in the 4th quarter of 2013 was 21.7% (figure 4). This proportion was significantly higher in agriculture, forestry and fisheries and trended upward. In the 4th quarter of 2013, 56.4% workers in

this industry received low income, much higher than in 2012 (37.9%).

Figure 4. Proportion of low wage earners by industry, rural-urban area and sex (%)



Source: GSO Quarterly labor and employment survey (2012, 2013).

Box 2: Government's effort on wage reform

The Prime Minister's decision No. 1055/QĐ-TTg on establishing the National Wage Council was issued on 3 July 2013. The Council was given the mandate to lead analysis of the social-economic situation and living conditions to identify and forecast the minimum living demands of workers and their family. Other responsibilities include assessing compliance with regional minimum wages, wage levels of the labor market and the ability of enterprises to make payments in order to propose minimum wage recommendations to the Government on an annual and periodic basis. The Council will research and make recommendations to the Government on the minimum wage applied to certain occupations, seasonal jobs and part-time employment. At the same time, the Council will examine and assess the geographic zoning applied to minimum wage levels to recommend necessary adjustments.

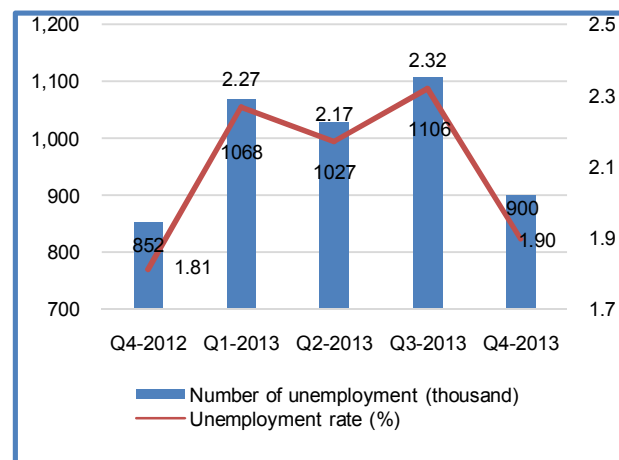
To improve wage levels and based on the recommendations of the National Wage Council, the Government's Decree 182/2013/ND-CP was issued on 14 November 2013 regulating the regional minimum wage level effective from 1 January 2014. The levels were as follows: region I: 2.7 million VND/month; region II: 2.4 million VND/month; region III: 2.1 million VND/month and region IV: 1.9 million VND/month. With these adjusted levels, the regional minimum wage for 2014 represents 71-79% of the minimum living demand of workers and their families.

Source: Ministry of Labor, Invalids and Social Affairs.

6. Unemployment

In the 4th quarter of 2013, there were 900 thousand people unemployed, accounting for 1.9% of the labor workforce in the statutory working age (figure 5). This was an increase of 48 thousand people in comparison with the same period of 2012.

Figure 5. Number of unemployment and unemployment rate in the statutory working age



Note: The statutory working age is 15-54 for women and 15-59 for men.

Source: GSO Quarterly labor and employment survey (2012, 2013).

Table 7. Unemployment rate age 15 years and above by gender, area, age and technical expertise (%)

	2012		2013		
	Q4	Q1	Q2	Q3	Q4
By gender					
Male	1.6	2.2	2.1	2.3	1.9
Female	2.1	2.3	2.2	2.4	2.0
By area					
Urban	2.9	3.8	3.7	3.6	3.2
Rural	1.3	1.6	1.5	1.7	1.3
By technical expertise					
Unskilled	1.5	1.9	1.8	1.8	1.4
Primary	1.8	2.9	2.4	2.1	2.3
Secondary	2.5	3.8	4.7	3.2	2.6
Professional secondary	3.4	3.9	3.3	4.8	3.5
Vocational college	5.9	8.1	6.4	7.5	7.7
College	5.4	5.3	6.7	7.7	6.7
University and above	2.6	3.5	3.7	4.4	4.3
By age group					
Youth (15-24)	5.3	6.2	5.6	7.0	6.0
Adult (25+)	1.2	1.5	1.5	1.4	1.1

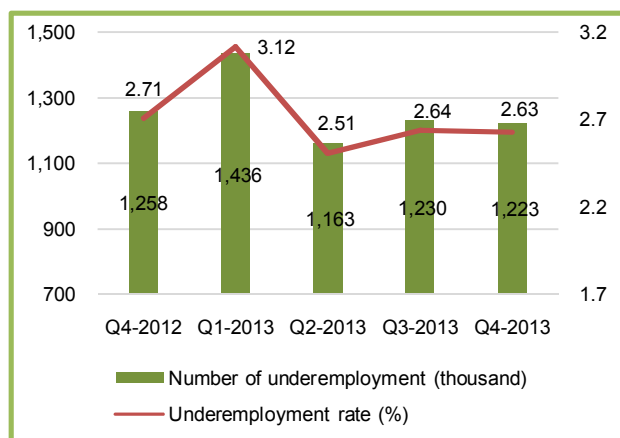
Source: GSO Quarterly labor and employment survey (2012, 2013).

While low overall, the unemployment rate was higher among women (1.95%) and in urban areas (3.19%) and considerably higher among the technically skilled labor force (table 7). Also, young people (age 15-24) face distinct challenges with youth unemployment increasing in the 4th quarter of 2013 to 5.95%. Remarkably, young graduates from colleges and universities face an alarming unemployment rate of 20.75%.

These figures reveal the significant skills mismatches and the relevance of technical vocational education and training (TVET). It also reflects the economic slowdown in Vietnam in recent years.

Underemployment in the 4th quarter of 2013 affected 1.2 million workers in the statutory working age (figure 6). This reflects 2.63% of total employment and a drop of 35 thousand in comparison with the same quarter of 2012.

Figure 6: Number and the underemployment rate in the statutory working age



Note: The statutory working age is 15-54 for women and 15-59 for men.

Source: GSO Quarterly labor and employment survey (2012, 2013).

Underemployed workers were concentrated in rural areas (85% of total underemployment) and in agriculture (68% of the total). By employment status, the self-employed and non-wage earners consisted of nearly 70% of underemployment.

7. Labor demand and supply matching

Employment service and recruitment centers have played an increasingly important role in matching the demand and supply of labor. By the end of 2013, there were 130 recruitment centers in the whole country and more than 100 employment service centers. Currently, 64 centers managed by MOLISA provide more than 120 offices, branches or job transaction points with locations including in Ha Noi, Ho Chi Minh

City, Vinh Phuc, Dong Nai and Binh Duong. Furthermore, there are 90 authorized unemployment registration points and 44 job exchange floors in various dynamic labor market centers.

In 2013, the centers provided counseling or job search assistance for 1.68 million jobseekers, an increase of 14.3% in comparison with 2012 (table 8) 960 job exchange sessions were organized, with a single session attracting 30-40 enterprises and 600-700 jobseekers on average and resulting in 350-450 shortlisted and interviewed job applicants. 80% of the recruitments were of unskilled workers, mostly in textiles, shoes, agriculture and forestry processing. Altogether, the centers supported 1.54 million job placements, of which 1.46 million were for the domestic labor market.

Table 8. Performance of employment services

	2012	Q4-2013	2013
New created jobs (thousand)	1,520	411.9	1,540
New created jobs in domestic labor market (thousand)	1,440	390	1,456
Number of job exchanges	696	255	960
Number of jobseekers receiving counseling (thousand)	1,470	480	1,680
Number of jobseekers recruited through Centers (thousand)	510	158	630

Source: Department of Employment (2013).

The supplemental capital for the national employment budget remained low at only around 46 billion VND in 2013. The job creation loan projects mainly focused on agriculture (62%) and loan subject which are production units only accounted for a low proportion (less than 10%).

Overall, Vietnam's labor market in 2013 was still characterized by labor surplus. In that regard the role of the TVET system in ensuring skills are aligned with the needs of businesses and the wider economy remains critical.

8. Unemployment Insurance

Unemployment insurance participants were estimated to reach 8.5 million by the end of 2013, an expansion of 266 thousand people or 3.2% in comparison with 2012. Unemployment insurance participants accounted for 80% of the total number of compulsory social insurance participants. There were 467 thousand unemployment registrations, a year-on-year

decline of around 6 thousand, mainly concentrated in more developed cities and industrial zones such as Ho Chi Minh City, Binh Duong, Dong Nai and Ha Noi.

The number of unemployment insurance beneficiaries in 2013 was 454.8 thousand people, an annual increase of nearly 34 thousand (table 9). The proportion of beneficiaries aged 25-40 years was higher than other age groups.

Table 9. Performance of unemployment insurance

	2012	Q4-2013	2013
Number of unemployment registrations	482,128	103,773	476,145
Number of beneficiaries	421,048	108,085	454,840
Number of lump-sum recipients	23,708	8,172	34,148
Number of unemployed people received job counseling	342,145	62,226	389,807
Number of people supported by apprenticeships	4,776	3,085	10,610
Changes place of payment	91,066	706	30,110

Source: Department of Employment (2013).

The number of unemployed people who received job counseling in 2013 was 389.8 thousand people. The Employment service and recruitment centers have focused on providing more pragmatic services such as counseling, job search assistance at the time of unemployment registration and matching prospective employers with the unemployed.

9. Social insurance

Social insurance (SI) participants totaled 11.1 million by the end of 2013, reflecting an annual increase of about 490 thousand people or 4.6% (table 10). SI participants accounted for 20.6% of the workforce, so reaching the SI target of 30% by 2015 will be very challenging.

Table 10: Number of social insurance participants and coverage by type and sector

	2012	2013
Ratio of social insurance participants to labor force (%)	20.0	20.6
Total social insurance participants (thousands)	10,565	11,055
By type:		
Compulsory	10,432	10,881
Voluntary	134	174
By sector:		
State-owned	4,766	4,915
Private	2,742	2,891
FDI	2,508	2,618
Others (collective, cooperatives, etc.)	549	631
Coverage rate by sector (%)		
State-owned	90.6	93.1
Private	63.1	66.5
FDI	86.7	90.5
Others (collective, cooperatives, etc.)	1.6	1.9

Source: Vietnam Social Security (2012-2013)

In 2013, the compliance level with the Law on SI in the state-owned and FDI sectors was relatively high at more than 9 in 10. The compliance level of domestic private sector was more moderate (2 in 3) and nearly absent in the informal sector and in collectives.

In 2013, SI revenues reached 105.6 trillion VND, a rise of 17.7% in comparison with 2012. However, the debt remained high (about more than 4.8 billion VND), of which the private sector accounted for 60%.

As of the end of 2013, there were 2 million people receiving retirement pensions and 0.5 million people were monthly SI subsidy beneficiaries, accounting for about 25% of the elderly (males ages 60 years and above and women ages 55 years and above). The average monthly pension from the SI fund was 3.6 million VND per person.

In 2013, the number of one-time SI beneficiaries (people who matured enough to claim pensions but did not reach 20 years of SI contribution or did not continue contributing after 1 year off) reached a high level of 636 thousand, and annual increase of 35 thousand.

Moreover, the number of beneficiaries due to sickness or pregnancy in 2013 was 6.1 million people, an 18% increase from 2012. In 2013, after new provisions on extending the duration of pregnancy benefits from 4 months to 6 months (according to the new Labor Code promulgated in May 2013) and after an increase in the minimum wage, the total amount for sickness and pregnancy benefits increased about 26.4% in comparison with 2012.

10. Labor market prospects in 2014

With some positive signs of recovery, economic growth may pick up in 2014 but still not reach historical highs. The labor force is projected to reach 54.9 million in 2014, with the growth in the share of the trained workforce outpacing the unskilled due to development trends and economic structural changes. The job creation potential of the economy could improve compared to 2013, especially in processing and manufacturing, construction, wholesale and retail trade and accommodations and food services. Consequently, the urban unemployment rate is forecast to remain stable despite rapid urbanization and industrialization and a continued decrease in agricultural employment.

In regard to unemployment insurance, along with expanding the number of participants according to the Employment Law, the number of participants in the unemployment insurance scheme in 2014 is expected to rapidly increase, accounting for 85-90% of the total number of compulsory insurance participants. For the social insurance system, the number of participants in 2014 needs to reach 13-14 million people (24-25% of the labor force) in order to achieve the stated goal that 30% of the labor force would participate in the social insurance system by 2015. Therefore, compliance in the private sector needs to be enhanced and stronger measures to encourage the informal sector to participate in voluntary social insurance is critical.

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