

QUALITY OF VIETNAM HUMAN RESOURCES THROUGH THE 2010 VIETNAM COMPETITIVENESS REPORT

ĐẶNG TRƯỜNG MINH

I. Some features about the 2010 Vietnam competitiveness report

The *2010 Vietnam competitiveness report* was conceived in 2006 when Mr. Phan Văn Khải as Prime Minister at that time came to Harvard Business University during his visit to The US. At here, Prime Minister suggested Prof. Michael Porter assist Vietnam in building *The 2010 Vietnam competitiveness report*. Then, in 2008 Prime Minister Nguyễn Tấn Dũng formally proposed Prof. Michael Porter assist Vietnam in building this. This proposal of the Prime Minister took place in the context of Harvard Business University was having an ambitions to expand its influence in Asia by the plans to set up Asia Competitiveness Institute (ACI) which belongs to Lee Kuan Yew Public Policy University (Singapore), so Prof. Michael Porter committed to support Vietnam government in the process of building *The 2010 Vietnam competitiveness report*. Based on that basis, the Government directed the Ministry of Planning and Investment implement this idea. Then ministry of Planning and Investment assigned the Central Economic Management (CIEM)

directly cooperate with the Asia Competitiveness Institute under professional direction of the Prof. Michael Porter to study and The 2010 Vietnam competitiveness report. This report was announced in Hanoi on November 30th, 2010 by Prof. Michael Porter, Chairman of ACI's International Advisory Council.

Although every year there is the annual report of the World Bank (WB), Asian Development Bank (ADB), International Monetary Fund (IMF) or other international financial organizations about Vietnam competitiveness ability, but this report has attracted the attention of many ministries, sectors and enterprises. Based on the methodology Prof. Michael Porter, one of the founders of the modern competition which was verified in the world, the Report provided policy makers and stakeholders with evaluations based on objective data about Vietnam competitiveness ability. Points of interest in this report are the recommendations and solutions for social economic development ,which is dispersed in the individual reports, have been codified, giving priority measures in the course time on each

issue to have “unleashed” mechanisms and policies. On that basis, the report proposed a set of policy recommendations based on the arguments and obvious scientific data. According to this, five areas of policy are: education and work skills training; infrastructure, management of state enterprises, attracting foreign direct investment and industry policy development and related industry clusters. Three areas of institutional structure are: the policy process, the capacity of the state and topology between central and local levels.

II. Assessment of Vietnam human condition today through the 2010 Vietnam competitiveness report

The first competitiveness ability report also gives us a fuller picture of the quality of human resources in Vietnam today through a number of criteria:

- *About labor productivity:* Labor productivity is defined here as GDP per employee. General growth rate of labor productivity is relatively high but the level of absolute productivity in Vietnam is still lower than most countries in the region. Research has shown that labor productivity in Vietnam has increased continuously since 1986 until now with relatively high growth rate compared with other countries. In the period 1986 - 2009, labor productivity of Vietnam increased by an average of 4.67%, higher than other countries in the ASEAN region (average growth rate of ASEAN is 3.73%), but in absolute terms, Vietnam is still a country with low labor productivity in Southeast Asia. In 2009, labor productivity of Vietnam is

equivalent of 14.9%, of Singapore's, 9% of American's, 40% of Thailand's and 52.6% of China's. If comparing labor productivity in manufacturing and processing areas (area which is considered as the force to lead productivity growth in Vietnam), the result is more modest. Take the productivity of U.S in 2000 was 100, the productivity of the manufacturing sector in the same year in Vietnam is 2.4 respectively; India is 4.3; Indonesia is 5.2; China is 6.9; Thailand is 7; Malaysia is 15.1; Singapore is 55.3 and South Korea is 63.6.

- *About origin which creates growth:* Researches have shown that in the period 1990 - 2000, 34% of Vietnam's GDP growth is due to the contribution of physical capital growth, 22% is due to growth in labor and 44 % is due to TFP growth (*). However, in the period 2000 to 2008, the contribution of physical capital has increased to 53%, while the contribution of TFP decreased to 26%. Thus, physical capital is the main resource of Vietnam's growth, while the contribution of TFP factor for total economic growth was low, with only 1/4, by 2/3 contribution of TFP factor in other ASEAN countries such as Indonesia, Malaysia, Thailand and the Philippines. It also shows that Vietnam's economy is still moving toward growth in number, not growth in quality. It is developed mainly by the width, not strongly shift to in-depth development. Results due to many causes, but we can

(*) Total Factor Productivity - is a variable measuring the growth of output generated by these inputs which is not the traditional elements such as capital or labor. TFP consists of many factors but mainly is technological progress.

see the important reason is the quality of our human resources is low and the structure is not reasonable.

- *Efficient use of capital is not high:* Effective use of capital is reflected in many indicators. Recently, in conferences experts often use ICOR coefficient. This indicator is calculated by many ways, but the simple way that experts mentioned is take the rate of investment per GDP divide to GDP growth rate. The larger of ICOR is, the lower of investment efficiency is and vice versa. This coefficient in Vietnam has tendency to increase. On average, Vietnam's ICOR is about 4.8 in the period 2000-2008 and 5.4 in the period 2006-2008. With this scale, the Vietnam ICOR is higher than many new industrialized countries in the stage of economic transition (from 1961 to 1980) such as Taiwan (2.7), Korea (3.0), and also higher than some countries in the region such as Thailand (4.1 in the period 1981-1995) and China (4.0 in 2001-2006). This demonstrates that effective investment in Vietnam remains low.

- *About the structure of export products:* the structure of export products of our country still focused on products with low technological content and other ones from agriculture. Apart from crude oil which accounted for 1/5 of total exports, the main export products of Vietnam today is the labor-intensive goods or agricultural products such as footwear, apparel and machinery electronic components. Compared with other countries in the region, the products manufactured for export in Vietnam is at the modest level in terms of technology. According to the UN Comtrade in 2008, the technological

content of products manufactured for export in Vietnam reached only 10.1% of high technology, 14, 5% of medium technology and 67.1% of low technology while the corresponding ratio for Thailand is 22.7 / 37.7 / 16.1, Singapore's is 44.8 / 22 / 6.7.

- *About the structure of human resources:* Today, Vietnam is serious shortage of human resources with high qualifications. In the total of 49,071,636 participants in the labor market, there is only 17.6% of workers who have been trained, in which the labor having university degree above only accounts for 5.2%.

Furthermore, job structure is still irrational: the number of employees involved in agriculture, forestry and fisheries is 47.6%, processing industry, manufacturing is 14.5% and professional activities, science and technology accounts for only 0.5%. In fact, when Intel Corporation implemented to evaluate the criteria of 2000 information technology students in Vietnam, only 90 candidates, equivalent to 5%, passed the inspection and in this group only 40 applicants satisfy the English proficiency. International investors and Vietnam ones also agreed that the shortage of labor and management skills (particularly senior and middle) is a major barrier to expanding investment in Vietnam.

III. Some recommendations to improve the quality of Vietnam human resources today

The current growth model of Vietnam is based on human resource which is abundant, cheap and large physical capital investment. In essence, the development flourished in recent years

thanks to the labor moving from agriculture to industry and services processing large capital intensive areas. With this model, the highest level of development that our country can reach will be limited by the level of labor productivity, which labors with lack of skills can now create. Therefore, in the near future Vietnam will inevitably have to switch to the economic growth model based on productivity and competitiveness is essential. In that model, one of the factors are of primary concern is the quality of human resources. If Vietnam can not overcome the current way of growth, it will fall into the "trap" with low average incomes and face with competition from new low-income rising countries. Therefore, in the near future Vietnam will inevitably have to switch to the economic growth model based on productivity and competitiveness is essential. In that model, one of the factors are of primary concern is the quality of human resources.

Human resources are decisive factors to the development of the country, especially high-quality human resources, focusing the most stellar group of human resources. High quality human resources are formed and developed through the training process, accumulated knowledge, skills, experience and actual use. It is a continuous process which should be monitored closely and having appropriate solutions at each stage of the system . If we only pay attention at the training stage without having effective solution for use and developing their talents, these results created in the

training process will lost in oblivion and vice versa, if we not pay attention in training we can not build and develop high quality human resources.

These aspects presented in the report clearly show further limits in the quality of human resources in Vietnam today. The rapid development of human resources, especially high-quality human resources in the context of globalization and international integration is increasing becomes deeply urgent requirements. To improve the quality of human resources in our country now, we need a system with highly macro feasible solutions. The report recommends, first of all need to focus on the following issues:

- *Building the strategy to develop national human resource* based on in-depth and careful studies about the types of skills and capabilities necessary for the growth in the future. This strategy should be developed on the basis of close consultation and collaboration with businesses and associations in the fields of education and training, rather than based on unilaterally proposals and implementation of the Government. We should have a central agency to act as chair to monitor the development and implementation of strategies, as well as all the projects and programs to build human resources afterwards. This agency will coordinate the policy areas and issues which currently scattered, distributed under the management of multiple, different industries, such as arrays of Education of Ministry of Education and Training, the arrays training job of the Ministry of Labor - Invalids and Social Affairs and the array

of skills training and other subjects is due to the management of specialized ministries. A working group in charge of education reform under a coordinating agency in charge of improving competitiveness can help coordinate and coordinate activities in this field.

- *Reforming state management of education:* Instead of focusing on executive and administrative interference, the state management of education should develop a system of quality standards to effectively control quality, rather than quantity of teachers, students and curriculum. Barriers to entry the market should be streamlined towards allowing the institutions with the best ability to join the market. The training institution should be given more autonomy in deciding the organizational and operate issues of their own units. A personnel management system based on ability and work performance should be established to encourage the lecturers and most talented students, while eliminating corruption and fraud in the education and training. Allocation must be linked to performance, not just the size of the facility. We need to establish a transparent system to orient clearly for customers using the service of education. Government should mobilize the resources and the rules of market mechanisms to improve the quality of education, instead of performing the interventions.

- *Develop vocational training systems:* The society's favor for university education (especially industry and business management) compared with vocational training will lead to a serious shortage of engineers and technical

workers to meet market demand. State management in this area should be rationalized and provided a clue (instead of being scattered in three focal points now.) The training programs should be developed and managed with the close cooperation of enterprises, including foreign investment enterprises, other institutions, and local governments.

However, the solutions given in the report is general. To fit the actual conditions in Vietnam, we should focus on more specific issues as follows:

Firstly, building strategic human resource development linked to national social economic development strategy.

The key problem is that Vietnam should establish close relationships between human resource development strategy and the social economic development strategy. Based on the requirements of economic development strategies on the number of lines and the skills and qualities of human resources in the medium and long term to develop and adjust strategic human resource development, focus on areas which can generate higher value.

Secondly, continuing to strongly reform education and training areas.

Labor skills are very important for the development of an economy with high added value. Although education and training is not enough, but there will be no other way to develop without a well-trained labor force to meet the demands of a modern economy which take the knowledge be the center. Therefore, education and training must be diversified in the forms and levels of training appropriate to the diverse needs

of learners from education to job training, from intermediate to college, graduate connected with training in foreign countries. Among them, the tendency to develop of universities is to gradually move from the University teaching model to research universities. The training content must be regularly updated the progress of modern science and technology and we need also promote innovative methods of teaching - towards the harmonious combination between tradition and modern, which is suitable with Vietnam conditions.

We need pay special attention to build and standardize system of indicators, assessment methods of education and training quality standards following the increasing ones in the region and the world. Building and developing key human resource groups in key sectors such as information technology, mechanics - automation, new materials, marine technology, biotechnology, medicine, energy, and environmental technology. Developing and improving mechanisms to effectively attract the prestigious scientists, especially high-level overseas Vietnamese to participate in training high quality human resources, or directly participate in the market labor market in Vietnam.

Thirdly, focusing on developing strong vocational training system.

We need more focus to develop vocational training system to ensure both quantity and quality. State management in this area should be rationalized and provided a clue. Accordingly, building and improving content, training programs, training theory closely associated with the

practical skills training, ethics training, strength in industrial and labor discipline and enhance facilities, equipment and machinery, equipment and facilities for teaching, learning, step by step approach to advanced and modern technology close to the actual requirements of production and labor market. Increase the time to practice, reduce the time to learn theory to constantly raise the level and skills for learners. Expand application of foreign advanced vocational training programs and gradual develop vocational training by foreign language, deploy affiliate programs, joint ventures in vocational training to send learners to overseas studying vocational and technical , high technology which domestic has high demand but not enough conditions to train, and having a mechanism to attract, effective control of international professional and technical labor to work in Vietnam.

Fourthly, continuing to research, complete and have consistent treatment policy for teachers and staff working in educational administration.

This is not a new content, but never old. This is a very important issue to look forward to building a contingent of teachers at all levels with high qualification, pure morality, and having capability to train Vietnam's workers with comprehensive development, full knowledge and skills to work with international level.

Fifthly, enhance physical of Vietnam's people

This is a very important direction to improve the quality of human resources in Vietnam. If having good physical

people have conditions to constantly learning, training, and improving the capacity of themselves before the demands of the renovation. Therefore, the basic objective is to improve a sustainable scale of the Vietnamese, represented by the increase in the average height of young people. At the same time, we need ensure the harmonious development between standing height and body weight, increase physical strength, especially the harmonious development of the necessary physical qualities (strength, power, flexibility and dexterity). Ensure the implementation of labor, learning, creativity and the normal activities of each other.

Sixthly, invest more in research, science and technology development.

Today, the investment in research and development of science and technology in enterprises is still low (only 0.27% compared with a profit before tax, of which spending for R & D activities is 0.1% and for technological innovation is 0.16%) therefore, to have good internal resources to meet strategic development of high quality human resources, we must invest much more for research, scientific and technology development.

Thus, only identify to improve the quality of human resources is a major driving force for sustainable economic growth and achieve comprehensive solutions, so that Vietnam can successfully implement the strategy, change the burden of population into a competitive advantage in the future,

realizing the goal by 2020 Vietnam become an industry countries towards modern.

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