

RESTRUCTURING THE POPULATION AND HUMAN RESOURCES TO MEET THE TARGET OF SUSTAINABLE DEVELOPMENT IN VIETNAM

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Abstract: For all nations, human resource development is crucial for success, particularly in the present era of globalization and international integration. Vietnam is experiencing a prominent increase in the proportion of people of working ages, characterized by the lowest ratio of working ages to dependent population. This advantage, known as the “demographic dividend” (or “demographic bonus”), is a great potential for the country’s socio-economic development. However, “demographic dividend” may become a social burden if education, training and employment for young manpower are not adequately provided.

The paper pointed out that Vietnam’s human capital is of a great potential but the current dearth of professional skills and low quality of labour has hindered the country’s opportunities which have brought about by the favourable age structure and abundant supply of labour. After examining and analyzing different challenges regarding the low quality of the human resources, the paper made policy recommendations and suggested necessary measures for restructuring the human resources of Vietnam in line of the Government’s efforts in restructuring the economy to overcome obstacles and meet the target of sustainable development.

Key words: human resources, restructuring, demographic dividend, Vietnam, sustainable development.

1. Introduction

Human resources and human resource development are the key issues for every country, especially in the context of globalization and international integration. Many countries have taken the initiative in investing, building and developing human resources, based on which a significant breakthrough in social development and economic growth could be achieved. Historical lessons and experience from developed countries have shown that stable economic growth should rely on quality

enhancement of training, education and technical labor. Human resources of high quality (in terms of qualifications, working skills, morality and health status) are the premise for economic success in some Eastern Asian countries such as South Korea, Japan and Singapore.

In the context of globalization and development of knowledge economy, adoption and application of scientific and high-tech achievements mainly rely on

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human resources of high qualifications and knowledge. This is the optimal and sustainable way to achieve development goals. For Vietnam, human resources are viewed as the most precious resources in Doi moi and they are directly related to human development. For a country that does not have a lot of natural resources available, like Vietnam, it is necessary to use human resources as the key for development.

In addition to economic achievements, a lot of shortcomings have been also exposed in Vietnamese economy since 2007 until now. According to the assessment of the Economic Commission of the National Assembly (ECNA), economic growth in Vietnam has been mainly shown outwardly, based on exceeding use of public investments, exploitation of national resources, and low-cost labor; whereas impacts of other factors such as technological renovation, intelligence level, and human resource quality are not considerable in the model of economic growth. Elements of market economy have not been fully built; the mechanism of positive competition has not yet taken shape to promote resources of all different economic components; productivity and effectivity of resource utilization has not been improved in order to play a role as dynamics of development; the renovation of economic structure has been too slow to meet requirements of rapid and sustainable economic development (the Economic Commission of the National Assembly, 2012).

Facing rapid changes of the world, Vietnam carried out the renovation and

transformation of economic structure. This is very essential for Vietnam to meet the target of getting such a fast-growing economy by 2020 as that of the countries, where the income per capita is leveling the middle-income group (about 3,000 USD per capita per year). It will be also an open economy with modern infrastructure and full market institutions, including: management institutions, legal environment and fair business market. Economic growth will rely mainly on improvement of productivity. Special importance will be attached to production effectiveness, environmental protection, sustainability, and competitiveness in the context of international integration.

Although the global economic - financial crisis has caused a lot of negative impacts, it has also created opportunities that require economic restructuring. Human resource restructuring is one of the three important activities that will help to get a breakthrough in the economic restructuring. The major content of the human resource restructuring includes: formation, development and full utilization of labor force of high qualifications - human resources that have been trained with an increasingly high sciences and technology. They also include those who work as office or administrative staff of enterprises.

It is possible to affirm that human resource development is at now more burning than ever before. Vietnam is starting a new phase of development with a lot of new opportunities. The present human resources, however, can hardly

allow us to take full advantage of coming opportunities. Moreover, they even make us difficult to get over challenges as well as they increase the risk of lagging behind and reduce our competitiveness. In this paper, human resource restructuring in Vietnam is viewed from the socio-demographic perspective. Based on assessments of the real situation and analyses of relevant striking issues, the paper provides some suggestions to carry out effectively human resource restructuring and development in Vietnam from now to 2020 and towards 2030.

2. Actual state of the present human resource - population structure

2.1. “Demographic dividend” structure

The concept of “demographic dividend” structure (the optimal population) is understood as the situation, in which every two working-age persons (aged from 15 to 60) have to “support” only one or less dependant. This particularity can be achieved, when the number of working-age people is two times of the number of dependants (who are not at the working age or who are incapable of making properties or feeding themselves). A decrease in the proportion of dependants will reduce the burden on shoulders of working-age people and this is the very opportunity for economic development. When the proportion of dependants is 50% or lower; i.e. every two working-age persons have to “support” only one or less dependant, the population structure is viewed as the “demographic dividend” structure.

In 2006, the proportion of dependants in

Vietnam was just 49.9%. This means that Vietnam started to have the “demographic dividend” structure. In reality, the proportion of dependants in Vietnam began to decrease after 1975 and it dropped down rapidly since the mid-1980s and 1990s. Eventually, it reached 50% in 2010 (General Statistics Office, 2011). For the period 2000 – 2010, the proportion of dependants continued to drop down by 17% (General Population Census, 2011). The decreasing rate is the same as that in China for the period 1975-1990 and South Korea for the period 1970-1990. Vietnam started to have the “demographic dividend” structure in 2006 and this structure would last for about 30 years (it would end by 2035), according to the forecast. For the previous periods, every one working age person had to feed one dependant. Today, however, every two working-age persons have to support only one dependant. This shows that the population burden is at the lowest level now. At the same time, the working age population is now very abundant in Vietnam, which can help to carry out and achieve the targets of socio-economic development of the country.

According to statistic data from the first General Population Census in 1979 up to now, the proportion of working-age population increased from 50% to 66%; whereas the proportion of children aged fewer than 15 decreased from 43% to 25%. As the number of working-age people is about 53 million, every year it is added with 1.5 million more. This is really a good

premise for economic development of the country. The proportion of population in the age group of 30-45 highly increased, providing great advantages in labor supply. The abundance of labor resources is creating “golden opportunities” for Vietnam’s development. Once these resources are fully utilized and promoted in terms of knowledge and labor, they definitely will produce an enormous amount of material properties, resulting in a great accumulation of values for the country future and guaranteeing social security, especially for the period of ageing population.

The “demographic dividend” structure will become a precious opportunity for socio-economic development, if policies are suitable with employment and human resource conditions. The period of “demographic dividend” structure will last till 2035. At present, therefore, Vietnam should have sound development orientations, carrying out effectively human resource restructuring and human resource utilization, in order to take full advantage of this opportunity. Since the “demographic dividend” structure takes place coincidentally with the economic stability and improvement, if the system of education undertakes well its functions of providing knowledge and occupational skills for human resources of the country, extremely great dynamics for economic development will be created. It is important to provide human resource training, improving its quality and skills, in order not to miss the development opportunity. If this has not been done

promptly and thoroughly, Vietnam may miss this opportunity; it will not be able to build a labor force of high quality to set up a firm economic and social security foundation for future. This opportunity, however, does not bring positive impacts to us by itself, but we have to take its advantage on our own initiative. Once this opportunity is not utilized effectively, there will be severe unemployment, social evils and social instability. As the human resource quality still remains low in Vietnam; the proportion of trained laborers is little (less than 30%); working skills are not so high as those in other countries in the region; training and education work, consequently, play a very important role. Eastern Asian countries gained striking achievements in economic growth, mainly owing to effective utilization of the “demographic dividend” structure.

Experience in China shows that this country gained high economic growth, mainly thanks to its abundance of low-cost labor force. China did not have to cope with a shortage of labor force, which is happening to many developing countries at present. This, consequently, made it favorable for China to get rapid economic development. Analyses of Chinese population structure reveal that the entire proportion of dependants started to reduce since the 1970s and it dropped down rapidly in the 1980s. After the early period of the renovation (1978-1992), China began to carry out an in-depth renovation in the 1990s, when the proportion of dependants

became lower than 50%. The “demographic dividend” structure is still taking place in China and it lasts for about 40 years in total. Similarly, Japan, Singapore and South Korea gained fast economic growth in the period of the “demographic dividend” structure, when the entire proportion of dependants was lower than 50%. From 1970 up to now, in those countries, productivity has been much higher; savings have been greater; profitable investments have been bigger; and economic growth has been faster, owing to the “demographic dividend” structure.

2.2. Human resources in Vietnam at present

Human resources of a country are often measured by some elements that express the quantity of laborers, educational levels, age, sex, and labor distribution in economic sectors. To carry out human resource training suitably with the “demographic dividend” structure in Vietnam is an extremely necessary requirement. The human resource training and the “demographic dividend” structure are closely related to each other. If Vietnam utilizes fully and effectively young human resources, profuse material riches will be produced, making contributions towards value accumulation of the country for future and ensuring social security, when the ageing population structure comes.

After 25 years of renovation and development, we have gained significant achievements in education and training, making a contribution towards the country development. The compulsory education

level, the number of school pupils and university/college students, as well as the number of graduates have been much higher than before. Evaluating the human resources in Vietnam at present, however, there are a lot of contradictory opinions. Many people assume that Vietnam has an advantage in attracting foreign investments, in comparison with other economies, because it possesses abundance of low-cost labor. Whereas, many others think that low-cost labor is no longer an advantage; on the contrary, it is the very worry for the country in the new context of development. According to them, low-cost labor also means that quality and income of laborers are low; low-cost labor cannot meet current requirements in applying intelligence, science, and technology in production and management as well. In reality, although some sectors, which use laborers exceedingly such as textile-garment and sea-product processing industries, are making contributions effectively into the country economic growth and employment, laborers in those sectors are still of low quality; they have insufficient qualifications and working skills.

Training and development of human resources of high intelligence level must be seen as vital importance for our economy. Vietnamese labor market is encountering a serious shortage of highly qualified technical laborers and high-quality service employees in the financial, banking, tourist and trading sectors. At present, just 30% of the whole human resources are trained

laborers and the rest 70% are unskilled laborers. This makes it difficult to produce abundance of products for society. The shortage of highly qualified human resources is a great worry for the very enterprises in the context of international economic integration and increasingly severe competition. Vietnam has been losing its advantageous competitiveness of low cost labor, when competitions of grey-matter, employment, labor market are higher in the region and the world as well. It will be necessary to have appropriate policies, if priority is still given to development of those sectors and products for the coming years.

In the report on employment and labor market (2009), the Ministry of Labour, Invalids and Social Affairs highlighted some shortcomings: *“Vietnam is encountering a serious shortage of highly qualified technical laborers and high-quality service employees in the financial, banking, tourism and sale sectors. For many jobs, therefore, we have to hire foreign employees; whereas, our export laborers are mainly unskilled with a low qualification and just have the training of the career orientation”*. Obviously, the demand for highly qualified human resources is now very burning. The current human resources of high quality can meet only 30-40% of the entire demand in Vietnam economy. This problem became even severer, after Vietnam joined World Trade Organization (WTO) and further integrated with the world. A lot of enterprises, including also those that have

important projects, lack the professional human resources. Multi-national economic corporations came into Vietnamese market and applied the localization of high-ranking positions, making the shortage of high-quality human resources more serious.

Some shortcomings relating to quality of the current human resources in Vietnam can be described here. The survey conducted by the Ministry of Education and Training (2008) shows that 63% of all graduate students in Vietnam are unemployed; the rest 37% have some job to do, but most of them had to take additional training and many of them do the jobs that are different from what they were trained at university. Some university graduates even have to accept unskilled jobs as manual workers. Diplomas and training certificates issued in Vietnam are not recognized in the international labor market, even in Association of Southeast Asian Nations (ASEAN). According to the report of the survey, the number of academic papers published every year in Vietnam is just the same as a fourth of the corresponding number in Thailand and the same as 0.00043% of all academic papers published in the world, although the number of those who get a doctoral degree every year in Vietnam is often higher than the corresponding number in Thailand and equal two or three times of the corresponding number in many other countries in the region.

The consequence of the above-mentioned paradox is that graduates have to do other jobs than what they were trained.

According to the survey conducted by Vietnam General Confederation of Labour (2007), the structure of labor trained at university, technical high school, and technical training courses is very irrational with the ratio of 1-1.5-2.5 (in the meanwhile, the corresponding ratio in other countries in the region is 1-4-10). Although Vietnamese laborers can acquire knowledge fast as well as they are skillful and creative, they have loose discipline; in addition, their morality, conduct and qualifications are low. Vietnam's human resources are seriously imbalanced and we rank the 53rd in quality among 59 nations in the survey. In Vietnam, the ratio between university graduates, technical high school graduates and technical workers is 1-1.16-0.92 respectively; whereas the corresponding ratio in the world is 1-4-10. Moreover, of every 10 thousands people in Vietnam, there are 181 university students; whereas the corresponding number is just 100 and 140 in the world and China respectively (though the GDP per capita in China is twice as much as that in Vietnam).

Vietnam possesses a labor force of young people at the strongest age (which is a desire for many countries), but quality of the labor force is a really worrying issue. The rate of unemployment among young people has not dropped down, but is likely to get higher. According to recent data of the General Statistics Office, the estimated rate of unemployment among the youth (aged from 15 to 24) in the first half of 2013 is 6.07%. In urban areas especially, the corresponding figure is the same as 4.5

times of the unemployment rate of adults (General Statistics Office, 2013).

Aiming at the targets of industrialization and modernization, rural laborers should change jobs. Yet, weakness seems to stem from this, since no policy is issued to provide instructions, advice, encouragement, and even enforcement so that rural laborers take training and specialize in certain occupations. In the rural areas, where land has been recovered by the government, laborers lack jobs to do and quality of labor still remains low. This problem hasn't been solved effectively. People, who lost land, mainly live on compensation given by the government. When the entire compensation has been spent, they face the risk of falling back to poverty. The young go to cities to work as hired laborers. This is what we don't want to witness in urbanization. Farmers have neither land for cultivation nor a suitable job to do, resulting in complicated psychological issues and social corollaries (Phan Thi Mai Huong, 2008). The crime rate and social evils increase in the city outskirts as well as in the areas, where local people lost farming land.

Following are some characteristics of human resources in Vietnam: Human resources are relatively abundant, but professional skills and qualifications still remain low, compared with many other countries in the region. Especially, we lack highly qualified human resources in many important sectors of our market economy. For a long time, laborers have been working very passively according to these norms. Regulations haven't been innovated.

There has been a contradiction between human resource training and usage. The competitiveness of our human resources is low, showing more and more shortcomings. Vietnamese laborers will encounter a severe competition with laborers from nearby countries in the region such as China, Thailand, Indonesia, and Malaysia. This also means that Vietnam will lose its comparative advantage in economic restructuring and development of market economy.

3. Some recommendations on solutions to human resource restructuring and development

After 25 years of Doi moi, Vietnam moved from a poor and under-developed country to a middle-low income country. The socialist-oriented market economy has been taking shape step-by-step. The socio-economic goal, which has been clearly specified by the Communist Party and the State, is to make Vietnam become basically a modern, industrial country by 2020. A decisive period for development of the country is now taking place. In reality, many under-developed countries tried to develop to become countries of average income, but very few of them could go further to become modern, industrial countries. The main reason is that those countries did not have appropriate policies to develop their human resources effectively. Based on lessons of those countries, Vietnam needs to carry out human resource restructuring with specific and drastic measures, which will create significant breakthroughs, in order to get over “the income trap”.

Highly qualified human resource training is the premise for sustainable development of the country. Productivity cannot be improved and competitiveness cannot get higher, if quality of human resources is not enhanced. Human resource restructuring is, therefore, very significant and it plays a decisive role in conducting the economic transformation. In 2012, the Government set up the economic restructuring project, which is closely attached with renovation of the model of economic growth, in order to aim at improvement of quality, effectiveness and competitiveness. This project can be realized in practice, if our human resources are highly qualified owing to appropriate restructuring of human resources in combination with development strategies. In order to carry out economic restructuring, firstly we have to prepare a labor force of high quality. It is the very human resources that have been trained and equipped fully with knowledge of science and technology; they have high qualifications and good virtue to fill administrative and business positions of enterprises. The ultimate goal is to enhance the quality of the State governance and business management, which are very necessary for development and integration of Vietnam’s economy. Following are some major recommendations on solutions:

- Vietnam already came in the period of the “demographic dividend” structure; i.e. the number of working-age people is higher than the number of dependants. This is really a golden opportunity for the country

development. How to take full advantage of this opportunity in order to make a breakthrough in development, however, is also a challenge. To do this, it is necessary to carry out seriously and vigorously human resource training programs, in which we should focus on working-skill enhancement training and sustainable employment for young laborers at present. It is strongly recommended that the programs must be conducted consistently with specific plans and identified focal issues.

- To utilize fully the abundance of human resources, while waiting for occupational training of laborers to take place, on one hand, we need to develop the sectors, which employ a lot of laborers at present, such as textile-garment, agricultural product processing, and service in order to attract and take advantage of labor force as well as to deal with employment for a majority of laborers, enabling them to have stable income and living conditions. On the other hand, it is necessary to have appropriate policies and measures, which can effectively combine labor training and usage, aiming at development of high quality human resources. It is essential to have thorough renovations in the system of education, training and occupational training, in order to achieve the targets of human resource restructuring in Vietnam.

- Priority should be given to promotion of cooperation among enterprises, occupational training institutions and community organizations, in order create human resources of high skills and qualifications to meet requirements of economic development.

It is necessary to have specific policies to provide supports for training programs of high quality human resources, for enhancement of the technological transfer effectiveness and application of inventions and initiatives in production and living activities. These must be seen as an important part of the socio-economic development strategy of the country.

- To carry out clearly, transparently and fairly the recruitment, usage and appreciation of the talents, especially capable scientists and specialists. There must be clear differentiation between real talents and fake talents, especially in appointment for important positions. The State should make theoretical and practical summaries of human resources, evaluating precisely achievements and shortcomings as well as drawing lessons in order to amend timely human resource policies such as policy on orientations of career, policy on occupational training, and policy on State management of occupational training and learning as well as labor usage.

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