

EMPLOYMENT AND UNEMPLOYMENT

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This chapter presents a description of non-farm labour as it appears from the results of the survey. The first section discusses the concept of activity, labour and the labour force participation rates. The second section gives an overview of the labour force characteristics and the third section presents the recent evolution of non-farm labour. In the fourth section, we examine wage labour. The fifth section focuses on unemployment.

I. Activity, labour, employment

The implementation of the Doi Moi policy had a strong impact on the situation of employment in Vietnam. Major features of job environment have been modified, such as the process of job creation-job search, institutional environment of labour, etc. A restructuring of the economy is taking place, whose effects can be seen on employment through the distribution of the labour force by institutional sectors and industries, and through other characteristics of the labour force. A process of regulation of labour supply and demand has also taken place, showing an adaptation of the population to the new rules of the economy.

A. The concept of activity and employment

The contour of economic activity appears to be imprecise. This makes difficult any assessment of labour force participation rate or rate of unemployment. Not only it is difficult to distinguish between non-active and unemployed (unemployed are part of the labour force), but also, to some extent, some self-employed or family workers are not easily distinguishable from non-active. In a family commerce for instance, the grand mother or some children can help irregularly, although they are present all day long in the shop. In many family activities, it is not possible to assess the exact number of working members of the family. Duration of work is also meaningless in this case, since active work and household duties are not distinguished and that the time of waiting for customers is included in work time (for that reason, no question on work duration was asked to the self-employed). In this survey, some principles were adopted to define people having a job (work at least 32 hours in the month preceding the survey, and

the question was even asked to non-active people and students); yet, participation to labour force appears to be low.

Work status also is not easy to define in some cases. International classification distinguishes between wage workers and self-employed (besides employers and family workers). Wage workers "sell" their labour force to others and get a salary from it. In fact, any person being employed by another for any kind of payment falls into this category. In Vietnam, the main employer is the State (three-quarters of the employees in the survey). Among the rest of the employees, some work without any juridical frame, no fixed salary, more or less casually. Some people only define their job by their status of daily worker or casual worker without referring to any specialisation. They are day-workers, (*lam thue, lam muon*), porters (*boc vac*) etc. They change employers everyday, and it is difficult to say if they are employees or self-employed (do they sell their labour force or a service?). These kinds of workers may represent up to 10% of the non-farm labour force¹.

These considerations are important not only to mitigate statistical results. They are also the effect of the labour situation brought about by the reforms, with the attitudes of people to respond to it. Work environment is being modified, conditions of earning one's life are changed, and people adapt their behaviour to the new environment.

B. Labour Force Participation Rates

1. Assessment of labour force participation rate

Labour force participation rates measure the share of population being active, i.e. having a job or seeking a job, in the population over 12 years old. The sample does not provide national rates but brings interesting information on partial rates, such as rates by sex, ages, area or region.

Labour force participation rate used to be high in Vietnam as compared with other countries. In 1989, the overall labour force participation rate for population aged 13 and over is 66.4% in urban areas (Population Census). The change in economic activity brought about by the Doi Moi policy has modified not only the distribution of population by industry or by kind of occupation, but also has modified the conditions of economic activity and labour force participation rate (LFPR). This rate appears to be very contrasted by region and by gender. It is also significantly higher in rural areas than in urban, although in both areas, only non-farm households have been interviewed.

¹ - In the following sections, these people are classified in the activity they declare, with the work status (usually wage-worker) they declare.

*Table 1 - Labour force participation rates by sex, region and areas**

	Urban	Rural	Total
Whole Country			
Males	62	66	63
Females	50	57	53
Total	56	61	58
North			
Males	60	63	61
Females	55	61	57
Total	58	62	59
South			
Males	63	66	65
Females	48	56	51
Total	55	61	57

*: percentage of the population aged 13 and over being economically active, i.e. having a job or looking for a job.

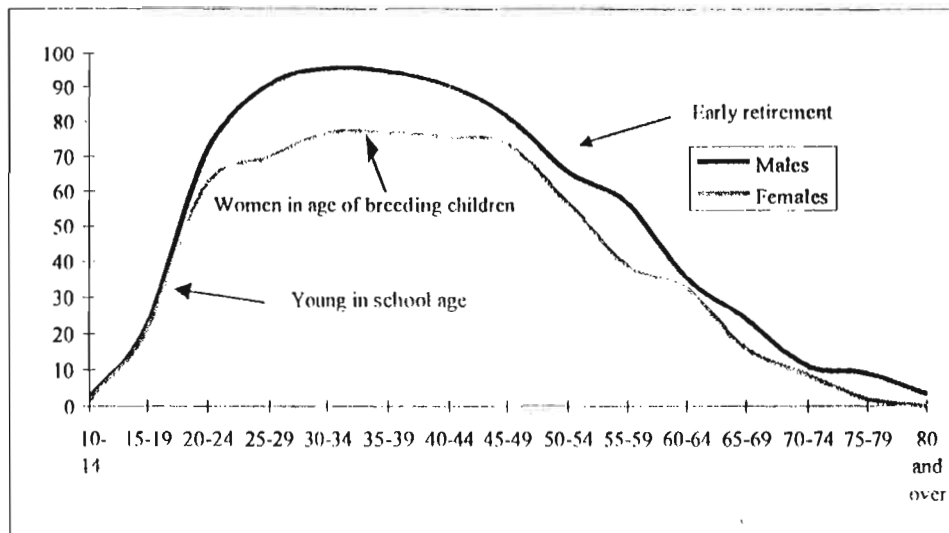
Labour force participation rates are determined first by the structure of population by age. The heavier are age categories of 25-55, the higher labour force participation rate will be. On the contrary, a higher weight of the younger generations (13-24) or of the older tend to lower the general labour force participation rate since labour force participation rate are lower in these age categories. Other factors are the rate of schooling (for the 15-24 years mainly), behaviour of females in age of having children, and other cultural factors.

Labour force participation rates depend also on labour supply. When labour supply is high, some people enter the active population to seek work or take a job. On the contrary, when labour supply is weak, some people tend to get out of the active population instead of continuing to seek a job or being unemployed. This explains also the lower labour force participation rates of women and of the 45-60 years old age category.

2. Labour Force Participation Rates by age and gender

We shall mention here three main phenomena visible at a microeconomic level, which reflect most probably behavioural changes in progress. These are the drop in labour force participation rates of youth, the drop in the one of women aged 25 to 45 and the drop for both males and females over 45, as shown on figure 1.

Figure 1 - Labour force participation rates by age and sex



School enrolment is the main factor that explains low labour force participation rates of the 15-24 years old cohort. Non-active individuals of that age are not many. This drop is dramatic as compared with 1989 (Population census).

The drop of female labour force participation rates is sensible at fertility ages (20-45 years) and may be due to voluntary withdrawal from the labour force when labour demand is not high enough and jobs are left for males. This behaviour can be seen in other Asian countries. However, it is more likely that the drop of female labour force participation rates is due to the necessity to take care of the children. Since childcare is not anymore in charge of society (i.e. cooperative, commune etc.), mothers have to choose between paying high fees for child keeping or staying at home. Fees for child keeping can be as high as a monthly wage, and therefore it is not worth working for a low wage. In the central and southern part of Vietnam where the average number of children per family is higher, the labour force participation rates of women in age of raising children is also lower.

The drop of labour force participation rates of people over 45 is due to early retirement and layoffs in the State sector in the 1990s. This is detailed further.

3. Regional differences in labour force participation rate

The study of regional differences in the labour force participation rates of different categories can enlighten some determinants of the labour force participation rates. The northern part of the country has the higher labour force participation rates, the central part the lowest. In this region, the difference in the age structure of the population of the sample, with a heavier weight of young generation explains a significant part of the variation to the national average (about 25%). But the two main factors that explain deviation of the labour force participation rates of each region to the national average are the rate of schooling and the attitude of women towards labour. In the South, a lower rate of schooling is a strong factor that explains higher labour force participation rates as compared with the central part of the country. This factor is overcompensated by lower labour force participation rates of females. Interestingly, the lower participation of women is not only due to child rearing (specific drop of labour force participation rates of women raising child can be isolated), but mainly to a "cultural" factor of female activity.

C. Dependency Rates

Dependency rates measure the number of non-employed for 100 employed individuals. This index depends on the age structure of the population, on the labour force participation rate and on the unemployment rate. It says for how many non-active and unemployed, people having a job must work. At a macro-economic level, the dependency rates bring a measure of the effort the nation must consent to educate youth, supply healthcare to the disabled, old and individuals unable to work. During the

Table 2 - Dependency rates by region and area of residence

	Urban	Rural	Total
North	142	129	138
South	141	136	140
Total	141	134	139

demographic transition, that is to say at a period where mortality has diminished while fertility is still high, dependency rates tend to be high. When in turn, fertility starts to decline, dependency rates also diminish and this period seems to be favourable to development. This is a period where the heavy burden of educating young age cohorts is beginning to be lightened, but where elder population is still relatively low, meaning that the burden of pension and care of the retired people does not weight much in public expenses. Vietnam is about to enter this period, but still carry the legacy of high fertility of previous generations.

For that reason, dependency rates are very high. In the non farm population of Vietnam, 100 employed people have to support 139 non-active or unemployed persons. Dependency rates are higher in urban than in rural areas (and probably higher in non-farm households than in farm households).

This rate can be broken up into different components as shown in the table below. This shows that the main component of dependency is pupils and students, the weight of which is as much as 53% of the dependency rates. This burden should not be lightened in a near future since younger age cohorts are still numerous. Yet, the burden of children under school age should diminish first due to the fall in fertility rates. For the rest, there is no expectation of change in the factors that determine dependency rates, unless labour demand increases strongly and brings about a decline in non-active in working age as well as unemployed.

Table 3: Breaking out dependency rates by different factors

	Urban	Rural	Total
Children not at school	9	13	10
Pupils and Students	51	55	53
Unemployed	6	5	5
Non-active in working age	21	17	19
Old (60 and over)	13	10	12
Total	100	100	100

Conclusion

Demographic, economic and cultural factors interact on each other to explain labour force participation rates and determine activity. Participation to activity is not only an individual decision, but also depends on family and sociological environment. The direction of causality is not easy to establish. For example, does child rearing prevent women to seek a job, or does the lack of jobs let the women with no choice but housework?

Although the rate of unemployment is not high, there are indications that the weakness of labour demand is a major factor of the situation we have just described, and is responsible for growing non activity among some categories of the population. For example, some people have declared themselves unemployed, although not looking for a job because, as they said, there was no job opportunity for them. Furthermore, the number of self-employed in non productive activities suggests that there is a problem of underemployment which cannot however be formally established.

There is presently an overabundant labour supply in Vietnam, or a reserve of labour supply, not to speak of farm population. In the same time, there is a self-regulation of labour supply, at the conditions of the market.

II. Characteristics of the labour force

A job is defined by the status, activity, occupation, institutional sector, and qualification. There is evidence that the recent evolution of the Vietnamese economy has brought about major changes in all these aspects of labour. We shall consider here the non-farm labour situation as it appears from the survey. We present first the distribution of the labour force by institutional sector, activities and size of establishment. We shall then have a look at regional and social characteristics of the labour force. This will allow us to characterise recent trends of the labour market.

A. Situation of labour by institutional sector and activities

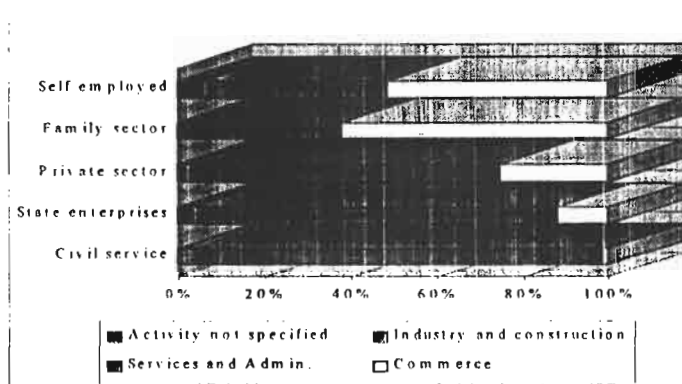
For sake of comprehension, we present several results below by institutional sectors as follow. The State sector, made of civil service or administration on one hand, of workers of State enterprises on the other hand, including joint-ventures of State enterprises with foreign partners. The few employees of cooperatives in the sample have been added to this category. The next sector is the private sector, including foreign enterprises not in joint-ventures with a public partner. This sector is mainly constituted of small enterprises. It is not always easy to distinguish from family enterprises, that do not have employees outside the family (all have less than 10

employees). These family enterprises constitute the third sector. The last sector is made of the self-account workers, i.e. people working individually. This sector accounts for nearly half of the non-farm labour force. It is also not always separated from the family enterprise sector and the two sectors are sometimes grouped in the presentation below.

1. Institutional sector, activity and status

Non farm labour in Vietnam is made of three components with uneven weights. The family and individual sector together represent 55% of the non-farm labour force. State workers, either in civil service or in State enterprises, represent 30% of the non farm labour force. The remaining 15% are workers in the private sector, mainly, as we'll see below, in small establishments.

Figure 2 - Distribution of the labour force by sector and by industries



The distribution of workers in different sectors by industries shows a relative specialisation of institutional sectors in some industries. State enterprises for example are concentrated in manufacturing industry and construction. Family enterprises and self-employed are mainly in commerce. Actually, more than 80% of commercial workers are self-employed or in family enterprises.

A closer look shows more areas of specialisation. The public sector, besides administration, public services (health, education) and commodities (public works, public transportation, telephone, electricity...) is more represented in a few industries only (chemical and paper industries). The private sector is present mainly in light industries (food processing, garment, furniture etc.) and in house construction. Self-employed and family enterprises dominate the commerce sector, including restaurants, but also transport of passengers, repair services, personnel services (such as hairdressers) and some industrial crafts. In several manufacturing industry branches, all three sectors are however significantly represented. This is an interesting feature showing that different production systems, with different capitalistic intensity, different technologies and workforce participate to production. Garment production for instance is characterised by mass production in large State factories, some of them with up to date technologies, but also by a self-employed production in tailor shops as well as medium size private factories.

Commerce is now the main activity in terms of number of workers with 36% of the non-farm employed labour force in the sample (in the mid eighties, employment in commercial activities was below 15% of the non-farm labour force). The extension of commerce in the recent years is one of the main features of the evolution of the labour force in Vietnam. The introduction of market mechanisms necessitated a development of distribution that was far below the level of neighbouring countries before the reforms.

Following the end of restriction on commercial activities, commerce has mushroomed and has become the main job provider outside farming, especially for people who had no alternative but self-employment. The need for commercial activities has given job opportunities, avoiding tensions on the labour market after the layoffs in the State sector. In the years 1986-1993, 43% of new jobs were in commercial activities (people in the sample who started their last job). There are indications however that we have come now to a point where there are too many people working in commerce, and that sector will not absorb labour at the same pace as in the past. In 1994-1996, commerce represents only 30% of new jobs.

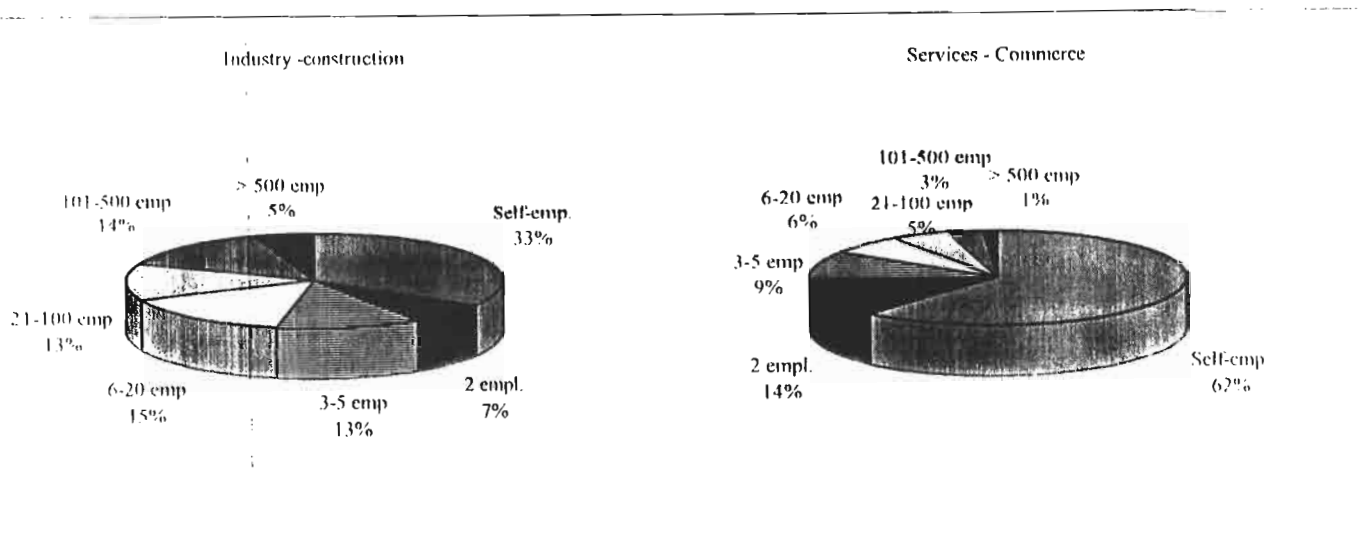
2. Size of establishments

The weight of self-employed in the non-farm labour force gives the labour force a feature of scattering. This characterises the tertiary sector much more than the secondary sector. In industry and construction, beside self employed (working alone), we find a fairly well balanced distribution between small (2-20 employees), medium (21-100 employees) and large establishments (over 100). Medium and large establishments are mostly State (central or local) enterprises².

The evolution of the distribution of workers by size of establishments should be an indicator to follow in order to analyse the evolution of the economy. It is also interesting for knowing the environment of labour relations, and eventually implementing relevant policies.

² - The establishment is different of the enterprise. Some workers in an agency of Vietnam Airlines for instance will declare the size of their establishment, i.e. the agency where they work, which might be small, although the enterprise is large. Consequently, there is an underestimation of large enterprises. However, the indicator of distribution of workers by establishment is more commonly used in many countries for practical reasons. In addition, there are 8.4% missing values in the question on the size of establishment. This information must therefore be interpreted cautiously.

Figure 3 - Distribution of workers by size of establishments (excluding civil servants)

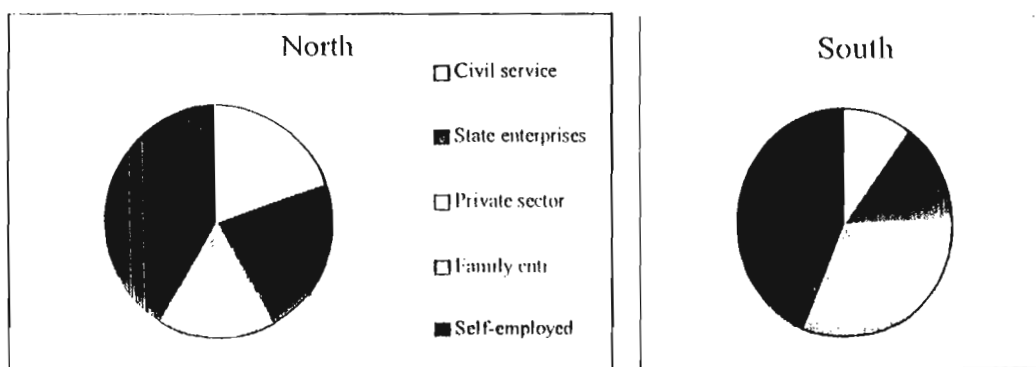


B. Situation of labour by region

This survey is not made to give description of labour by region. We only consider here regional features as a factor among others, which characterises the labour force. And indeed, the regional contrast in labour force distribution by region is very strong (see chapter 3).

North has a relatively more important State sector (40% of the non-farm labour force) than the South (24%)³. On the contrary, the private sector is more developed in the South (which has 4/5 of the labour force of this sector), while self-employed workers are equally represented in both regions.

Figure 4 - Distribution of non-farm labour force by industries and by region



³ - In this sample, the Southern part of Vietnam accounts for nearly two thirds of the non-farm labour force of the country. As a consequence, in absolute figures, there are as many workers in the civil service in the two regions and a bit more workers in the State enterprises in the Southern part of the country.

The distribution of the labour force by industry and by region is not so contrasted. The main feature, as a consequence of the above distribution by institutional sectors, is a higher share of service (and especially civil service) in the non-farm labour force in North, while the secondary sector is relatively more represented in the South (the secondary sector and commerce employ respectively 33 and 39% of people with a job in the South, 27% and 35% in the North).

C. Social characteristics of workers

This sample survey has not the objective to produce statistics on major socio-demographic characteristics of the labour force, this being done by the GSO-MOLISA regular surveys. We only show here the contrasts in sex and age distribution and other social characteristics by sectors and industries.

I. Age and sex distribution of the labour force

Females constitute half of the employed non-farm labour force (one of the highest rates in the world). The drop in labour force participation rate we have seen before is compensated by the fact that the absolute number of female population in age of work is higher, and also because unemployed or workers in farming activities of our sample are mostly males. Thus, although the overall labour force participation rate of female population is lower than the one of males, the number of female workers having a job in non-farm activities is similar to the number of males.

Table 4- Median age of workers and share of women by institutional sector and industry

	Median age	% under 26 y.	% females
<i>By sector</i>			
Civil service	38	5	50
State enterprises	36	10	47
Private sector	29	23	37
Family sector	33	25	52
Self-employed	37	36	56
<i>By industry</i>			
Industry and construction	32	19	42
Commerce	37	11	72
Services	36	14	20
Administration	38	6	51
<i>Total</i>	36	13	51

Due to the population structure by age, the non-farm labour force is relatively young, with a median age of 36 years, meaning that half of the labour force is under that age. However, the distribution of the workers by age as well as by gender within the different institutional sectors and industries is quite contrasted. Civil service has the highest age median. This is due to two main reasons. Firstly, people entering the civil service have a high educational level, and therefore get their first job older than the rest of the workers (see the share of workforce under 26 years old). The second reason is that the public sector has reduced recruitment these last years. State enterprises have a labour force similar to the average, except the

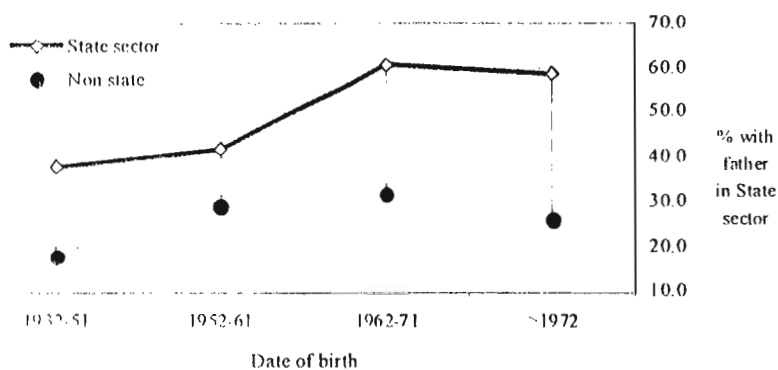
share of workers 45 and over, which is lower. This is a consequence of the

layoffs that occurred in the early 1990s and affected mainly workers in this age category. This age structure together with the gender distribution also reflects the important share of manufacturing industry and construction in the State enterprises sector. Manufacturing industries (except textile and a few other activities) and construction tend to have more males jobs and employ young workers. This feature is particularly striking for large enterprises in our sample. Self-account workers are dominated by female labour, especially in commercial activities. Nearly three out of four workers in commerce are women. At last, the private sector attracts relatively many young entrants on the labour market and is therefore characterised by a high share of young workers.

2. Social origin

Social origin is assessed here by the occupation of father of each individual (there are 38% missing values). First, it is interesting to note that 30% of the workers had their father in agriculture (42% of workers over 35 years old, 17% of younger). But oppositely to many countries, these people can be found more in the State sector than in self-employment. Agricultural origin has seriously declined through time and is also contrasted by region.

Figure 5 - % of active individuals with father in the State sector, by sector and date of birth

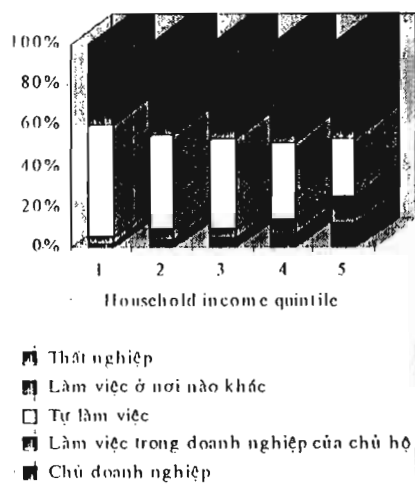


There are signs of social reproduction in the same sector, if we consider the percentage of workers now in the State sector and in non State sector, whose father was in the State sector. Not surprisingly, there are relatively more workers in the State sector who also had their father in the State sector. On average, half

of the State or State enterprises employees had their father in the State sector, while less than 30% of those who are now in the private or individual sector had their father in the State sector. But the gap has been widening considerably in the last twenty years, for the generation born after 1970. This means that in the recent past, the State sector has recruited mainly among the sons and daughters of its personal, while it is the opposite in the non State sector. The endogenous character of employment in the State sector has developed recently and may have been accelerated by the market economy.

The same phenomenon can be shown for education. More than 90% of individuals whose father has a university level have completed secondary school, as compared with only 30% of those whose father has only a primary certificate or less. The gap is wider for young workers. Since most educated people work in the State sector, it contributes to create further social discrimination.

Figure 6 - Distribution of the labour force by work status and income quintile



of family regarding income.

Work status is also contrasted when considering living standards of families. In poor families (1st quintile), the share of self-employed is more important (54% of active individuals). Likewise, the share of wage workers, and above all of entrepreneurs with their family labour, increases with living standards of families. Note also that there are more unemployed in poor families (10% of the labour force in the 1st quintile, only 4% in the 5th - sec section V). Undoubtedly, this is the sign of different labour (and income) opportunities by situation

III. Evolution of employment in recent years

A. Analysing the labour market as a system

Every year, there are people entering the labour market and people exiting it. In fact, since it is not a market as such, it is more accurate to speak about people who start a job or an activity and people who cease a job or an activity. We however utilise the words "labour market" in order to simplify.

The labour market can be analysed as a system, which is fed and regenerated by new entries that replace exits due to termination of activities. Since there are more entries than exits, the system is in expansion. Normally, entrants come from the education system or were previously non-active; these flows "feed" the labour market. Since we consider only the non-farm labour market, workers in agriculture are outside the system and the flow of farmers coming to work in non-farm activities also feeds the labour market. In addition, we analyse the domestic labour market, and workers coming from

abroad are a supplementary flow. Of course, agriculture as well as "abroad" are also exit gates for those who leave the labour market.

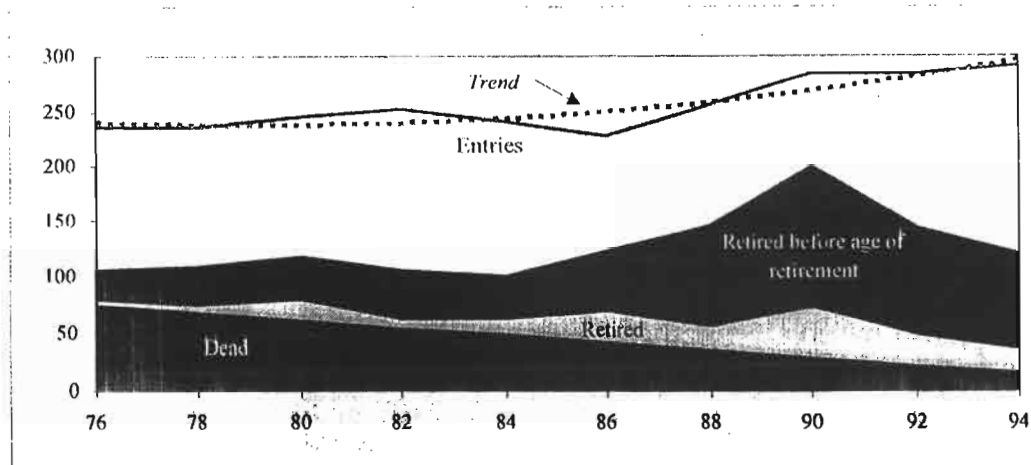
The survey data allow us to present an analysis of the labour market in terms of flows and this on a ten years period of time. It offers a complete and consistent picture of the labour market and in the same time details all links between different parts of the system. Mismatches and drawbacks at every point of the labour market can be pointed out. All these flows can also be described for subcategories of population, and one can compare the importance of different flows according to characteristics such as gender, level of education, previous experience etc. We present hereunder a simple analysis for the period 1993-1995.

The main feature of this evolution is the relative decline of the State sector (civil service and State enterprises), from nearly 50% of employment in 1987 to 30% now. The individual and family sector and the private sector have expanded. Unemployment is also on the rise, but periods of unemployment in the past may be under-recorded.

B. Entering the labour market

The number of people entering the non-farm labour market has been rising at a moderate pace in the last twenty years. The effect of the reforms can be seen in the chart below with a peak in the number of people who withdraw from the labour market around 1990. At that time, the growth of the non-farm labour market slowed down to around 1.5%, from 2-3% before. Since then, it has come back to former rates of growth, but the trend suggests that an acceleration of the growth rate is about to occur. A growth of more than 3% of the non-farm labour force in the coming years can be expected. After 1990, the number of people leaving the labour market tends to diminish but the number of people entering keeps growing. This is a main indication of the expansion of the non-farm labour market. Thus, the non-farm labour market has not yet "exploded" but is probably at the verge of a more rapid expansion.

Figure 7 - Number of individuals entering and exiting the non-farm labour market in the last 20 years



Number of people in the sample who enter and leave the labour market by periods of two years. The number of deceased people is an hypothesis to make the picture consistent.

The age of entry on the labour market is an important variable, which determines the pressure of supply on the market. When the average age of entry is growing one year, this is a whole cohort (up to one million people for all Vietnam) who will delay entry on the labour market (excepted in situations such as the one described below).

The recent evolution suggests that, on average, people tend to find their first job older than in the recent past. The average age of entry on the non-farm labour market has gone up more than one year, from 20.5 years old ten years ago to 21.5 now. However, this is not linked to the rise in school rates, as could be expected. The average age of entry on the labour market seems to have gone up because more former non-active people enter the labour market late (over 30). The average age of entry of people under 28 years old has been constant in the last fifteen years and the rise of the average age of entry is due to a greater share of people who first enter the labour market in their thirties or later. The share of people over 27 when they get their first job has jumped from 6% in the beginning of the eighties to 14% in 1995-96, with a peak of more than 15% for women around 1990 which explains the curve of female age of entry in the chart below. Note that people coming late on the non-farm labour market can have had previous job in agriculture.

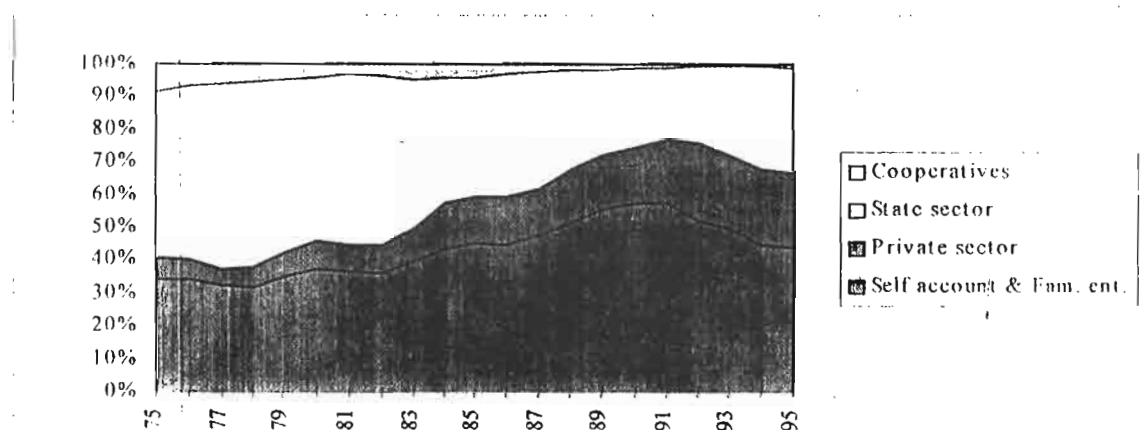
Sectors of entry on the labour market have significantly evolved in the last 20 years. Figure 5 shows the importance of each sector in labour absorption (for people who enter for the first time in the labour market) through time. It is interesting to see that though the part of State (Civil service and State enterprise) has been declining steadily since 1977, there is a reversal

since 1991. This year is the starting point of the reform of State enterprises. This reform has brought about mass lay-offs, but in the same time, many State enterprises started to recruit younger workers. It is clear that nowadays, the State sector plays a dynamic role in job creation.

Starting from a low point, the private sector is also dynamic in as far as job creation is concerned. It is now the outlet of 25% of labour market entrants as compared with 5% in the years 1977-79.

The role of self-employment and micro (or family) enterprise in job creation seems to have reached its limits. Although it is still the main sector in which non-farm workers start their work life, its part seems to be declining. It has played a main role during the period of restructuring of the economy, particularly with the dramatic extension of small trade. But this extension cannot go beyond some limits and the reversal seen on the chart demonstrates it. Self-employment has been an efficient buffer when cooperatives and many State enterprises were disbanded, but policy makers should not rely too much on this sector to absorb labour supply in the future.

Figure 8 - Sector of entry on the 'labour market' since 1975



This data apply only to people who are still in the labour market. Consequently, as we go back in time, we lack information on people who are not active anymore.

As for sectors, activities of entry have evolved in the recent past. Before 1987, civil service used to be the outlet for nearly 20% of the active population. The share of commerce was at that time about 30 to 35%. After 1986, the share of commerce grew up to 45% while civil service diminished significantly. This shows the first effect of Doi Moi on job creation with a growth of commerce for a few years. From 1992 on, one can see that the share of commerce is shrinking, while services and manufacturing industries, together with construction, are the outlet for more and more people (53% in 1994-95 against 44% before 1987).

C. In-flows to the labour market

1. Feeding the labour market

The domestic non-farm labour market is fed through several channels. The two most important are the outlet of education system and exit from non-activity.

The natural source of labour is made of the output of the educational system. The analysis of the results of the survey shows that the main source of entries on the labour market comes from the educational system. But in many cases, there is a detour through non-activity. In other words, many young people do not start working right after they terminate school or university, but go through a more or less long period of non-activity or unemployment.

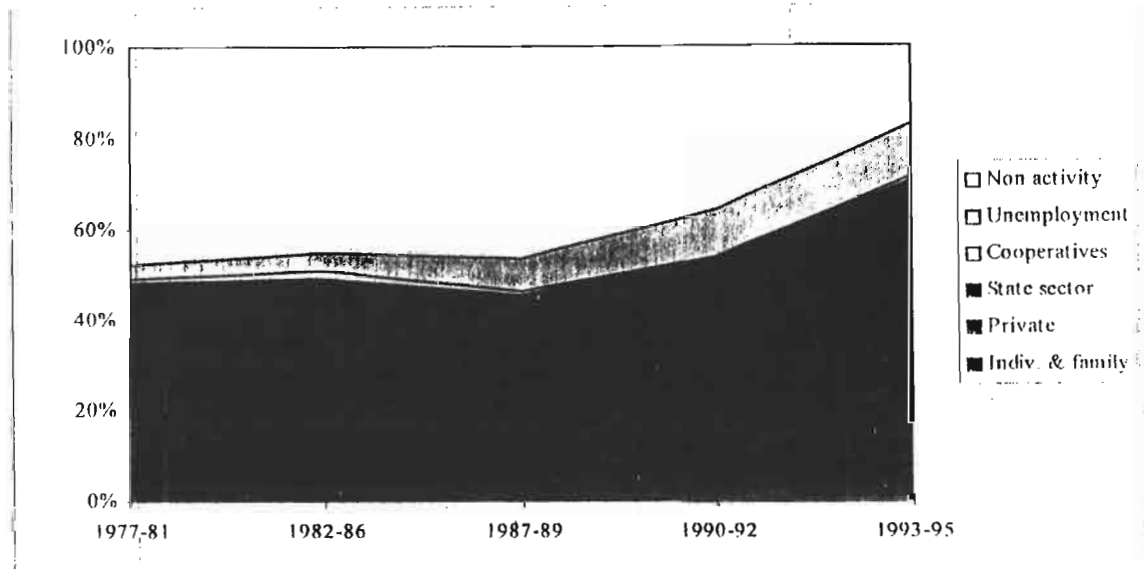
The non-farm labour market is fed marginally by people who come from agriculture. Presently, it is lower than 5% and has probably been higher in the past (this is difficult to assess because information on first job for people who are now non-active is missing). For the moment, the main result is that today in Vietnam, migrants coming from agriculture do not yet shape the non-farm labour market.

People coming back from abroad are also a source of entry on the labour market. In fact, the results of the survey show very little impact from this source. This is due to the fact that people coming back from abroad do not enter straight the labour market, or work in agriculture when they return.

2. Flows from the education system

The education system is the original reservoir of the labour market. It is the origin of all flows that finally lead to labour. The direction and intensity of the flows out of education has changed through time. These flows correspond to the outlet of the education system as shown in figure 8.

Figure 9 - Outlet of education 1977-1995



Up to 1992, more than half of people who were leaving education became non-active or unemployed. After some years, they found a job. The profile of these people shows a lower educational level than the average. They leave school early.

The importance of non activity as outlet of education shows a malfunction of the system, where people have to wait and stay non active after they have completed school and before they start working. This period is not used for job search (this is the case of unemployed), but for homework or military service. For the lower educated part of the labour force, this period of non activity averaged 6 to 7 years in the last decade (from age of 14 to 20-21); for the better educated, it averages 3 years (from 19 to 22). The decline of non-activity as outlet of education, although tempered by a growth of unemployment, shows an improvement in the work of the system, which might be a consequence of the spreading of market mechanism.

The three economic sectors where those who find a job right after finishing school may enter have not the weight as they have on the labour market. State sector is over represented, because most people who enter the State sector come straight from education. On the contrary, people who become self-employed usually come from non-activity, and only 20% of those who finish school become self-employed right after school.

3. Flows from non activity to labour

Non activity is the second pool where people who start a job come from. It is comparable to the education system in terms of size of flows. But the way it works is totally different. As can be seen in the chart, the flows to and from the labour market are comparable in size. Most of those who leave

the labour market to become non-active are still in working age and some of them re-enter the labour market later. This shows a discontinuity in working careers, as well as the weakness of labour demand. A typical pattern is leaving the State sector to non-activity and then re-entering the labour market as self-employed.

Unemployment works in the same way as non-activity in this system. The in-flows to unemployment are equally coming from the labour market (people who worked before) and from education or non activity (people who never worked)

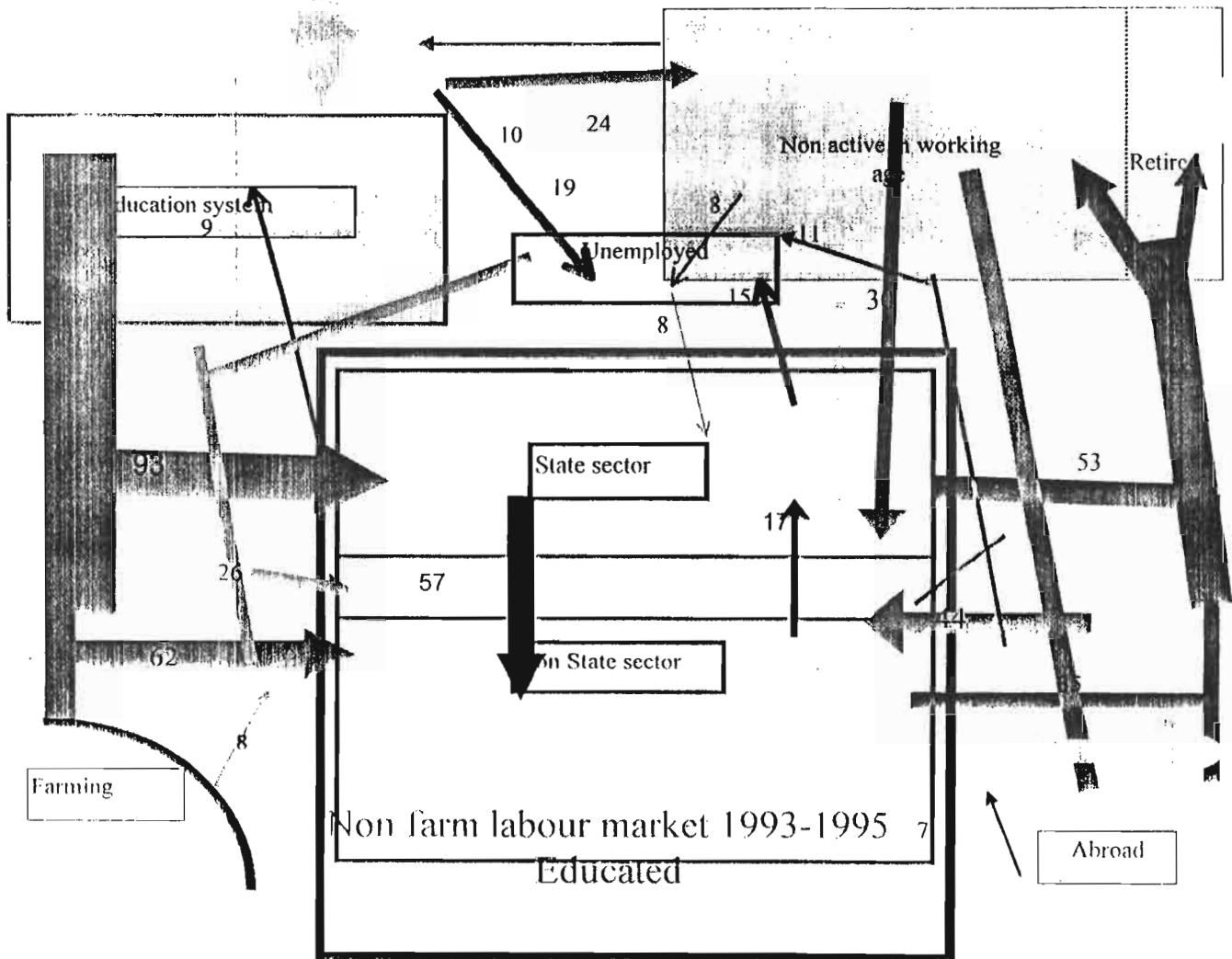
All flows in and out each component of the system can be detailed in the same way. More interestingly, one can study and compare flows for different sub-population, by gender, level of education or occupation of father for example. We show below the overall system for educated and not educated people.

For educated individuals, the State sector is the main outlet of education, and the education system the main pool of labour supply. It is just the opposite for non educated, whose labour supply mainly comes from non-activity, and who rather join the non-State sector. During the period 1993-1995, the balance (entries minus exits) of both sectors is positive, but the individual and private sector is more dynamic.

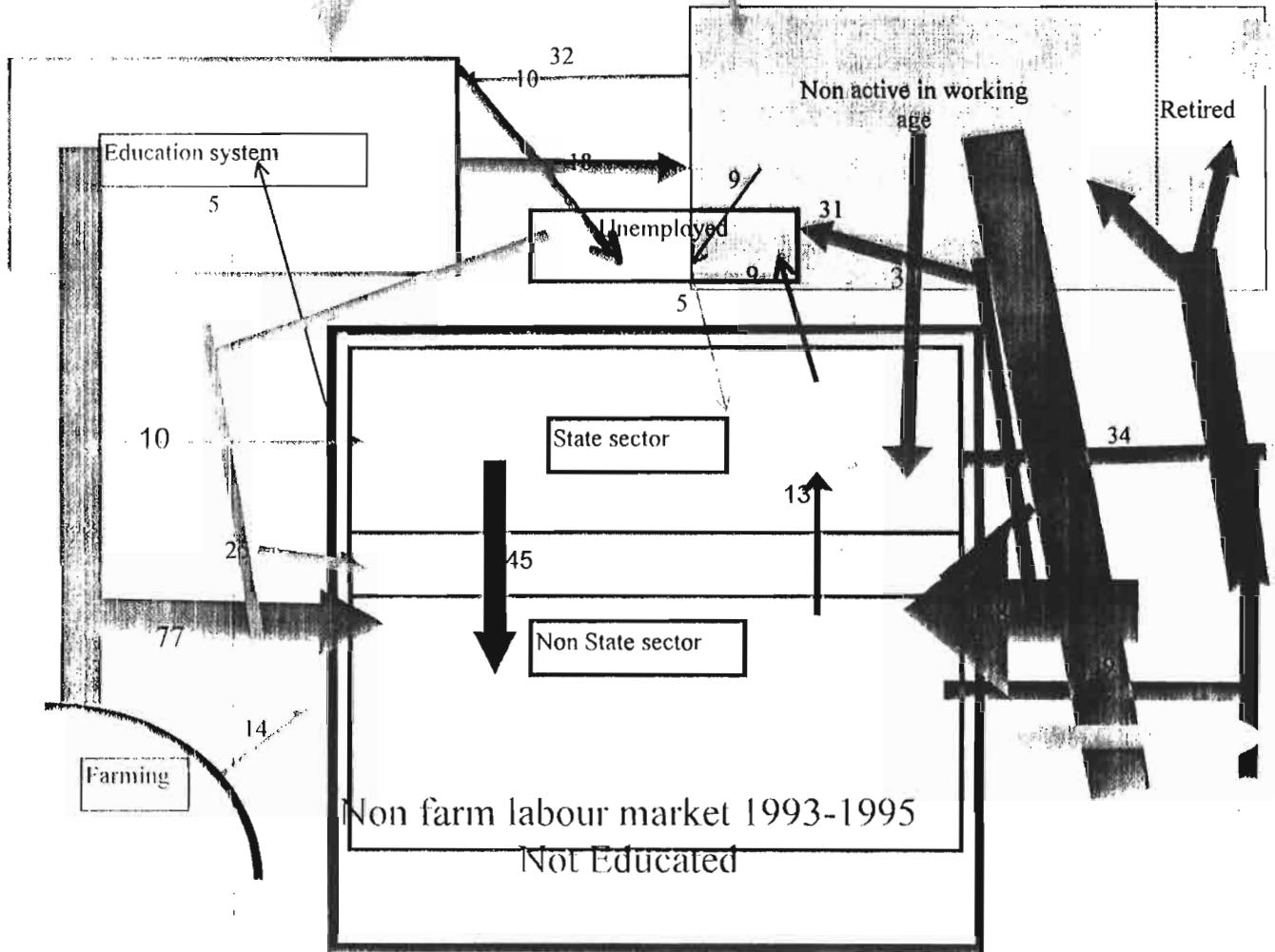
In the State sector, the rate of retirement on one hand, the rate of transfer to the non State sector on the other hand are quite high, both for educated and non educated. Though less important than in the past, these transfers are a significant flow for the non-State sector, mainly to self-employment rather than to the private sector.

D. The labour market 1993-1995

Educated



Not educated



IV. Wage labour

In this survey, wage-labour was defined as employment outside family (in a restricted sense of household) implying a wage other than income from own activity or enterprise. This definition encompasses a wide variety of situations detailed hereunder. We shall first describe this population, then see some aspects of working conditions, and finally analyse labour income.

A. Who are the wage workers?

1. Socio-demographic characteristics

Wage labour in Vietnam is dominated by the State sector. State is by far the main employer, either directly or through its enterprises, with nearly three quarters of the wage workers. Demographic characteristics of employment in different sectors are quite contrasted, with female labour relatively more present in the State sector, and a younger manpower in the non-State sector. This is a consequence of a higher number of new entrants joining the non-State sector, as seen above.

Table 5- Median age and distribution of wage workers by institutional sector and sex

	Males		Females		Total	
	%	Age	%	Age	%	Age
Civil service	30	39	38	36	33	38
State enterprises	38	36	42	34	40	35
Private enterpr. >10 emp.	10	28	9	25	10	27
Familt & Private ent. <=10 emp.	22	28	10	27	17	28
Total	100	35	100	34	100	34
Incidences	813		637		1450	

Contrast in educational level is also remarkable, with 90% of civil servants having at least a lower secondary school certificate, 63% in State enterprises, but only 45% and 32% in the private sector (enterprises with more than 10 employees) and the small enterprises sector respectively (see chapter 4). Employees of this last sector are in this respect very similar to self-account workers. The general level of education is lower among younger workers, but this decline is mostly found in non-State sector.

Social origin is also contrasted by institutional sector. We consider here the sector of father when the information is available (58% of cases; missing values are randomly distributed by sector). State sector employees more often come from families where the father was also working for the State sector (the

Figure 10 - Sector by sector of father

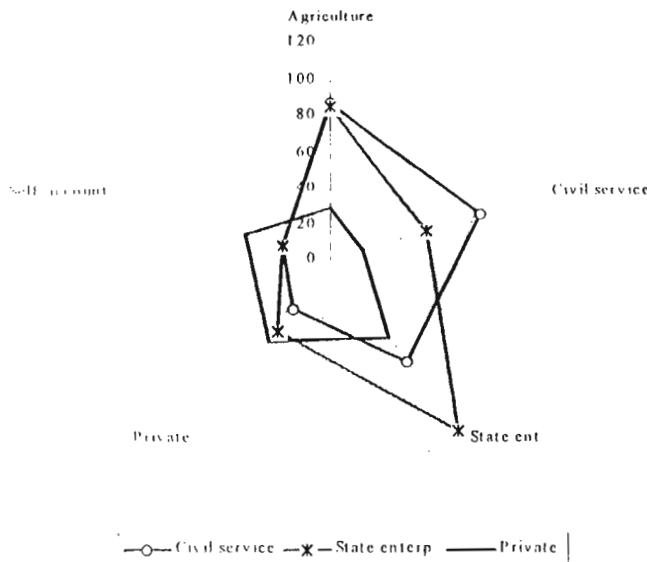


Fig. show the sector of father (with number of cases in the sample). For clarity, agriculture has been put as a separate sector, all other sectors including only non farm activities. Legend shows the sector of respondents.

people coming from agriculture. This feature mostly concern individuals over 35 years old.

2. Typology of employees

Beside civil servants and State enterprise workers, we can define several categories of employees, according to the characteristics of their enterprise. Private sector employees in establishments with more than 10 employees represent a small part of the population of wage workers. Employees in establishments with 10 employees or less are hereunder split into two categories: employees of small establishments and casual workers. Casual workers are day-workers, defined by their occupation which is not clearly specified (they have no specialisation), generally in a precarious situation in regard of job. We add here family helpers, who were not included above and are not considered as wage workers. They are employed in an enterprise run by someone in their household. Typically, they are spouse or children of the head of a family business.

Characteristics of these different categories are listed below. They show discrepancies at all levels, including in spatial distribution. Recent evolution of the labour market, as shown by the share in each category who entered the

relation is still stronger for civil service or State enterprises only). More than half of civil servants had their father in the State sector. Put in the other way, more than half of fathers in civil service have their children in civil service. By contrast, few people (25%) coming from families where the father was self-account worker (or working in family business) joined the civil service.

It is also interesting to note that most people (85%) whose father was a farmer are now in the State sector. Undoubtedly, the State sector has been a powerful mean of social change for

labour market since 1990, can be seen as a prediction of forthcoming evolution. In particular, precarious jobs in small enterprises and casual labour are likely to grow faster than protected labour.

Table 6 - Characteristics of different categories of employees

	Protected labour			Non protected labour			ALL
	Civil Service	State Enterp.	Large Priv.	Small Priv.	Casual labour	Family sect.	
<i>Number in the sample</i>	482	535	182	220	33	289	1741
<i>% in the sample</i>	28	31	10	13	2	17	100
<i>% females</i>	50	45	47	27	30	57	46
<i>% under 35</i>	33	40	73	71	85	68	51
<i>% with primary degree or less</i>	3	15	35	44	58	40	22
<i>% with University degree</i>	43	16	12	2	6	1	19
<i>% with formal training</i>	70	54	32	19	15		50
<i>% with written contract</i>	82	79	57	14	15	-	55
<i>Average income (000 dong\$ / month)</i>	620	700	790	475	635	-	715
<i>% entered labour market since 1990</i>	15	20	50	42	42	41	29
<i>% in the North</i>	49	47	14	15	9	27	36
<i>% in rural areas</i>	35	26	29	26	42	48	33
<i>% in industry and construction</i>	3	59	69	58	36	26	38

% gives the share of each labour category having given characteristics. For instance, 43% of employees of Civil Service have a University degree (and 57% have not). This is well above of the average (19% for all).

These discrepancies can be summarised as protected labour and non protected labour. In the former categories, employees have contracts and higher wages. They are more trained and educated. Unprotected labour has opposite characteristics, and seems to expand in recent years.

B. Working Conditions

We first consider the institutional environment of the job, and shall then see work duration, fringe benefits and safety standards.

1. Institutional aspects of labour

The Doi Moi reform has brought about a major change in labour institutions. The termination of wage contract for hundreds of thousands of workers and the dissolution of many cooperatives has considerably modified the institutional environment of labour for the majority of the population. We shall concentrate here on the intervention of State or organisations, as well as some juridical aspects of labour (contracts).

1.1. The role of State

The main intervention of State in labour is as an employer. As an employer, the State can efficiently influence the forces of labour market, starting with the level of remuneration. It can also implement social policies that shall later be extended to all sectors. If there are no major obstacles to labour mobility, the State employment policy for its own workers will determine the flows of labour supply.

The present situation shows two major features. First, State employees have on average a lower wage than workers in other sectors, markedly for the better educated part of the population. In turn, State employees have more non wage benefits, including social security, and a more stable position. The first conclusion would be that these advantages compensate wage difference, and that stability as well as social security are very much valued by State employees. The extend to which social benefits (including pension) refrain workers mobility is an important question that will determine the evolution of the labour market in forthcoming years⁴. The success in implementing social benefits in the private sector on one hand, wages policy in the State sector on the other will be the factors of balance between the two main areas of the labour market. Moreover, some non economic factors, like the social consideration attached to position in the State sector, also determine the flows in labour supply.

These factors are probably important. However, we have considered average figures. There are private sector's employees who benefit substantial non monetary advantages, and there are State sector employees (especially in

Table 7 - Average salary (total labour income) by sector and by labour registration (labour booklet)

	% with WB	Average income		Inc.
		No WB	WB	
Civil service	31	693	823	484
State sector enterprise	57	746	807	524
Collective sector	15	800	1855	13
Family enterprise sector	0	557	-	41
Private sector	7	748	1306	345
Joint venture	30	747	1595	43
Total	33	721	861	1450

Note the small number of some categories.

State enterprises) in an unstable position. The evolution of labour in this respect should be monitored closely.

1.2. Contracts

The situation of workers in regard to their contractual position is important in as much this factor determine job protection. Indeed, the

⁴ The weight of these factors depends on the balance between labour supply and demand. In a situation of over supply, stability in the job is more valued. Should the situation be modified with labour shortage, even in some specialities only, job stability would become less important (and salaries more attractive).

situation of workers by institutional sectors in this matter is very contrasted. Moreover, there is a strong relation between contractual position and wages. People with no stable contract, or no labour booklet (more significantly), have on average lower salaries.

This result goes in the sense of a segmentation of the labour market as hinted before. But it introduces more subtle distinction, showing that some State enterprise employees are in an unstable position, while some private sector workers have a stable position.

1.3. Membership of organisation

Questions on membership of mass organisations have been asked only to wage workers. It is assumed that self-employed cannot be members of workers trade unions. The trade associations are not yet very common, but should they develop, they could concern some self-employed (either professional or people involved in local public life).

Membership of mass organisations tends to be concentrated in the public sector. This is the case of trade unions, with less than 10% of non-State workers actually members. The sample is not big enough to make precise evaluations of the membership of trade unions in different activities. Membership to trade unions or other organisations is not linked to the level of salaries.

Table 8 - Percentage of workers members of mass organisation by labour status

	Civil service	State enterprises	Private enterpr. ≥ 10 emp.	Private enterpr. < 10 emp.	Casual labour	Total
Trade unions	87	80	14	4	12	64
Professional association	19	9	3	2	0	11
Other organisation	34	26	5	4	3	23

2. Work duration

2.1. Daily and weekly hours

The average duration of work is 8 hours a day 6 days a week. These figures or 48 hours a week are the mode of work duration, and correspond to the provisions of the labour code for most activities. About one person out of eight works less than this legal duration, probably because their duty requires fewer hours (many are teachers for instance). A small amount of the employees (3%) works less than 24 hours a week.

Outside civil service where, as mentioned, some people have shorter work duration, 7.5 % of the people declare work duration less than 48 hours. If we consider that only those who work less than 40 hours a week can be said to have a part time job, then a bit more than 5% of the employees outside civil service work part time⁵. It cannot be shown here if work time is a decision of individuals (people wishing only a part-time job) or if it is due to a lack of orders in their enterprise. However, there are not more women or elderly among those who work part time, these two categories being often more represented among part time workers in other countries. They are more represented in small enterprises. These two factors suggest that most part time workers are in fact under-employed.

Table 9 - Non civil service workers by work duration per week and enterprises

	<24h	24-39h	40-54h	>54h	Total (=100%)
State enterprises	1,3	1,8	79,6	17,2	599
Private enterpr. >=10 emp.	1,2	7,1	65,7	26,0	169
Private enterpr. <10 emp.	3,0	6,0	45,2	45,8	166
Casual labour	3,1	9,4	40,6	46,9	61
Total %	1,7	3,9	69,0	25,4	100
No.	17	39	689	253	998

On the contrary, 25% of the employees work more than 54 hours a week, and there are more in small enterprises. However, it seems that this overwork is not regularly paid as overtime. In other words, many workers have a work duration over 54 hours a week as a regular duration. This situation can be found in all kind of enterprises, although overtime is paid more often in public sector enterprises.

2.2. Yearly duration

Some employees stated work duration per month less than 4 weeks, meaning that they are not employed full time. Again, they can be found in the private sector where they are over 10% of the sample. This is another indication of underemployment probably due to a lack of work in the enterprise. Although the reason for working less than a full time was not asked, the distribution of people working under normal time by kind of enterprises is an indication that working less is not a choice of the employees (the distribution would be more even).

⁵ In this survey, only individuals working at least 32 hours per months have been included in the labour force. People working less than 32 hours are considered as non-active. Among the non active in age of work (15-65 years old), only #% have declared a small part time work.

Table 10 - Non civil service employees by number of weeks worked by month and kind of enterprise

	< 4 weeks		4 weeks	
	No.	%	No.	%
State enterprises	14	2,3	582	97,7
Private enterpr. ≥ 10 emp.	17	10,1	151	89,9
Private enterpr. <10 emp.	17	10,4	146	89,6
Casual labour	10	16,1	52	83,9
Total	61	6,1	931	93,9

enterprises subject to high seasonal variations. Very few wage workers seem to suffer this kind of situation.

This study of time duration gives indications of underemployment at a reasonable extent among non-farm employees (we'll see that as for self account workers, the question must be dealt with differently). Around 10% of the employees (outside civil service) do not work full time or everyday. One can hypothesise that in most cases, these people would work more, and this problem of underemployment must therefore be related with the oversupply of labour we have seen before.

Underemployment is not a well defined concept. People may be underemployed in many ways, and noticeably when their job is under their qualification. Time is a good measure unit of underemployment for people whose activity is seasonal, especially farmers. In all cases, it has to be related with income and with a measure of productivity. Some people may work full time and even overtime with a very low income, low productivity and low satisfaction. Some people working a shorter amount of time might be more productive.

3. Security and safety standards

Two questions were asked to all employees about hygienic and safety conditions in their place of work. The question being addressed to employees in a wide variety of occupation, the information it gives is the perception of these conditions by the employees, not the objective conditions which would require a specific investigation in the place of work. Nevertheless, some employees complain about unsatisfactory hygiene or safety conditions. We

Workers making part time on weeks time or working less than 4 weeks are usually not the same (13 cases in bold characters in the table below out of a total of 99 people working part time on a monthly basis).

At last, some people do not work all year long, having a seasonal occupation or working in

Table 11- Distribution of employees* sample by hours worked by week, and weeks per month

	< 40 h.	40-54 h.	>54 h.	Total
1-2 weeks	7	9	9	25
3 weeks	6	18	9	33
4 weeks	41	658	232	931
Total	54	685	250	989

* civil servants not included

consider it in selected activities where safety and hygienic conditions are a more acute problem. In the sample, transport and construction are the two sectors where employees show the greatest dissatisfaction in safety and hygienic standards.

Table 12 - Degree of dissatisfaction with safety and hygiene, and protective equipment in selected activities

	Total No. in the sample	% not satisfied with safety and hygiene standards	% without protective equipment
Food manufacturing	63	11	27
Garment and footwear	163	11	22
Paper, printing, plastic and chemical industry	53	4	21
Metal, electric and machines industries	54	22	37
House construction	110	33	49
Transport of passengers and merchandises	79	29	12
Repair services	54	6	13

C. Salaries, fringe benefits, extra-activities and income.

1. Earnings from labour

The change in economic policy and its effect on labour status has in turn a strong impact on labour income. The main income of households is not wage, but profit from self-account activities (see annex 1). Even wages are only a part of income of wage workers. Additional bonus, income from other activities and fringe benefits add to basic wages. These income complements are very difficult to estimate; they are also unequally distributed among the employees.

1.1. Components of labour income

In the survey, several questions were asked about salaries and complements. Basic wages count for 63% of total labour income of employees in the sample. However, it is believed that all monetary income figures are underestimated, and underestimation is greater for bonus and other non regular part of income.

Table 13 - Average salary by components and areas

	Hanoi, HCMC		Other		Total		Diff.
	Income*	%	Income*	%	Income*	%	%**
Salary	592	63	371	62	482	63	59
Bonus, extra time	211	23	121	20	166	22	75
Fringe benefits	103	11	82	14	93	12	26
Other	30	3	25	4	27	4	19
TOTAL	936	100	599	100	768	100	56

* Thousands dong per month. ** Difference between average of Hanoi and Ho Chi Minh City on one hand, average of other region on the other hand, in percentage

1.2. Distribution of salaries and extra income

Median basic salary is 400,000 dong in the sample. The range, between the 10th at the bottom and the 90th at the cellar of distribution is 1 to 4.4, i.e. a fairly even distribution. Moreover, taking in account extra incomes and fringe benefits reduces the range to 3.8/1. Median total labour income thus ranges from 450,000 dong per month in rural areas in the North to 830,000 in Ho Chi Minh City. The total labour income median for the whole sample is 640,000 dong.

This distribution is strongly influenced by wage policy in the State sector, which is quite egalitarian. The impact of wage reform in State enterprises, with a better remuneration of executive position, is still weak. Even the declared extra-wages or fringe benefits do not

1.3. Periodicity and mean of paiement

Monthly wages are by far the most common way of paying employees. This is due to the predominance of civil service and State employees among the sample. State usually pays its employees on a monthly basis (99% of cases in civil service),

Day wages or piece wages are more common in some industries, such as textile, wood or metal, and above all in construction (nearly 40% of workers paid on a day basis). However, in all these industries, monthly wages remains the rule for the majority of employees.

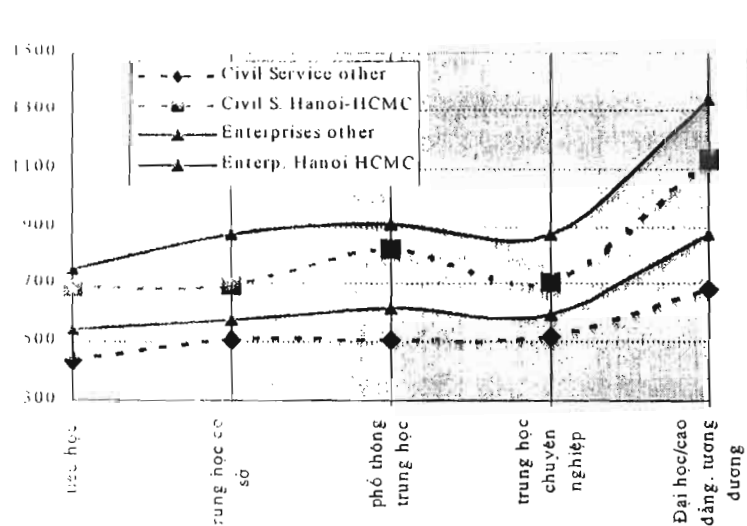
Wage labour remains governed by State mean of payment, i.e. monthly wages. By contrast, all the employees are paid in cash (except 3 out of 1443 in the sample). Means of payment as well as mode of payment are interesting indicators of labour status to be followed in the future.

2. Determinants of salaries

A multiple regression provides some information on how salaries are determined, or what are the variable that explain the level of salaries. The Y variable is the total amount of monthly salary, including extra hours, bonus and a lump sum for fringe benefits (see annex).

The main difference in salaries concerns the location of activity. Salaries in Hanoi and Ho Chi Minh City are substantially higher than in other cities or in rural areas. In addition, wages are higher in the South, all other things being equal. In the model, that is taking in account sex, training, education and sector, average salary are higher in Ho Chi Minh City by more than 30%, in Hanoi by 18%.

Figure 11 - Average salary by educational level, area and sector



Education and training have a significant impact on wages. Formal training has a good rate of return⁶. In general, having received a formal training is still valuable. Formal training includes vocational or technical school, training in big enterprise or in a private agency or in the army. Since vocational school in itself does not have a positive impact on wages (see figure 7), the

other kinds of training, especially training outside the school system, have a higher impact on wages.

Educational level is also linked to wages, but the impact is weak. This means that having a higher degree only brings a supplement of 3% in income. In fact, as can be seen on the figure below, only University degree has a significant impact on wages. In other words, education has a good rate of return only for graduate of University. The range of average salaries by educational level is not wide, especially in civil service.

⁶ as can be seen from the people who have paid for training and have on average higher wages. However, only 9% of the sample declare a cost for training, while most of those trained in the formal sector did not pay fees.

The regression also gives wage differential by industry and institutional sector, the main result being the lower wages in civil service (all other things being equal). There is no doubt that nominal salaries are lower in the public sector, but the same difference for total labour income, including bonus and fringe benefits, is questionable. Thus, the 14% difference given in the model could also be the average underestimation of complementary income by civil servants.

Although many dummy variables were introduced to measure wage differential by industry, the only significant sector determinant is the private tertiary sector (especially in transport) where wages are significantly higher. Together with the difference in civil service, this adds on average 25% in favour of the non State sector in tertiary activities. By contrast, wages in manufacturing industry and construction are evenly determined by industry.

Institutional aspects appear also significantly with two dummy variables, one of the fact of having a contract, the other one of having a working booklet. Both variables can be interpreted as a proxy for integration and stability in the job position. Workers who have a contract of any kind and those who have a labour booklet have on average better wages (stability in the job, as measured with these variables, determines more bonus and fringe benefits). This result is very important, because it might show a growing discrimination between stable and unstable labour force, and contribute to further segmentation of the labour market. It requires a closer look, taking in account the attitude of both employers (including State or State enterprises) and employees towards contract or labour registration.

Gender discrimination is significant, although not very important once other wages determinants are taken in account. In fact, gender discrimination is also measured by the presence of more women in sectors or positions where remuneration is lower, such as civil service. In the model, direct gender discrimination is measured as a differential of 8.5% in wages. On average, average wages of female is 21.5% lower than males, leaving 13% of wage difference due to indirect discrimination.

Experience appears in the model, principally with the number of years in the present occupation. One year experience rises the wage of a bit less than one percent on average. This is not considerable, but introduce a normal effect on wage determination. In addition, employees having children have also a better wage, all other things being equal. Although this is not an economic variable, it can be seen as a proxy for overall experience.

Time duration has no effect on total labour income (although it appears if regressed on basic salary only). The position (supervisor, qualified - non qualified worker etc.) does not determine the wages neither, for similar level

of education. Family pattern, or social origin, does not affect the wages, and this can be interpreted as a good functioning of market mechanisms in determining individual wages. It is the same for trade unions or other organisations: membership to these organisations does not modify wages.

Conclusion

Although the determinants of wages show some rationale, it also raises some question on how labour market works in Vietnam. First of all, the discrepancy between megapoles (Hanoi and Ho Chi Minh City) and the rest of the country on one hand, between North and South on the other is the mark of a non integrated labour market. Although "traditional" variables such as education, training and experience appear in the model, and are statistically significant, they explain only small variations of the wages. In fact, the main question is the flat distribution of wages, or the weakness of the wages range. Such a distribution should not create strong motivation for better educated or experienced workers, and it is likely that extra income or extra economic benefit (such as job stability, power etc.) come in addition to wages.

V. Unemployment

Introduction

As for activity, the definition of unemployment in the survey raises some difficulties. Following the international definition, unemployed are people who have no job but are actively looking for a job⁷. Beside the fact that a few people consider that selling cigarettes in the street or helping their mother at the market is not a job (and then consider themselves as unemployed even if they have a job), the reality of job search cannot be assessed satisfactorily. Some people who declared themselves unemployed were found not to look for a job (and then discarded and put with non-active population). For the rest, the duration of unemployment and the way people seek a job raise doubts on the active character of job search.

This does not mean that unemployed in the survey are "fake" unemployed. It rather shows how thin the limit between non-active and unemployed (and sometimes between some activities and unemployment) can be. Thus, in economic analysis, unemployment should rather be considered as

⁷ Some people have been actively looking for a job but are not doing it anymore because they feel that they cannot presently find a job, all possibilities in their area or qualification being worn out. These "discouraged" unemployed are included in the definition of unemployment and constitute 15% of the unemployed in the sample.

a sign among others of over-supply of labour, lack of demand or mismatch between the two.

One can understand that an improvement of labour demand would be responded by non-active as well as by unemployed, and that non-active people now could then declare they are looking for a job and be considered as unemployed. In other words, a successful policy of job creation will not necessarily hit down the rate of unemployment, although it would have favourable repercussions on the labour force participation rates and probably on income.

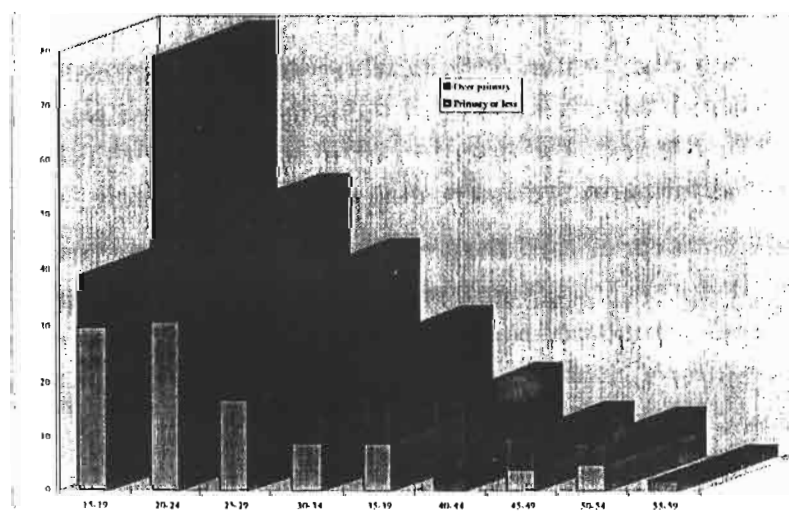
The distinction between unemployed and non-active is finally based on a subjective perception of its situation by the respondent. This is a valuable information indeed and moreover, the definition of unemployment being constant in time, the percentage of unemployed in the labour force is a good indicator to follow (it is 7% in this survey).

A. Characteristics of the unemployed

1. Socio-demographic characteristics of the unemployed

The unemployed are a young population (the median age is 26), with a lower share of females than the working population (35%). The age and educational characteristics of males and females are comparable, except vocational education: 11% of females have vocational or technical certificate or diploma while only 2% of males have done so.

Figure 12 - Distribution of unemployed by age and educational attainment



The average educational level of unemployed is below the one of employed people. 38% of them have only a primary certificate or less. The educational level is still worse for young unemployed, nearly half of them having not been beyond primary school. Their educational profile is noticeably below the one of employed population of the same age. It is however similar to the one of self-employed. If a poor level of education can explain that people cannot find a work as employees, it does not explain why they do not have a own account activity.

On the contrary, the educational profile of the unemployed aged 30 years or over is better than the one of the population of the same age at work, but lower however than the one of wage workers. Unemployment of graduated individuals (from high vocational school or University) is not frequent (a few cases, generally people over 30).

Some 34% of the unemployed express a need for additional training, generally in technical fields. This is a sign that they perceive their skill and qualification not adapted to labour demand. But financial problems often prevent them from doing such training.

The family position of the unemployed is an important matter in order to assess their real economic situation. Only 10% are head of family, having in charge their spouse and children, 20% are spouses of head of households. Most of them are in families where other members have a job. Although this is not a sufficient reason to ignore their difficulties, it shows that unemployed are not without resources nor marginalised with their family. Whenever they are in poor family, their situation does not differ much from other poor families with unstable income from petty trade. Young unemployed generally live with their parents who have a job and get an income from their activity. These children (half of the sample of unemployed), are at charge for their parents, but are not in a socially difficult situation.

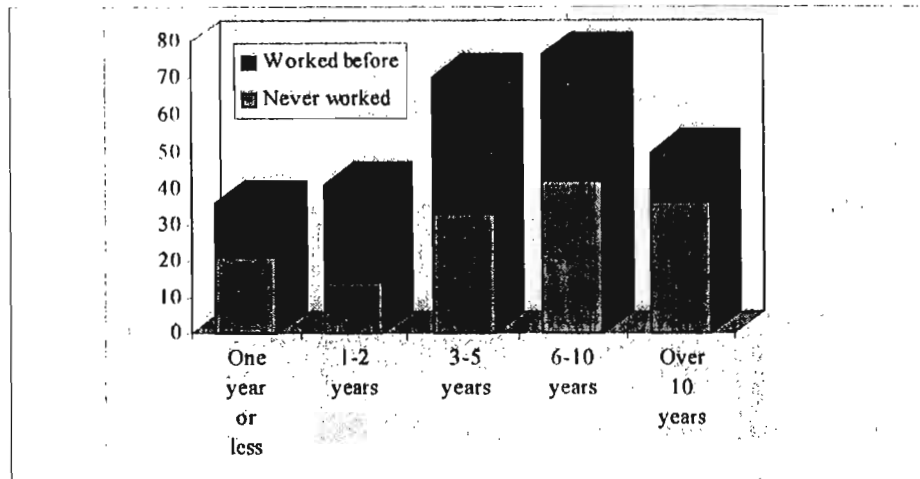
Profiles of unemployment do not differ much in North and South Vietnam. Distribution by sex and age of the unemployed is comparable in both regions. The main difference is in previous experience. In the North, half of the unemployed who had a job were in the State sector, while in the South, they mostly come from the private or family sector.

2. Previous job

A majority (60%) of the unemployed have worked before. A few of the unemployed had their last job in agriculture and have not been able to find a job after they left farming. These people (8 cases or 3% of the unemployed) have generally been unemployed for a long duration. More generally, there is

no clear relation between duration of unemployment and having had a job before.

Figure 13. - Unemployed by duration of unemployment and previous experience



The unemployed who had a job before worked either in the State sector (40%), or in the family and private sector (50%). The rest was in cooperatives or unspecified. This means that the restructuring of State enterprises and massive dismissals that went along with it is not responsible for unemployment now. In other words, labour turnover that creates unemployment occurs as much in the State as in the non State sector.

However, former employees, in all sectors, constitute as many as 75% of unemployed (with a previous experience), former family workers or self-employed only 25%. This result suggests that self-employed that go in and out the labour force do not consider themselves as unemployed when they have no work, while dismissed employees are still in the labour force. These two kinds of attitudes are a good illustration of the complexity of the labour situation in Vietnam, with more than half of the population in age of work moving far away from any institutionalised form of labour.

It is interesting to look at the reason why these people became unemployed. The majority of reasons given are individual and voluntary concern. Most of the unemployed now have abandoned their previous job because they were unsatisfied with work conditions (mainly salaries) or for personal reasons. The forced leave from work, because of breakdown of the enterprise or early retirement comes after.

Table 14 - Reason for leaving previous job

<i>Personal-voluntary reasons</i>		63
Wages too low	24	
Other private reasons	22	
Unsatisfied with the working conditions	7	
Unsatisfied with the location of employment	5	
Offered a better employment elsewhere	4	
The job does not match the qualifications	1	
<i>External non voluntary reasons</i>		44
Breakdown of the enterprise	14	
Laid off according to decisions 176,111	12	
Dispersion of the co-operative	6	
Early retirement	5	
End of the contract	4	
New regulation on prior activity	2	
Laid off	1	
<i>Other reasons</i>		16
Total		123

A few of those laid off because of breakdown of the enterprise or of the cooperative, or early retired, have received a compensation, while those laid off under decisions 111 or 176 did normally get a compensation. 17 cases out of 37 thus declare a compensation, whose amount ranges from 650,000 dong to 11 million dong. This money has always been used for private purposes, not for establishing as own-account worker (in one case, this money was used for saving). It does not mean that people laid off with compensation have not used their money to set up enterprises. But those who did so are not unemployed anymore.

B. Search for a job

The way of looking for a job depends partly of a previous work experience. Those who have never worked rely mainly on their familial connections. In all cases, institutional employment agencies do not play an important role yet.

Table 15 - How to look for a job

	Worked before	Never worked	Total
Visit to the employer	22,5	16,1	19,0
Through family and friends	36,3	53,2	45,6
Through advertisement	3,9	5,6	4,9
Through employment promotion centres	6,9	6,5	6,6
Through other organisations	4,9	5,6	5,3
Try to establish own activity	23,5	12,9	17,7
Other	2,0	0,0	0,9
Total	102	124	226

job!).

Attitudes in job searching do not seem to be linked with qualification nor with the level of education (however, 13 of the 20 unemployed of the sample who have a vocational certificate or a university degree rely on their family to find a

Only 14% of the unemployed (or 38 cases in the sample) have registered with a Centre for Employment Services. Those who have registered

have no particular profile; they are not more represented among those who worked before, among young or old etc., meaning that the weak registration with these centres is not due to special requirement that would keep out some categories of unemployed. Duration of unemployment is not related to the fact to register or not.

This means that the role of the Centres for Employment Services as assistance for search of job is not correctly perceived by job seekers, or more simply not known. Those who know these Centres ask for information on labour opportunities, or meeting with employers. Obviously, the Centres for Employment Services need to make themselves better known by unemployed as well as by employers. More generally, one can assess that unemployed have no knowledge of job search in a market economy environment.

However, the main request of unemployed is a better information about employment. 40% of the sample express such a need, which even comes before requests of financial assistance. At last, one quarter of the sample wishes to have additional training, more often in a new speciality. There is room for the CES, and their action is needed by the population of unemployed⁸.

C. Opinions (of all workers) on unemployment insurance

This survey has been utilised to test the reactions of the workers to the idea of a national unemployment insurance, which would take for them the form of a contribution from their salary. The question was asked only to the wage workers. The reaction of the wage workers to the idea is most favourable. However, one should be careful in interpreting this kind of result. When people are called for solidarity purposes, it is very difficult for them to refuse in front of interviewers, especially when it is only a matter of giving an opinion, without any immediate effect.

As for the heads of enterprise, they are less enthusiastic for such insurance. Only 20% of the 73 respondents head of enterprise (this question was answered only by those entrepreneurs who have hired employees, outside family) would accept to pay a percentage of salaries for an unemployment

⁸ This survey has been utilised to test the reactions of the workers to the idea of a national unemployment insurance, which would take for them the form of a contribution from their salary. The question was asked only to the wage-workers and the employers. The reaction of the wage-workers to the idea is most favourable. However, one should be careful in interpreting this kind of result. When people are called for solidarity purposes, it is very difficult for them to refuse in front of interviewers, especially when it is only a matter of giving an opinion, without any immediate effect.

As for the heads of enterprise, they are less enthusiastic for such insurance. Only 20% of the 73 respondents head of enterprise (this question was answered only by those entrepreneurs who have hired employees, outside family) would accept to pay a percentage of salaries for an unemployment fund. In addition, the amount they suggest is very low: 2% of the pay role only (median of 14 positive answers ranging from 1 to 5%)

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Conclusion

In the past ten years, the labour force has gone through a period of restructuring. This was marked by a rapid development of self account jobs, a temporary shrinking of the State sector, and the development of the private corporate sector as a significant outlet for job seekers. A self-regulation of the labour force participation rates, i.e. withdrawal of some categories of the population from the labour force, explains that this restructuring was not accompanied by an expansion of unemployment (the performance of agriculture has the same impact).

During that period, the growth of demand and the need for distribution networks has created a favourable environment for self-employed and family enterprises. The underdevelopment of distribution networks when trade was liberalised has given huge opportunities for self-account workers in the trade sector, but also in small scale transportation, and some services. The small enterprises were also able to respond quickly to the expansion and diversification of demand, with relatively low investment. This gap has now been filled, and self-employment cannot be an outlet for new entrants in the labour force in the same proportion it has been in the past. Family enterprises do not create many job opportunities outside the restricted circle of the family, and one cannot rely on this sector to solve unemployment problems, despite the dynamism of few of them in the manufacturing sector.

Restructuring has been done in the sense of a greater discrimination between sectors, mainly on the ground of social and educational discrimination. There are indications of a growing segmentation on the "labour market", although market mechanisms are not really implemented. For instance, the majority of job seekers rely on family connections to find a job (and these connections are also significant in the State sector).

From the recent evolution of the characteristics of the non-farm labour force and of its components, one can draw the conclusion that the first stage of labour restructuring, which accompanies the economic reform proved to be successful. The next stage should be more difficult since some favourable conditions have now changed, since the pressure of labour supply will maintain while job creation become more difficult.

Ministry of Labour, Invalids and Social Affairs

CEPRH
Centre for Population
and Human Resources

ORSTOM
French Institute for
Research on Development

***Observatory system
of employment
and human resources
Vietnam***

Report on the first round survey, 1996

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TABLE OF CONTENTS

PREFACE

TABLE OF CONTENTS.....	iv
------------------------	----

SURVEY METHODOLOGY - VU VAN TOAN.....	1
---------------------------------------	---

I. SOME FEATURES OF THE OBSERVATORY SYSTEM OF EMPLOYMENT AND HUMAN RESOURCES.....	1
A. Stages of Research.....	2
B. Sampling Techniques.....	2
C. Annual sample updating.....	4
II. QUESTIONNAIRE DESIGN.....	5
III. QUESTIONNAIRE ADMINISTRATION.....	6
A. Household Questionnaire.....	6
B. The Individual Questionnaires on Labour Activity and Status.....	6
1. Personal questionnaire.....	7
2. Labour questionnaires.....	7
1.1. Questionnaire for heads of family enterprise.....	7
1.2. Questionnaire for self-employed.....	7
1.3. Questionnaire for wage workers.....	7
1.4. Questionnaire for family workers.....	8
1.5. Questionnaire for unemployed.....	8
IV. FUTURE DIRECTIONS.....	8
A. Analysis of data and results.....	8
B. Expected contributions of the Observatory System.....	9

EDUCATION, TRAINING AND HUMAN RESOURCES - Jean-Yves MARTIN.....	12
---	----

I. EDUCATION AND TRAINING POTENTIAL.....	13
A. Schooling.....	13
1. School attendance of the overall population.....	13
1.1. The overall situation.....	13
1.2. North-South Variation.....	15
1.3. Male - female differences.....	16
1.4. The urban/rural relationship.....	17
2. Child schooling.....	18
2.1. Comparative rates of enrolment.....	18
2.2. The role of legal school age at different levels.....	19
2.3. Age of entry into primary school.....	20
3. Educational level of the population of working age.....	22
3.1. Active population of working age.....	22
3.2. Active and enrolled population of working age.....	24
3.3. Active population of working age North/South.....	25
3.4. Active population of working age Male/female.....	26
3.5. Active population of working age Urban/Rural.....	28
B. Training.....	29
1. Type of initial training of the active population.....	29
2. Type of initial training. Male/Female.....	33
3. Conclusion on education-training.....	34
II. UTILISATION OF EDUCATION-TRAINING POTENTIAL.....	35
A. Education level.....	36
1. Education level and institutional sector.....	36
2. Educational level and type of employment.....	37
3. Educational level and socio-professional category.....	38
B. Initial professional training.....	39
1. Initial professional training and institutional sector.....	39
2. Initial professional training and type of employment.....	40
3. Initial professional training and socio-professional category.....	40
C. Diploma.....	41
1. Diploma and institutional sector.....	42

2. Diploma and type of employment	43
3. University specialisation and socio-professional category	44
4. Conclusion on the utilisation of education-training potential	45
III. THE EVOLUTION OF EDUCATION-TRAINING POTENTIAL AND THE BEHAVIOUR OF HOUSEHOLDS	46
A. <i>The context of contemporary familial education strategies</i>	46
1. The number of children born to a couple	47
2. Education levels to which parents aspire for their children	48
B. <i>Inter-generational dynamics</i>	49
1. Inter-generational educational levels	50
2. Conclusion for chapter I	52
EMPLOYMENT AND UNEMPLOYMENT - Xavier OUDIN	54
I. ACTIVITY, LABOUR, EMPLOYMENT	54
A. <i>The concept of activity and employment</i>	54
B. <i>Labour Force Participation Rates</i>	55
1. Assessment of labour force participation rate	55
2. Labour Force Participation Rates by age and gender	56
3. Regional differences in labour force participation rate	57
C. <i>Dependency Rates</i>	58
Conclusion	59
II. CHARACTERISTICS OF THE LABOUR FORCE	59
A. <i>Situation of labour by institutional sector and activities</i>	59
1. Institutional sector, activity and status	60
2. Size of establishments	91
B. <i>Situation of labour by region</i>	62
C. <i>Social characteristics of workers</i>	63
1. Age and sex distribution of the labour force	63
2. Social origin	64
III. EVOLUTION OF EMPLOYMENT IN RECENT YEARS	65
A. <i>Analysing the labour market as a system</i>	65
B. <i>Entering the labour market</i>	66
C. <i>In-flows to the labour market</i>	69
1. Feeding the labour market	69
2. Flows from the education system	69
3. Flows from non activity to labour	70
D. <i>The labour market 1993-1995</i>	72
IV. WAGE LABOUR	74
A. <i>Who are the wage workers?</i>	74
1. Socio-demographic characteristics	74
2. Typology of employees	75
B. <i>Working Conditions</i>	76
1. Institutional aspects of labour	76
1.1. The role of State	77
1.2. Contracts	77
1.3. Membership of organisation	78
2. Work duration	78
2.1. Daily and weekly hours	78
2.2. Yearly duration	79
3. Security and safety standards	80
C. <i>Salaries, fringe benefits, extra-activities and income</i>	81
1. Earnings from labour	81
1.1. Components of labour income	81
1.2. Distribution of salaries and extra income	82
1.3. Periodicity and mean of payment	82
2. Determinants of salaries	83
Conclusion	85
V. UNEMPLOYMENT	85
Introduction	85
A. <i>Characteristics of the unemployed</i>	86
1. Socio-demographic characteristics of the unemployed	86
2. Previous job	87
B. <i>Search for a job</i>	89
C. <i>Opinions (of all workers) on unemployment insurance</i>	90
CONCLUSION	91

<i>LABOUR MOBILITY - Nolwen HENAFF</i>	92
I. TIME TRENDS IN THE LABOUR MOVEMENTS.....	93
II. CHARACTERISTICS OF THE RESPONDENTS WHO CHANGED EMPLOYMENT AT LEAST ONCE	100
<i>A. The variations according to age and sex</i>	100
<i>B. The role of education and training in labour mobility</i>	103
<i>C. Sectoral structure of the economy and labour mobility</i>	108
<i>D. Changes in specialisation</i>	110
<i>E. Level of wages and change in specialisation and/or activity</i>	113
III. THE SEARCH FOR OTHER EMPLOYMENT	116
<i>A. Duration of the search for present employment</i>	116
1. The time lag between the end of the previous employment and the beginning of the present employment	117
2. Duration of the search for employment for wage-workers.....	119
3. The unemployed people who have worked before.....	122
<i>B. The potential mobility</i>	124
CONCLUSION	129