

## **MOBILE WORKS IN RECENT YEARS IN VIETNAM**

### **CHANGING IN THE ECONOMIC POLICIES**

### **AND INTERNATIONAL INTEGRATION PERSPECTIVE**

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Mobile works is the concept, which points out changes in the employment of individuals. These changes are often associated with a movement in career position, in the field of operations or in the working position. Mobile works is known as a phenomenon derived from the structural economic changes, and with the globalization, mobile works tend to increase. However, mobile works is not only a result of the development process and international integration, but also an impact for the development process. Studies showed that mobile works related to a range of issues such as quality of life, economic growth, poverty, and social improvement (see: 1). Hence, mobile works is one of the important research contents of the social sciences.

The noteworthy point when studying mobile works is that although employment is personal decisions, it does not simply depend on the characteristics of labors (gender, age, marital status, education level, qualifications, etc.) but also influenced by environment, policies and laws, especially under the control of the policy system and economic laws. The changes

in the policy system and economic law make the tendency of changing jobs which is expected by society. Under the impact of these changes, labors may have more opportunities to change jobs (voluntary mobile works) or employees may be born with pressure, so they must change jobs (forced mobile works). Therefore, to fully understand and explain the phenomenon of mobile works, reviewing and evaluating the policy system and economic laws are necessary.

In the last years, Vietnam has made real turning point in changing the conception and direction of socio-economic development. The Vietnamese Communist Party and State have noted the positive role of non-state economic sectors and gradually create a favorable legal environment for all economic sectors to develop together. The country has implemented industrialization and integration into the region and the world. New jobs are created more and more, however, worth mentioning is the

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increasing number of new jobs between different economic zones, between different economic sectors and between different jobs. Therefore, it is creating job shifting lines based on economic zones, economics sectors, and job positions. For better understanding of mobile works in the present context, this article focused on reviewing the changes in economic and international integration policies of Vietnam and evaluating the impacts of these changes for mobile works problems since the beginning of the renewal until now.

## **I. Economic policies and international integration**

### *1. Economic policies*

To bring Vietnam out of economic crisis and poverty in earlier of 1980s, The Sixth National Party Congress of Vietnam Communist Party (December 1986) decided to implement the "Renewal." The breakthrough of the Renewal was moving from developing central planned economy to the multi-sector commodity economy toward socialism (see: 7).

The implementation of the Renewal continues to be confirmed in the subsequent Party Congress. The Vietnamese Communist Party and State have strong reforms in the economic sectors. The laws and policy system related to the production relations, management mechanism continuously be supplemented and improved in order to create a favorable legal environment and promote the development of all economic sectors.

*Law on Foreign investment* was issued in 1987 and amended and supplemented

in 2000, allowing all forms of foreign investment and not restricting contributions in almost every field. The law also recorded that "the State protects the ownership of capital investment and the other legal rights of foreign investors, thereby creating favorable conditions and fast, simple procedures for foreign investors investing into Vietnam (see: 8). The issuance of this Law has created a strong step forward, allowing Vietnam to open doors to the world and attract significant amount of investment capital from abroad, thus creating more jobs for labors.

*Land Law*, approved in 1987 and was completed in the following years, acknowledged the autonomy of individuals, households and organizations in the use of land in long term. The law clearly noted that "land users have a choice of land use forms such as leasing, transferring, exchanging, inheriting, donating or contributing." Thus, it was the first time Vietnam law has acknowledged the land as a commodity and allowed the formation of land markets (see: 9; 10). With these changes, the difficulties due to lack of funds, and land for production development and business production development has partly been removed, in replacement, land is mobilized for business and production.

*Enterprise Law*, which was approved by National Party Congress in 1999, recognized the right of free business and equality between enterprises under the law. In addition to the banned list has been written in the Law, all businesses have the autonomy to select and decide investment field, investment areas and

forms of investment, business scale and scope and actively carry out business activities in the framework of the Vietnam's law. The State recognizes and protects property rights, investment capital, income, other rights and legal interests of businesses and business owners (see: 11). The recognition and protection of the rights and legitimate interests of the business has completely remove the psychological fear, fear not dare to development investment of other non-state-own economic sectors, thus opening a period of strong growth of non-state economic enterprises.

In addition, the reforms with state-own enterprises have been conducted. State gradually hands over autonomy authority in management for the enterprise, dissolves enterprises with inefficiencies operation and privatizes these enterprises to create more favorable conditions for private enterprises development.

## *2. The open-door policy and international integration.*

In parallel with efforts to renew the domestic economy, Vietnam has actively opened and into regional and global economy step by step. This policy is also consistent over the period of the National Party Congress.

Document of The Sixth National Party Congress of Vietnam Communist Party (1986) stated that Vietnam encourages foreign investment in various forms. Foreigners and Vietnamese overseas are being created favorable conditions for investment and business cooperation in Vietnam (see: 7, pg. 66). Continuing the policy of opening door and promoting

economic-trade cooperation, The Seventh National Party Congress of Vietnam Communist Party affirmed that Vietnam policy of diversification and multilateral economic relations with all countries, all economic entities in the principles of respect for independence, sovereignty, equality and mutual benefits (see: 7, pg. 265). To strengthen efforts to integrate into regional and international, The 10th National Party Congress guideline: Vietnam actively reform economic institutions, complete the legal systems to ensure national interests in accordance with the international regulations and practices. Continue improving investment environment, focusing on administrative reform, training human resources, creating more favorable conditions to attract international capital (see: 7, pg. 702-703). Thanks to the consistent implementation of above policies, Vietnam is increasingly integrating into regional and international.

Vietnam joined ASEAN in 1995, joined the Free Trade Area of ASEAN in 1996, signed the Framework Agreement on ASEAN Free Trade Area in 1998 and signed to agreement of building the ASEAN Economic Community in 2003. Together with ASEAN, Vietnam has signed various agreements, framework of cooperation with other countries to expand cooperation with them and more integrated into the regional economy.

One important step in integration into the world of Vietnam is that Vietnam officially joined the World Trade Organization (WTO) in January 2007.

Become a member of WTO, Vietnam must comply with all agreements and regulations of this organization. This means that Vietnam must implement the main rules include: liberalizing trade, opening up domestic markets for goods, services and investment; no discrimination between the Member States; not discriminate between goods and services of domestic businesses and foreign businesses; publicity and transparency in the policy. However, due to the low level of development and the process of transition to market economy, in the short term, Vietnam only has to conduct some important commitments, including cutting tariffs and opening services markets. This has certain influence on the development of industry and services sectors in the country.

## **II. The impact of economic policies and international integration to mobile works**

With such strong economic reform as above, Vietnam has made substantial movement of economic structure, the labor structure and accompanied with a move of labors' jobs.

### *- Moving jobs between sectors*

Labor mobility from the public sector to the private sector is the main trend occurred during the economic transition in Vietnam.

From 1986 to 1994 - the early years of the Renewal – this movement took place relatively strong because the State implemented enterprise reform. The most ineffective state-own enterprises were dissolved and privatized; making a large number of cut off employees in the

state-owned sector. From 1987 to 1993, there were about 970,000 employees in state-own enterprises had to leave and find new jobs (see: 5). Therefore, rate of employees in the state-owned sector, was reduced from 8.7% in 1989 to 6.2% in 1991. However, the reduction in workforce has not caused serious unemployment, due to the development of private enterprises timely create and attract over 4 million jobs (see: 12).

From 1995 to 2001, the movement of labor from the state-owned sector to private sector was stopped shortly due to the slow reform of state enterprises and psychologically, employees do not want to leave the state agencies for fear of losing their jobs, their rights are not guaranteed and can not lease land. Although the number of redundant employees in state agencies is relatively high, only some unskilled workers are forced to resign (see: 2). Even during this period, the proportion of workers in state-owned sector in total employment shows signs of a slight increase, from 9.2% in 1995 to 9.6% in 2001 (see: 3).

Since 2001 until now, structural changes in the labor sector are very small. Number of employees in the state-owned sector continues to increase, from 4,967.4 thousand in 2005 to 5,031.1 thousand in 2009 (see Table 1), but by the new jobs in this sector accounts for only a small proportion in total of new jobs, so the proportion of employees in the state-owned sector in total labor tends to decrease slightly, from 11.6% in 2005 down to 10.5% in 2009 (see Table 1). Non-state economic region continues to grow, play an important role in

creating new jobs and attract workers. Considering separately two years 2001 and 2002, the proportion of new jobs created in the private sector from 80 to 90%, while this rate in the state-owned sector only from 6.5 to 20.1 % (see: 3).

Along with the growth of non-state sector, the sector with foreign capital investment (FDI) has grown rapidly and attracted a significant amount of labors. To date, there are 43 countries and territories that have investment projects in Vietnam. Total FDI projects licensed from 1988 to 2008 up to 10,981 projects with total registered capital of more than 163,607 billion USD (see: 16). FDI enterprises have created jobs and steady income for more than 1.7 million direct employees, not to mention to tens of thousands of indirect employees (see: 14). Thus, the proportion of workers in FDI sector rose up slightly from 2.6% in 2005 to 3.4% in 2009 (see Table 1).

**Table 1. Employment by economic sector, the period 2005 - 2009 (Unit: thousand )**

	2005		2007		2008		2009	
	Labour	%	Labour	%	Labour	%	Labour	%
Total	42,774.9	100	45,208.8	100	46,460.8	100	47,743.6	100
State Sector	4,967.4	11.6	4,988.4	11.0	5,059.3	10.9	5,031.1	10.5
Private Sector	36,694.7	85.8	38,657.4	85.8	39,707.1	85.8	41,100.8	86.1
FDI	1,112.8	2.6	1,562.2	3.5	1,694.4	3.6	1,611.7	3.4

*Source: General Statistics Office. (17)*

#### *- Mobile works by economic sector*

Labor mobility into the service sector is the mainstream in the early stages of the innovation. The cause of the movement is the strong growth of service sector than the economic subsidy era. From the overlooked and not been sufficient

investment in the economic subsidy era, service sector become more favorable investment one compared to other areas and it has developed quickly when moving into the market economy. Therefore, the first stage of the innovation, service sector have flourished, and plays an important role in creating new jobs and attracting workers. In about 10 years (from 1991 to 2001), the proportion of employees in the service sector has increased to 10% (see: 6). Calculating only in 2001, the number of new jobs created by the service sector is about 450,000 jobs, over 50% of all new jobs created by all sectors (see: 3)

From the mid-2000s until now, the restructuring of labor among sectors continues occurring but gradually slow down. Increase proportion of labor in service sector slow down considerably, rising only 1.6% in five years (see: Table 2). Proportion of the labors in the industry, construction and transport sector increase slightly, about 3%.

However, worth noting that although the proportion of labor in the service sector rose at a lower rate compared with other sectors, but service sector still contribute to the creation of new jobs the most. From 2000 to 2008, the industry sector added only 2.8 million more new jobs (approximately 38.5% of new jobs), while the service sector has created 5 million more new jobs (approximately two thirds of new jobs) (see: 13).

The process of international economic

integration also contributes to form the above movement. In recent years, flows of direct investment capital from abroad increased strongly and mainly focused on processing industry, machinery manufacturing and services sector, especially in the service sector. In 2000, foreign investment in the services sector accounted for only 7% of the total registered capital, at the end of 2009, this proportion was 77% (see: 16).

**Table 2: Labor structure by economic sectors in 2005 - 2009 period (unit: %)**

Sectors	2005	2006	2007	2008	2009
Agriculture, forestry and fisheries	57.1	55.4	53.9	52.6	51.9
Industry, construction, transportation and information	20.8	21.9	22.4	23.3	23.9
Service	18.2	18.9	19.5	19.8	19.8
State management, National security, social and political organizations	3.9	4.0	4.1	4.3	4.2
<b>Total</b>	100	100	100	100	100

Source: General Statistics (17).

*- Mobile works by job position.*

During the transition, the movement between the job positions is also happening in Vietnam. Labors tend to move jobs from the position "taking part in business production with the family" to the position of "salaried" or "Employer hires employee" or "self-business production", in which the movement to the position of "self-business production" and "salaried" is the main current trend.

Compared with 1996, the percentage of the salaried labor in 2007 had increased approximately 14%, the percentage of employer hires employee have increased

2.5%, the rate of self-business production has increased by 17.2%. Meanwhile, the proportion of labors engaged in business production with the family decreased from 45.8% in 1996 down to 12.9% in 2007 (see: 18). However, this change occurs unevenly between economic sectors and sectors.

Increasing of salaried labors took place primarily in the area of private services, especially in private sector services in rural areas. Contrary to the trend of increasing self-employed labors in the

service sector, self-employed labors in the industry sector tends to decrease. In the period from 2007 to 2009, self-employed in the industry sector fell down by

1.2% but the self-employed labours in the service sector rose slightly by 1%. The rate of salaried labors in rural areas tends to increase sharply while the rate of salaried labors in urban areas decreased slightly (see: 13).

The trend is a result of implementing the process of the Renewal of the Vietnam Communist Party and State. The policies of developing market economies has boosted the participation of all economic sectors, especially the private sector, thus increasing the number of employees in the "self-business production" and "Employer hires employee" as well as creating more jobs which are paid salary.

Although only in the early stages of the

integration process, the tariff barriers and other measures of state support has not been eliminated completely, but there are signs that Vietnam is affected by the fluctuation of the global economy. After the global economic crisis (2007-2009), many small and medium enterprises in Vietnam have to close and cut labors. Annual unemployment rate of urban areas tends to decrease and at only 4.6% in 2007, then this ratio showed signs of increasing again, at 4.65% in 2008, and the rate of unemployment and underemployment in 2009 amounted to 7.93% (see: 17).

### III. Conclusion

Since the implementation of renovation until now, economic policy and international economic integration of Vietnam has big changes and impact on mobile works of labors. These changes, on the one hand, creating more new employment opportunities, also creating pressure for labors to change jobs. Mobile works, which is a rare phenomenon in the economy, becomes a common one nowadays. Mobile works takes place between sectors, economic sectors and between the working position in which the movement of jobs from the state-owned to private sector, non-service sector to services, from location "taking part in business with the family" to "self-business production" and "to be employed" is the main current trend.

In the future, when Vietnam integrates into the world comprehensively, the impact of the integration process for mobile works will grow more. Under competitive pressure, businesses

operation in Vietnam will have to move to invest in the advantage fields, growing in scale of capital investment, modern technology and more advanced on the management level. The small and medium enterprises, especially the individual business families will gradually be narrowed or even wiped out. Demand for workers in the labor market of Vietnam, therefore vary considerably in terms of quantity as well as the quality of labor. Mobile works and employment is increasingly unavoidable. This suggests the need for further research on mobile works in Vietnam in the context of integration and globalization.

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