

Globalization and Labour Markets in Boom and Crisis

The Case of Vietnam

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This paper examines the impact of the global financial crisis on the Vietnam labour market against the backdrop of economic performance and labour dynamics before the crisis. The impact on labour has been milder compared with several neighbouring countries, than might have been expected for a country with Vietnam's degree of international exposure. This can be attributed to the timely stimulus package of late 2008, the tight labour market before the crisis, the competitive nature of Vietnam's key exports and the private sector's capacity to compete globally. Although flexible labour markets have ensured low unemployment, I argue that aspects of the institutional environment have contributed to slower labour market adjustment. Shortages of skilled labour, labour market rigidities and an under-developed industrial relations system could delay recovery and constrain future growth.

Keywords: Global financial crisis, exports, FDI, employment, labour market adjustment, labour institutions, Vietnam.

I. Introduction

Like the rest of East Asia, Vietnam suffered a sharp decline in economic growth rates in 2008 and 2009 as the region felt the impact of the global financial crisis (GFC) which spread from the United States and Europe to most countries on the globe. The impact of the crisis on the everyday lives of the Vietnamese depends partly on how labour markets were affected through adjustments in employment and wages, in addition to the macroeconomic effects and the decline in social spending and private transfer payments to poorer

households. In part too, the labour market impact in Vietnam depends on how integrated the country is with developed economies in both financial and commodity markets and how it was travelling prior to the crisis.

In regard to the pre-crisis period, Vietnam was growing rapidly with strong domestic demand and low rates of unemployment, although it had become more vulnerable with respect to macro-economic stability in the years leading up to the GFC. The government had more policy levers to pull, at least early on in the crisis, compared with

equally exposed but slower growing economies experiencing higher unemployment and other labour market problems.

The institutional environment also affects the adjustment process. With respect to the labour market, institutions affect both the flexibility of employment and wages in response to demand shocks. They also determine whether mechanisms are in place to soften the blow on those who lose their jobs, or suffered a significant decline in incomes, as well as how quickly losers can be absorbed back into more productive jobs. On these scores Vietnam faced a number of challenges on the eve of the GFC.

This paper examines the impact of the crisis on the Vietnam labour market against the backdrop of overall growth performance and labour market dynamics before the crisis. It examines these issues in the context of Vietnam's considerable exposure to international trade and capital flows, which could be expected to be affected most by the global slowdown. We suggest that the impact on labour has probably been milder than might have been expected for a country quite heavily exposed internationally. This can be attributed to the timely stimulus package of late 2008, the tight labour market before the crisis, the competitive nature of Vietnam's key exports and the private sector's capacity to compete globally despite cutbacks in the demand for key export commodities. The paper also examines some aspects of the institutional environment that can both help and hinder labour market adjustment in the face of cutbacks in demand.

The organization of this paper can be briefly outlined as follows. The second and third sections of the paper deal with economic growth patterns and labour market adjustment in the boom years leading up to the crisis, including some of the longer term challenges faced as the economy began to move into middle income status. The fourth examines the impact of the GFC on economic growth and exports of key commodities, and then turns to some of the impacts and likely impacts (in absence of hard data) on the labour market. In this section, we also look at institutional factors which are likely to fashion the

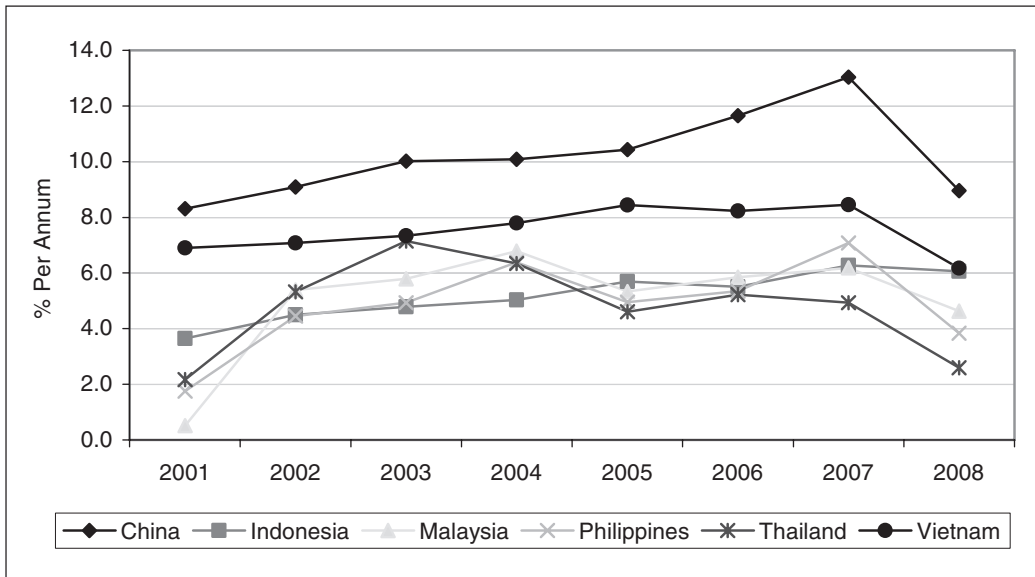
response of employment and wages to the economic downturn.

II. Growth and Structural Change Leading up to the GFC

The remarkable turnaround in economic fortunes and accelerated growth of the Vietnam economy is well known following *Doi Moi* in 1986. From growth rates of 3–4 per cent in the second half of the 1980s, GDP growth accelerated to an average annual rate of 7–8 per cent for the next twenty years, touching on 9 per cent just before the GFC in 2008.¹ After it weathered the storm of the Asian financial crisis in 1998, economic growth in Vietnam has been second only to that in China in the Asian region (Figure 1).

Three features stand out and are relevant to how the country has managed the GFC, and they also help understand the labour market response. By ownership group, all three segments of the economy grew strongly: the foreign “invested” sector, the state-owned sector and the private domestic sector, and supported each other. The very high growth rates in the foreign “invested” sector of close to 20 per cent per annum from a low base, taking the estimated foreign engagement in the economy from a minuscule level to a still quite low 6 per cent in 1995 to close to 20 per cent in 2007 on the eve of the GFC (Table 1).² Growth in the share of FDI ownership in the economy did not seem to crowd out the state owned sector, however, which grew at quite respectable rates (around 7 per cent), and was heavily engaged in expanding output for export, as well as serving the domestic market. The initial share of the foreign sector was too small and most activities did not compete directly with the state sector, either because of restrictions in certain non-tradable areas or the focus of foreign capital in different areas of comparative advantage. The increasing foreign share especially in manufacturing has been important for high levels of investment and exports but the state sector has provided a modicum of stability to the growth process. Finally, while domestic private firms (referred to henceforth as domestic investment) grew less

FIGURE 1
Real GDP Growth in Selected East Asian Economies, 2001–08



SOURCE: CIEC Database.

quickly before the enterprise law was passed in 2000, the large number of small and medium scale enterprises especially in trade and services gave the economy greater flexibility to adjusting to the shock, in contrast to some more established Asian economies, such as Malaysia and Korea.

Second, growth has been broad based by sector of activity, in both tradable and non-tradable industries (see bottom half of Table 1). Manufacturing growth fuelled by exports and foreign investment, has been particularly strong. Like in some other East Asian countries (such as Indonesia during the 1980s and 1990s), manufacturing recorded double digit growth rates over and extended time period, and even after it had grown quite large (20 per cent of GDP) by low income country standards. One notable feature of manufacturing expansion has been the role of labour-intensive industries which has meant employment growth rates were also relatively rapid (see below), both from exports and domestic investment. Vietnam has not experienced jobless

growth in industrial employment that has plagued the Philippines and to a lesser extent Indonesia.

In tradable industries, rapid growth was complemented by rapid expansion of agricultural output which has also been high by Southeast Asian and developing country standards. Together with measured controls on population mobility, this enabled Vietnam to avoid glaring employment problems related to very high rates of rural-urban migration to major urban areas, as in Indonesia, the Philippines and Thailand at similar early stages in the growth process (Manning and Pang 1990; Loi 2005).

Output growth was especially impressive in the labour-intensive rice sector in the early years (Archadie and Mallon 2003). For the sector as a whole, growth rates of over 4 per cent have meant that this geographically dispersed sector of employment has retained a high share of workers. Rates of urban population force growth of 3–4 per cent (Loi 2005, p. 122) have not been as rapid as in these neighbouring countries, where prolonged

TABLE 1
Output Growth Rates and Distribution, Vietnam 1995–2007 (constant 1994 prices)

	Growth p.a.					Distribution (%)			
	1995–2000	2000–2007	2006	2007	2008*	1995	2000	2007	2008*
By ownership									
State	7.1	6.8	6.2	5.9	4.2	40.2	38.5	35.9	34.4
Non-State	4.8	7.3	8.4	9.4	7.2	53.5	48.2	46.1	47.0
Collective	4.1	3.7	3.5	3.3	3.1	10.1	8.6	6.2	6.0
Private	7.1	12.5	14.8	15.7	10.9	7.4	7.3	10.2	10.8
Household	4.5	6.6	7.6	8.6	6.8	36.0	32.3	29.7	30.1
Foreign investment sector	16.2	10.4	14.3	13.0	8.1	6.3	13.3	18.0	18.7
By kind of economic activity									
Agriculture, forestry & fisheries	4.3	4.1	4.0	4.0	3.9	27.2	24.5	20.3	22.1
Industry	10.1	9.4	8.8	9.2	9.6	28.8	36.7	41.5	39.7
Manufacturing	10.7	11.3	13.4	12.4	9.9	15.0	18.6	21.3	21.1
Construction	7.0	10.4	11.0	12.2	–0.4	6.9	5.4	7.0	6.5
Services	5.5	5.0	4.9	5.2	6.1	44.1	38.7	38.2	38.2
Wholesale and retail trade	5.7	7.5	8.6	8.8	6.4	16.4	14.2	13.7	13.9
Total GDP	6.7	7.5	8.2	8.5	6.2	100	100	100	100

NOTE: * Preliminary.

SOURCE: GSO, National Accounts Data.

expansion at 4–6 per cent has been more common. Migration into the agriculturally rich Central Highlands in particular was an alternative to the search for informal sector jobs in the cities, especially during the period of relatively rapid population and labour force growth in the 1990s (Loi 2005).

Non-tradable industries in trade and services have responded to opportunities created in tradable sectors and also expanded impressively since 1995 (see Table 1). Nevertheless, because tradable industries have been the major source of job creation, there has been less pressure for jobs in these sectors, and less crowding into the urban informal sector than has been experienced in some other countries in the region.

Third, export growth not only in manufacturing but also in agriculture has been rapid for a sustained period through to the GFC, and has also diversified significantly (Athukorala 2009*a*). Although the state sector led investment in some capital goods industries, such as cement, labour-intensive products have continued to be prominent in manufacturing, and this helps explain Vietnam's good record in job creation. Garments and footwear, rice and products of aquaculture have been especially important among labour-intensive exports, catering to the lower end of the quality spectrum. These products have been less vulnerable to, although certainly not immune from the cut back in labour demand during the GFC (Athukorala 2009*b*). At the same time, new products have begun to emerge, such as electronics and other machinery. In agriculture, a growing share in world markets of processed food (especially fish products) has been a feature of a more diversified export structure. This includes coffee and other cash crops in addition to rice, which dominated agricultural exports in the early years.

III. Labour Market Developments before the GFC

Labour market adjustment to growth during the boom helps us better understand responses to the slowdown associated with the GFC. Since the

passing of the Enterprise Law in 2000, growth could be expected to be more employment friendly than in the first decade of reform when SOEs dominated the industrial sector and restrictions on private activity were widespread.³

Thus Table 2 shows that employment growth has been robust in Vietnam since 2000. In relation to output growth, job creation appears to have been moderate by regional and international standards, in countries that have experienced a sustained period of export oriented growth. Employment elasticities in major sectors ranged from 0.4 to 0.8 in non-agricultural sectors, slightly higher in industry than in services (Table 3), and were much higher than those estimated by Jenkins (2004) for the earlier decade. But since growth has been high by regional standards, China excepted. The industrial sector, in particular, has been outstanding in terms of labour absorption.⁴ It absorbed quite rapid increases in the labour force as well as taking in large transfers of labour from the declining agricultural sector.

Three features of employment growth are relevant to our later discussion of adjustment to the GFC: the major roles of the foreign sector and the manufacturing sector in jobs growth; the smaller role of services compared to other East Asian countries at similar stages of development; and third the continued importance of the domestic private sector in terms of the absolute number of jobs on offer, and created.

Employment in the foreign sector expanded rapidly by any standards (although still from quite a small base even in 2000). While accounting for only 1 per cent of all employment (approximately 3 per cent of non-agricultural employment), the foreign sector is estimated to have accounted for nearly 20 per cent of all new jobs in 2000 to 2007. Vietnam is unique in Asia, with the exception of Singapore (and Cambodia in recent times), for the strong role which foreign capital has played in providing jobs.

According to a survey by the Vietnam Chamber of Commerce and Industry, FDI firms contributed to approximately 60 per cent of all exports in 2006 (VCCI 2008, p. 104).⁵ In the six sectors examined by VCCI in its annual business report for 2007, by

TABLE 2
Employment by Ownership Group and Major Sector, Vietnam 2000–07

	<i>Number ('000)</i>		<i>Percent 2000</i>	<i>Share of Increase (%) 2000–2007</i>	<i>Growth 2000–07 (% p.a.)</i>
	<i>2000</i>	<i>2007</i>			
Total Population ('000)	77,635	85,171	100		1.32
Working Age Pop.	54,284	63,306	74.3		2.20
Total Employed	37,610	44,174	100	100	2.30
State	3,501	3,985	9.3	7.4	1.85
Non-state	33,735	38,628	89.7	74.5	1.93
Foreign investment	374	1,561	1.0	18.1	20.41
Agriculture	24,481	23,812	65.1	–10.2	–0.40
Industry	4,929	8,826	13.1	59.4	8.32
Manufacturing	[3,550]	[5,963]	[9.4]	[36.8]	[7.4]
Services	8,200	11,536	21.8	50.8	4.88

SOURCE: GSO, Population and Employment Data, various years.

far the largest number of employees were absorbed in garments rising from less than 100,000 employees in 2000, to over 300,000 in 2006 (an increment of close to 70,000 workers in the latter year alone), and accounting for nearly half of all employment in this sector.⁶ This was followed by the much smaller food processing sector employing some 50,000 workers in 2006. The robust and sustained export performance of garments and footwear described above has underpinned this impressive record in terms of jobs created.

Not all these firms were large; SMEs seem to have played an important role in growth in some sectors. Whereas foreign-invested garment firms were on average quite large (average of over 500 workers per firm in 2006), firms in other sectors were much smaller. Average firm size was only 100–300 workers per establishment in food processing, and in the service industries of banking, insurance, construction and tourism (VCCI 2008, p. 110).

Combining these data on jobs in the foreign sector with very rapid employment expansion in manufacturing (accounting for nearly 40 per cent of all new jobs 2000–07), jobs were created for new job seekers as well as rural workers who had been previously engaged in agriculture.⁷

We might thus expect Vietnam labour to be quite exposed to a global financial crisis, given its heavy dependence on exports and on relatively mobile international investment. Remarkably, as we will see, the impact has been much less severe than might have been expected.

Second, even though employment growth was much slower than in the foreign sector, the majority of new jobs (around 75 per cent) were created in the domestic private sector in 2000–07, by virtue of the large initial size of this sector in terms of jobs, and the variety of jobs created outside the agricultural sector (see Table 2). The foreign sector accounted for a quite a small share of all jobs by virtue of its small initial size. In contrast, the domestic private sector was initially

much larger but created relatively few jobs in the same period, in contrast to its more significant contribution to GDP growth.⁸ Moreover, if agriculture is excluded, employment in the domestic private sector grew at approximately 6 per cent, a rapid rate relative to total employment growth of 2 per cent per annum. The point is that while FDI plays a critical role in opening up new export markets and encouraging technological change and transfer, its role in providing employment will continue to remain secondary to domestic firms. The smaller scale and less regulated nature of much of the domestic private sector also means it is likely to be in a better position to adjust to major shocks such as the GFC.

Concluding this section on the employment record, the current employment structure holds some surprises for a country of Vietnam's size and stage of development, in the East Asian context. The agricultural sector was quite large by international standards. In 2007, it accounted for just under half of all employment (for example, compared with 40 per cent of jobs in Indonesia and closer to 30 per cent in the Philippines among comparator countries in East Asia). While this is not that surprising, recorded labour productivity was very low: one-quarter to one-fifth of productivity levels in manufacturing and most service sectors in 2007 (Table 3).⁹ Although lagging productivity in agriculture might be expected given Vietnam's history, the very low levels in agriculture would appear something of an anomaly, given this sector's reported dynamic growth under *Doi Moi*. It points to a dualistic structure, with relatively high productivity in some cash crops such as coffee and cashew nuts, and among larger rice farmers, but lower productivity among the large majority of small rice producers (Kompas et al. 2009). This latter group, largely producing for local markets and many of them net consumers of basic foodstuffs, can be expected to have been relatively insulated from the effects of the GFC.

Second, it is noteworthy that even for a socialist country, state employment (government and SOEs) is not particularly large by developing country standards. It accounted for less than 20

TABLE 3
Employment Elasticities with Respect to Output
by Industry in Vietnam, 2000–2007

<i>Industry</i>	<i>Employment Elasticities 2000–07</i>
Agriculture	–0.11
Industry	0.85
Manufacturing	0.66
Construction	0.41
Services	0.68
Non-Agriculture	0.74
All Sectors	0.31

SOURCE: GSO, National Accounts and Employment Data, various years.

per cent of all *non-agricultural* employment in 2006, much smaller than in private employment (30 per cent) or in the large non-farm sector in rural areas which provided jobs for just under half of all non-agricultural workers (*Vietnam Development Report 2008*, p. 36). At the same time, employment in the state sector is large by international standards, and can also be expected to have played an important role in protecting jobs during the GFC.

Third, some major impediments still remain to a more flexible labour market, which inhibit employment adjustments, both in boom and bust. Obstacles to employment creation have included the system of registration for rural urban migrants, which has probably slowed permanent migration for jobs into cities and the new industrial zones (Loi 2005). Also important has been greater pressure for enforcement of labour standards and minimum wages. These factors are likely to exacerbate unemployment during the crisis.

III.1 Unemployment and Under-employment

Given the rapid increase in the demand for labour outside agriculture, the large agricultural and

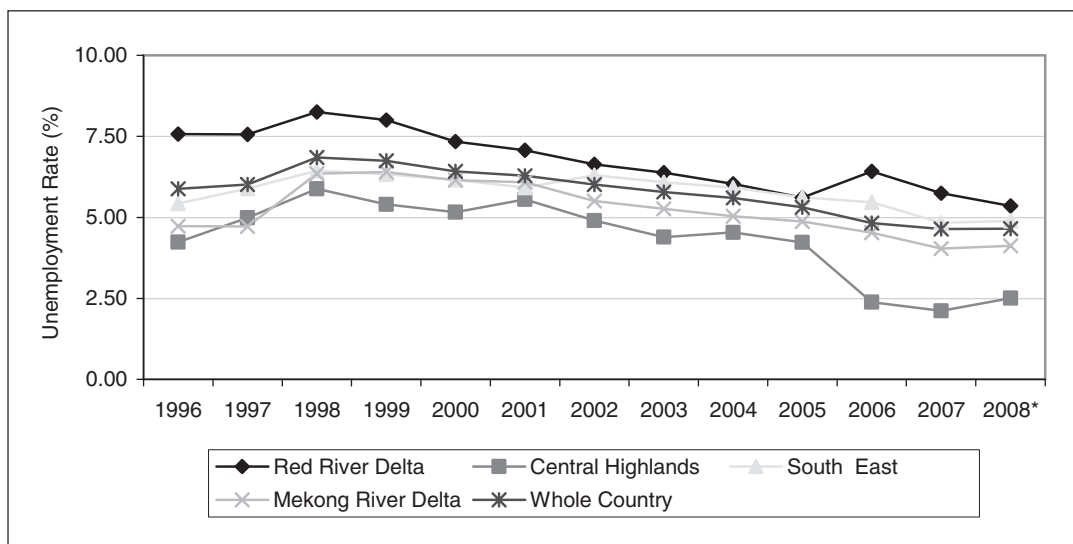
informal sectors, unemployment has not been a major problem in Vietnam, prior to the current downturn. Much of the unemployment relates either to extended job search activities of young secondary and especially tertiary graduates, or job hopping among employees in search of better jobs (*Vietnam Development Report 2007*). The large majority are looking for a job for the first time, or voluntarily unemployed (see *Vietnam Development Report 2008*, p. 40). Nationally unemployment appears to have remained quite stable at around 2–3 per cent from the mid 1990s through to 2007, partly reflecting very low rural unemployment rates (rarely rising much above 1 per cent).

Urban unemployment, however, has been higher and seemingly more responsive to market conditions. Rates rose to over 7 per cent during the years of the Asian economic crisis (1997–99) and then fell again as the economy rebounded early in the twenty-first century through to 2007, when the national labour force survey recorded a national

urban unemployment rate of a little over 4.5 per cent (Figure 2). They are estimated to have risen again in 2008 with the onset of the GFC (see below for discussion). The data support favourable labour market trends leading up to the slowdown in 2008. While this level of urban unemployment is a concern to policy-makers, it compares very favourably with urban rates of unemployment triple this level in some other developing countries in the region (for example, around 15–20 per cent in Indonesia and the Philippines) (ADB 2005).

Under-employment, defined as people willing to work more hours, or working very few hours a week, is typically much higher than unemployment in countries with a large rural population. Such is the case in Vietnam. Whereas unemployment is mainly an urban phenomenon, under-employment is higher in rural areas (around 10 per cent). However, it shows no clear trend, bouncing around from year to year.¹⁰ One might expect that the GFC may well impact more on under-employment rather than unemployment:

FIGURE 2
Trends in Urban Unemployment by Selected Region, Vietnam 1996–2008



NOTE: * Preliminary figures.

SOURCE: Government Statistics Organisation (GSO), Population and Employment Statistics.

self-employed individuals could be expected to respond to a cutback in demand by cutting hours of work. Small and medium enterprises, in particular, that can be expected to be more flexible in responding to demand cuts are likely to respond in a similar fashion.

III.2 Wages, Productivity and Labour Shortages

From the early years of *Doi Moi*, real wages appear to have risen quite sharply for both skilled and unskilled labour. Gallup (2004, pp. 58–62) citing data from the Vietnam Living Standards Surveys reports that hourly real wages rose by a remarkable average rate of 10.5 per cent per annum in wage employment across the country in the 1990s, and much faster in some urban areas such as Hanoi.¹¹ They rose faster among skilled, private sector and non-agricultural labour, although the increases were not much greater than

for unskilled wage labour mainly in the non-agricultural sector.¹²

Productivity and wages continued to rise, though less rapidly, in most sectors from 2000 onwards (Table 4).¹³ The increases are even more remarkable given the rapid increase in employment in labour-intensive manufacturing industries that rely heavily on low wages. However, they came off low base levels of labour productivity and wages compared with most other countries in the region.¹⁴ It is also noteworthy that real (product) wages rose faster than productivity in almost all sectors.¹⁵ Thus workers that moved out of low productivity pursuits such as agriculture, were able to enjoy a considerable improvement in earnings, which in turn was one of the major factors behind an equally impressive rate of poverty rapid decline from 60 per cent in 1993 to 20 per cent in 2004 (Ravallion and van der Walle 2008). It is also of interest that these wage

TABLE 4
Labour Productivity and Wages in Selected Sectors, Vietnam 2000–2007
(2007 Prices)

	<i>Productivity (per annum)</i>			<i>Incomes per worker (per month)^a</i>		
	2007		2000–2007 % Increase p.a.*	2007		2000–2007 % Increase p.a. ^b
	<i>m. dong/ employee</i>	<i>Index (Total=100)</i>		<i>000 dong/ employee</i>	<i>Index (Agric=100)</i>	
Agriculture	8.4	32	1.6	1,711	73	2.7
Manufacturing	40.8	158	1.4	2,256	96	3.2
Construction	35.1	136	–0.4	2,104	90	2.5
Trade	29.6	114	1.4	2,427	103	3.9
Transport & comm.	42.0	162	2.9	4,107	175	2.6
Public Administration	39.5	153	–2.0	1,804	77	3.7
Commun., Social & private services	26.6	103	–1.2	1,750	74	1.8
All Sectors	25.9	100	2.1	2,350	100	3.4

NOTES:

a. State sector only.

b. At constant producer prices.

SOURCE: GSO, Statistical Handbook Vietnam, 2008.

increases do not appear to have affected Vietnam's comparative advantage significantly, as it continued to make substantial inroads into international markets for labour intensive exports through to the GFC (Athukorala 2009a).

It is widely believed that pressing skill shortages constrained business development and slowed productivity growth leading up to the GFC. The supply of educated manpower expanded rapidly in the decade before the GFC, and surveys of larger and medium establishments conducted in 2006 found that the number of trained and skilled persons *employed* had increased considerably, consisting of 32 per cent of "trained" and 22 per cent vocationally trained workers in 2006. Evaluation of the medium-term development plan (SEDP) 2006–2010 suggests that Vietnam has so far been quite successful in meeting its quantitative vocational training targets, although questions have been raised especially regarding the quality of graduates from vocational schools.

At the same time, the demand for skilled workers in the main export and non-tradable industries rose sharply. Shortages emerged especially at the higher and intermediate levels of skills, which mostly require a secondary level of education or higher and often have a professional component. Shortages in the middle of the skill range were reported for book-keepers and accountants, financial planners analysts and surveyors in textiles and garments, construction, tourism and banking industries in 2006 (VCCI 2008). Management and merchandising were two areas where shortages of higher level skills were felt acutely.¹⁶

To sum up, the lead up to the GFC was one of rapid growth and structural change in the Vietnam economy at a faster rate than any country in East Asia save China. While some aspects of that growth process have much in common with other East Asian countries during their periods of accelerated growth, others are distinctive. Thus on the one hand the rapid growth in manufacturing exports and jobs in this sector was the motor behind jobs, productivity and wages growth. This sector absorbed low productivity labour from rural areas and underpinned the increase in jobs in

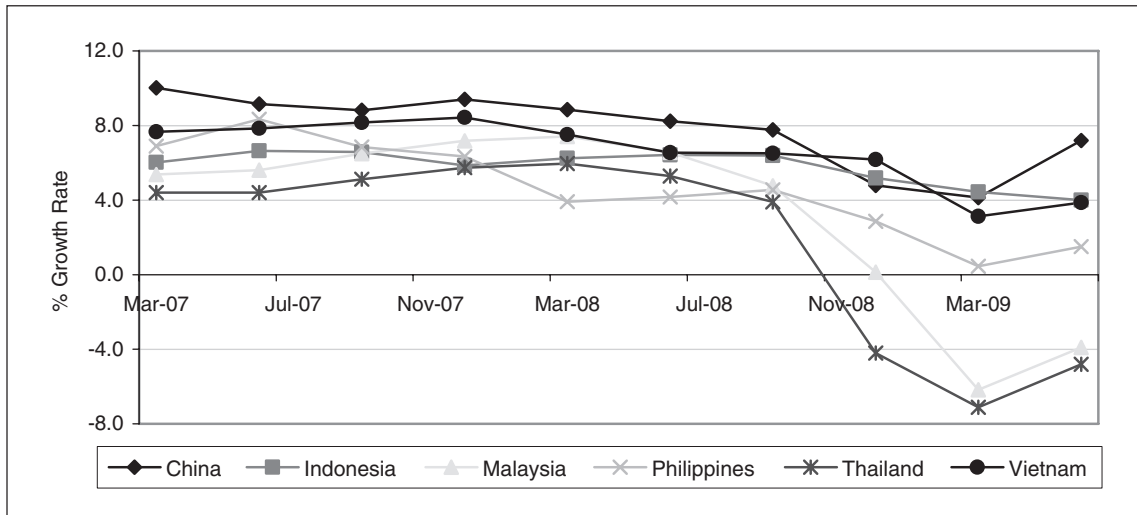
mostly urban, non-tradable goods industries in many countries in the region (Manning 1998; ADB 2005). However, the lead played by foreign enterprises in both output and employment growth was unusual, as was the major role of SOEs in manufacturing growth, even though more labour-intensive domestic private firms were the main source of employment growth. On both scores, however, we might expect Vietnam to be quite vulnerable to setbacks in global manufacturing trade and investment as a result of the GFC.

IV. The GFC and Labour Market Adjustment

Around the time of entry into the World Trade Organization (WTO) in January 2007, economic stability began to falter and Vietnam faced a difficult eighteen months before it began to be caught up in the global slowdown in the second half of 2008 (Thanh and Duong 2009). Inflation first rose sharply during the last quarter of 2007 as investment surged. As first price instability and then the GFC impacted on output and exports, growth rates fell from over 8 per cent in 2007 to 6 per cent in 2008, and plummeted to 3 per cent in the first quarter of 2009, although the economy appeared to have recovered in the second and third quarters of 2009, and is projected to achieve a 5.5 per cent growth rate in calendar year 2009. Projected slower growth in the three year period to 2010 will require some adjustment to targets in the medium term.

However, viewed from an international and regional perspective, the Vietnam economy has performed well during the GFC. This is especially the case in light of earlier fears that greater exposure to global market trends could seriously disturb the country's efforts to achieve and consolidate a place among middle income economies. In East Asia, Vietnam's growth performance through 2008 and 2009 is much closer to that of China (and Indonesia) than countries more seriously affected by the slowdown in the global economy (Figure 3). While GDP growth fell to less than 4 per cent in Q1 2009 it had recovered slightly in the second quarter, and was still well above the rates

FIGURE 3
Annual GDP Growth in Selected East Asian Countries
(Constant Prices, Year-on-Year, March 2007–March 2009)



SOURCE: CIEC Database.

experienced in Thailand, Malaysia and the Philippines.

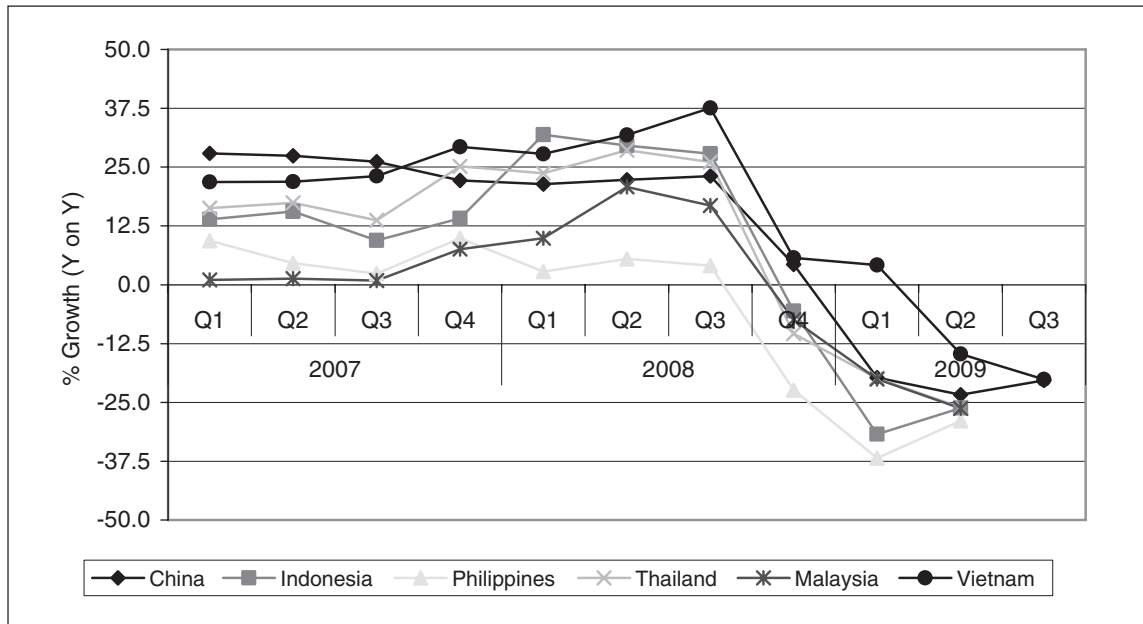
Nevertheless, the economy was still showing very mixed signs of recovery in the third quarter of 2009, in part as a consequence of the slow and uncertain recovery in developed countries. This suggests the need to qualify the optimism in some quarters about a quick return to the rapid growth path of the last several years. At the same time, there are also fears from a different quarter, namely that high levels of government spending could bring a return of pressures on prices and the current account that were experienced in 2007 and the first half of 2008.

From the point of view of the labour market, initial signs were quite positive, despite the slowdown in growth. In terms of the impact on cutbacks in demand from overseas, Vietnam had done better than all its neighbours in weathering the initial storm created by the GFC. Total export growth slowed markedly from the last quarter in 2008. Year-on-year growth rates remained positive through to the first quarter of 2009 and

then turned negative in the second quarter (Figure 4). In contrast, most ASEAN neighbours suffered negative growth from the fourth quarter in 2008. While oil exports were badly hit by the fall in prices in late 2008, and agricultural exports suffered a similar steep decline in growth rates, growth of Vietnam's main manufacturing exports fell much less sharply (Figure 5). Whereas the index of oil and coal exports was well below 2006 levels, it was significantly above these levels for manufacturing in the third quarter of 2009 (Table 5).

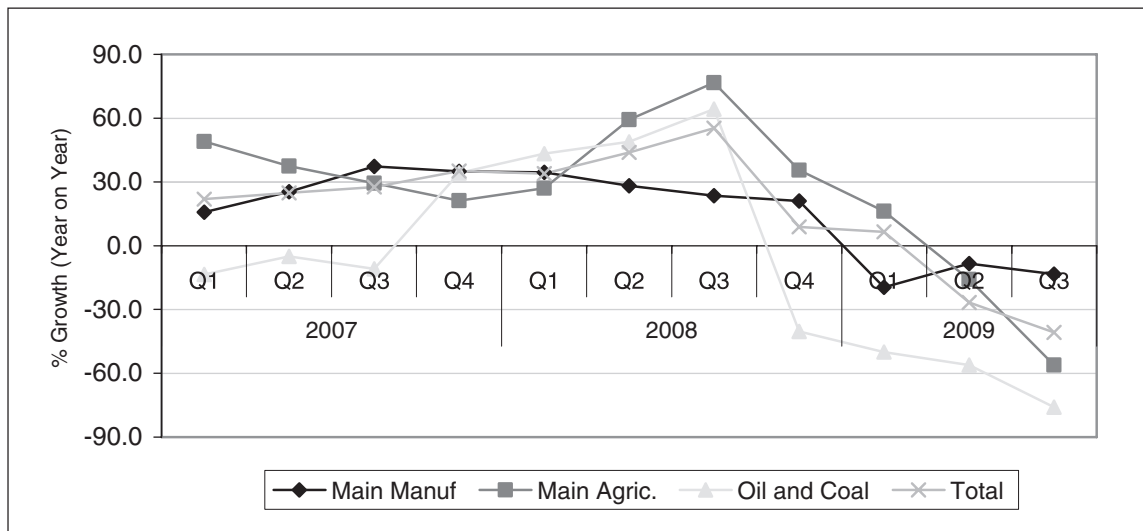
Among manufacturing products there was also some difference in performance. Exporters in garments appeared to have been able to compete better at the lower end of the quality scale in developed markets, and exporters were vigorously searching for new markets in response to the declining export orders.¹⁷ Wood products, in contrast suffered a sharper decline (Figure 6). Athukorala (2009b) notes that global "network" trade fell much less than exports of other commodities. This helped support employment in

FIGURE 4
Export Growth in Selected East Asian Countries, Q1 2007 to Q3 2009



SOURCE: CIEC Database.

FIGURE 5
Export Growth of Major Commodity Groups, Vietnam Q1 2007 to Q3 2009



SOURCE: CIEC Database.

TABLE 5
Index of Export Values, Main Export Commodities, Vietnam 2006–2009 (2006 Q1 = 100)

	Gar- ments	Foot- Wear	Computer- Electronics	Wood	Other	Main Manufact.	Rice	Coffee	Cashews	Rubber	Main Agric.	Oil & Coal	Other	TOTAL
Value Q1														
2006 (\$ m.)	1,317	862	361	450	212	3,202	529	297	278	96.3	1,200	2,183	2,080	8,665
% Q1 2006	15.2	9.9	4.2	5.2	2.4	37.0	6.1	3.4	3.2	1.1	13.9	25.2	24.0	100.0
Year/Quarter	INDEX (Q1 2006 = 100)													
2006 Q1	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Q2	109	100	112	114	120	108	147	136	108	116	133	106	117	113
Q3	129	107	119	100	122	117	172	125	82	146	137	111	122	120
Q4	114	104	155	118	127	117	189	66	98	151	134	96	139	120
2007 Q1	123	111	122	134	41	116	123	98	265	115	149	86	153	122
Q2	141	115	139	130	163	134	181	170	160	140	170	101	165	138
Q3	177	128	158	130	172	155	202	161	91	208	167	100	174	147
Q4	165	115	188	147	179	152	206	54	150	208	156	131	183	155
2008 Q1	160	127	137	160	182	150	153	103	301	165	176	130	179	156
Q2	166	135	187	154	219	162	204	313	195	213	230	150	218	182
Q3	202	137	202	151	214	178	261	299	131	298	244	164	257	202
Q4	174	147	217	162	227	173	227	155	148	230	191	90	209	163
2009 Q1	145	108	136	116	159	131	139	267	231	141	192	80	280	162
Q2	165	130	179	124	196	154	190	317	154	200	214	93	188	155
Q3	197	104	215	140	175	165	239	168	78	281	187	88	219	162

SOURCE: CIEC Database.

several countries in East Asia. Although Athukorala estimates that global network trade was still quite small in Vietnam (around 10 per cent of total exports of manufactured products in 2009), exports of computer and related electronic products continued to grow quite strongly through 2009. This is in contrast to several established export items: garments, footwear and wood products (see Figure 6).

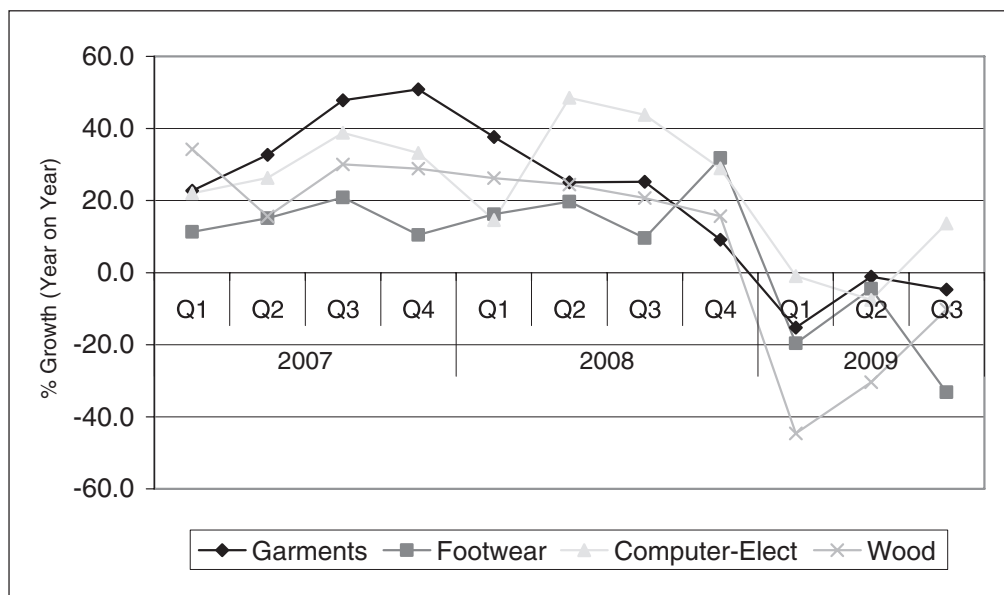
Another positive sign for labour was the tempering of inflation as the CPI fell from its high of 28 per cent in the August 2008 back to single digit figures a year later. CPI increases were no longer cutting into real incomes among wage earners on fixed incomes to the extent that they had in 2007 and 2008. Inflation was reported by the Government Statistical office (GSO) to be 7.6 per cent for the first eight months in 2009 compared with the corresponding period in 2008, and well below the rate of 20 per cent recorded in calendar year 2008.

IV.1 Labour Market Impacts

The GFC has adversely affected employment and wages but has also been something of a blessing in disguise for the labour market. It has given Vietnam a respite from the strains of more than a decade of rapid growth since the Asian financial crisis in 1997–98, as discussed in the second and third sections of the paper. Nevertheless, even the muted slowdown by international standards has adversely affected labour. At the same time, government spending and the large stimulus programme of late 2008 have been a welcome respite for many who have lost their jobs or who are no longer earning the incomes they were eighteen to twenty-four months ago.

Labour incomes were already under some stress owing to high rates of inflation and the GFC in 2008. For the first time in several years, nominal wage increases of 14 per cent in 2007 were barely above the rate of inflation of 13 per cent. Real wages fell among permanent employees in

FIGURE 6
Export Growth of Major Manufacturing Products, Vietnam Q1 2007–Q3 2009



SOURCE: CIEC Database.

foreign, state and private domestic firms in the first half of 2008 as inflation approached 20 per cent (Thanh and Duong 2009, p. 128). Thus one bonus for workers from the GFC was a lessening of inflationary pressures and the erosion of wages among workers on fixed incomes.

Thus, after this period of inflation in 2007, how might we expect the labour market to react to the sharp cut back in international demand for its products from the second half of 2008? The first round effects are likely to be on employment, hours of work and wages in export-oriented industries. Employment effects could be expected to be especially felt by more vulnerable contract workers and in some small and medium establishments which produce products outsourced from larger exporting firms. Second round effects, in the absence of direct government support, are likely to flow through to the domestic economy, impacting on jobs and, more important, incomes of the large majority of self-employed workers. Since most families cannot survive on social security and do not receive unemployment benefits, one could expect a crowding into the informal sector, depressing incomes in this sector.

Several patterns of labour market response have been noted as common in several East Asian exporting countries (World Bank 2009b, pp. 19–23). Export-oriented firms and small and micro-enterprises linked to global production networks were hit particularly hard. Second, while job losses for regular workers tended to be small (especially since companies were concerned about capacity to respond to demand increases during the recovery), firms adjusted by reducing hours of work, overtime and the number of shifts. Third, many workers who did lose their jobs were able to shift to agriculture, trade and construction (the latter boosted by stimulus packages) and at lower rates of pay in the informal sector. As a consequence of all these adjustments, unemployment increases were not large but poverty decline for individuals is estimated to have halted in East Asia (World Bank 2009b, p. 24). There was a significant increase in numbers earning below US\$2 a day, although this was only small in

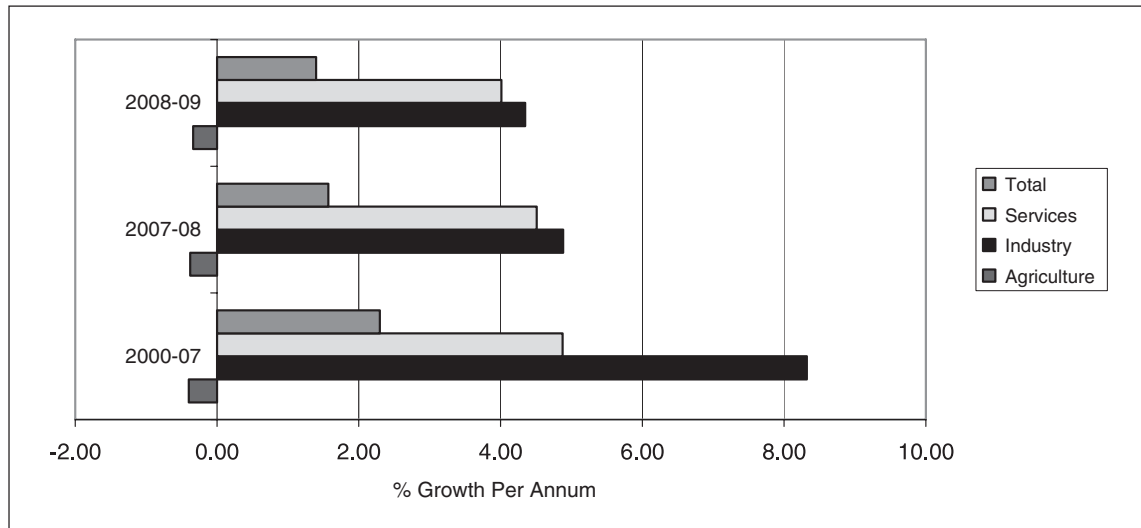
relative terms (estimated at some 4 per cent in 2009).

As an illustration of possible trends in employment in the immediate future, Figure 7 provides a picture of employment growth through to 2009 in Vietnam. It draws on past changes in jobs in the period 2000–07 from official data and estimates of GDP growth in the past few years and in 2009.¹⁸ Although illustrative only, the figure demonstrates that the much slower expansion of employment is likely to spread to all sectors, and be most severely felt in industry (principally manufacturing) which has grown fastest and absorbed labour at a rapid rate since the year 2000. Total employment growth (at least in the formal sector) can be anticipated to have fallen well below 2 per cent, and hence probably below the anticipated growth of the working age population in 2008. This increases the likelihood of some rise in unemployment.

As shown in Figure 2 above, unemployment rates are estimated to have increased by around 1 per cent in 2008 and probably further in 2009. Adjustments appear to have followed the East Asian pattern noted above. The Consultative Group for Vietnam's mid year assessment in June 2009 was guardedly optimistic that "open unemployment may not have been as large as initially feared, but job losses were common among casual and seasonal workers and cuts in wages and overtime affected even those who kept their jobs" (World Bank 2009a, p. i). It notes that the burden has probably been felt more in higher under-employment than in unemployment.¹⁹

Employment data were not available for Vietnam for 2008 and 2009 at the time of writing. However, anecdotal evidence also suggests that unemployment has not emerged as a major problem during the recent economic downturn. Nevertheless, officials at the Ministry of Labour, War Invalids and Social Affairs (MOLISA) and the Vietnam Trade Union Congress report that the downturn has contributed to a fall in earnings as employees work shorter hours and are deprived of valuable overtime work. Workers engaged by smaller sub-contractors, and small enterprises

FIGURE 7
Employment Growth 2000–07 and Growth Estimates 2007–09 by Major Sector



NOTES:

1. Employment estimates 2008–09 based on constant employment elasticities derived for the period 2000–07.
2. GDP estimates by sector for 2008 taken from the mid-term evaluation of SEDP (2009), p. 6.
3. GDP estimates for 2009 based on World Bank estimates of total growth of 5.5 per cent per annum; estimates by sector derived by multiplying this rate by sectoral rates relative to the total recorded in 2008.

SOURCE: GSO, Employment and national accounts data.

involved in handicrafts also saw their earnings contract significantly in early 2009, compared with the previous year.²⁰

Additionally, preliminary research by the Central Institute for Economic Management (CIEM) notes that hardship has been significant in the export-oriented centres, in industrial parks and handicraft centres, with considerable heterogeneity at the enterprise and household levels. Rapid appraisal research by the Vietnam Academy of Social Science (2009) found that there has been a fall-off in international remittances and greater reliance on the informal sector.²¹ Finally, labour exports, an important source of income for many poorer households both directly and through remittances, were down 28 per cent in the first half of 2009 compared with the same period in 2008.²²

After the sharp decline in growth in the first quarter of 2009, labour demand has begun to recover. Vietnam Works Online reports a rise in the labour demand index of 37 per cent especially in finance, accounting and information technology, and in Ho Chi Minh City. The stimulus package of late 2008 seems to be beginning to take effect with the indicators of construction activities moving sharply upwards in the second quarter of 2009, even though direct subsidies for employment do not appear to have had a major effect (*Vietnam Business and Financial News*, 15 October 2009). Unemployment insurance introduced on 1 January 2009 through a 1 per cent payroll levied on all firms with ten workers or more, and payable for all workers on a twelve month or longer contract is unlikely to provide the kind of protection needed. However, the fiscal stimulus especially

through interest rate subsidies seems to have been more successful in keeping vulnerable firms in business (World Bank 2009a; *Economist*, 24 September 2009). In late 2009, the government appeared to rule out the possibility of a second stimulus package that had been considered earlier in the year.

What are the prospects of employment growth returning to its previous trajectory after the crisis? While this is likely to be influenced by many factors, three would seem to be particularly relevant: first, the extent to which Vietnam can return to its earlier growth trajectory, including a more stable macroeconomic environment; second, the nature of growth in the recovery period, and in particular the potential for market expansion in labour intensive exports, which are likely to have the greatest impact on employment; and third, the institutional environment which might encourage or hinder new job creation.

It would seem Vietnam has favourable prospects for a sustained recovery and a return to at least close to the growth trajectory of the past decade. The capacity of Vietnam to exploit lower quality end of the export market during the crisis, and its success in attracting major international investors in electronics auger well for a sustained recovery of exports (Athukorala 2009b). In the medium term, however, much depends on overcoming shortages of skilled manpower discussed above, in order to move into higher value-added export lines.

Observers also note that credit expansion during 2008 and 2009 and a widening budget deficit supported by international assistance may choke off some of the potential benefits to labour if inflation becomes a problem in 2010 again.²³ They also worry that the government has been distracted from its longer term reform programme since joining the WTO and the crisis, and needs to focus especially on improving competitiveness among state-owned enterprises (*Economist*, 24 September 2009). A major challenge in the medium term remains to affect the transition towards higher value-added output and exports, a transition which several other countries in the region such as

Indonesia and the Philippines have found difficult to achieve.

IV.2 Labour Institutions and the Recovery

Finally, one question posed by several observers has been increasing problems posed by a tight regulatory framework in regard to labour, as Vietnam became much more industrialized over the past decade. Labour market recovery both in the short and medium term will to some extent depend on the employers being able to send the right signals to workers in regard to higher productivity opportunities and workers being able and willing to move to growing sectors of the economy. A number of labour regulations and the industrial relations system currently impede such labour market flexibility.

Minimum Wages. First, the minimum wage system is in need of reform. Minimum wages (MW) are regulated by government decree, the most recent of which was issued in October 2008, which set a new level of MW in Vietnam from 1 January 2009.²⁴ The most recent levels for different regions are shown in Table 6. The MW in foreign firms were in the range of 40–50 per cent higher than in domestic firms in the same region (although the highest domestic minimum was only some 15 per cent below the lowest minimum wage in the foreign sector).

TABLE 6
Minimum Wages for Domestic and Foreign Firms
in Vietnam (dong), 2009

	<i>Domestic</i>	<i>Foreign</i>	<i>% Difference</i>
Region 1	800,000	1,200,000	50
Region 2	740,000	1,080,000	46
Region 3	690,000	950,000	38
Region 4	650,000	920,000	42

SOURCE: MOLISA, 2009 (Taking effect from 1 January 2009).

The higher MW in foreign firms is unusual internationally, and breaks one of the key tenets of the WTO, namely equal national treatment of domestic and foreign investors.²⁵ The distinction does not appear to have discouraged foreign investors from entering the country since they have generally not been “binding” on most firms. Thus the backwash impact on employment, which is a common fear with minimum wages, especially in labour abundant countries like Vietnam, has probably been minor.²⁶ However, nominal increases of close to 20 per cent in 2009 over the previous year have drawn complaints from foreign business chambers that have been feeling the pinch from the global slowdown, and in the face of significant social insurance responsibilities under the labour law and new unemployment insurance legislation (AMCAM 2009).

A number of challenges remain, however, in making for a more efficient labour market in the medium term. First, higher quality and motivated workers tend to seek work and be recruited into the foreign sector or in larger domestic private and state enterprises that pay higher wages. One step to overcoming this problem is unifying the level of MW in the domestic and foreign sectors. A second challenge is to develop a more flexible system of industrial relations which encourages direct bargaining among employers and employees rather than relying heavily on the state to set wage levels. As Vietnam industrializes further, higher levels of unionization can be anticipated to encourage more claims for wage increases on the part of organized labour. An increase in labour disputes in 2007 and 2008 can be partly attributed to a more experienced and active labour movement under conditions of greater labour scarcity, compared with earlier years.²⁷

It is not surprising that the regulations through an extensive labour code were viewed as essential in protecting workers during the shift towards a more market-oriented economy. But it can be argued that far-reaching and state-regulated labour protection is less necessary now. Workers are more educated, knowledgeable of their rights and have a

stronger bargaining power vis-à-vis employers than a decade or so ago.

Industrial Relations. Industrial relations, formation of labour unions, negotiation of labour agreements, resolution of disputes and strikes are also regulated under the Labour Code of 1994.²⁸ At the national level, the Prime Minister is advised by the National Labour Relations Committee, chaired by MOLISA and co-chaired by the Vietnam Chamber of Commerce and Industry, VCCI, and the Vietnam General Confederation of Labour (VGCL). At the enterprise level, negotiations by employers are only permissible with affiliates of the VGCL. Dispute resolution is typically undertaken through arbitration progressively at three levels: the firm’s labour conciliation council, a provincial labour council and finally, if both these efforts fail, the dispute is taken to a Provincial People’s Court (and not to a labour court).

Vietnam has made some steps forward in protecting workers through comprehensive legislation and developing new procedures to deal with difficult industrial relations processes, such as through Law No. 74 mentioned above.²⁹ The formation of the National Labour Relations Committee to advise the Prime Minister in 2007 is an indication that the government is serious about revising the labour law and improving industrial relations, and especially revising some clauses in the labour law that are a source of dispute between employers and employees. Subsequent decrees, such as the Prime Minister’s 2008 decision to involve government agencies, the VCCI and the VGCL in a range of actions to help overcome strikes are examples of serious government concern regarding ineffective industrial relations and dispute resolution processes.³⁰

Nonetheless, there are some problems in the practice of industrial relations. These are related to the small proportion of enterprises that are unionized and the manner in which worker interests are represented. The evidence for these problems comes especially from the significant increase in

the number of mainly wildcat strikes registered in 2006 (over 300), rising to 800 in 2007 and remaining high in 2008, although the number of registered strikes appears to have fallen sharply during the downturn in first half of 2009.³¹ In 2005, for example, data from the VGCL estimated that while 90 per cent of SOEs were unionized, the number dropped to one third for domestic private firms and half for foreign companies.

Union leadership is one problem. Like in other countries, such as Indonesia under Soeharto, where the formation of union organizations is tightly controlled by the government, union leadership tends to exclude rank and file members. Typically human resource and personnel managers are the leaders of enterprise unions.³² The absence of active rank and file engagement in trade union activities has meant that conditions of work are rarely negotiated through collective agreements. Rather for the most part they are regulated unilaterally by management through a list of company rules that firms are required to lodge with local government offices. VGCL estimates that while the large majority of SOEs had negotiated CLAs in 2006, only 40 per cent of foreign firms and 25 per cent of domestic firms had done so.

Dispute resolution mechanisms are also in need of reform. Problems arise partly because conciliation councils are rarely established at the enterprise or provincial levels, and there has been little provision for independent mediators to play a useful role in helping overcome disputes. In practice, local officials appear to play a major role in “resolving” disputes which are commonly decided in favour of workers.³³ Lee (2006, pp. 6–7) refers to the process of resolution of disputes as “ad hoc conciliation” since the main objective of authorities has been to stop strikes (or stop them from spreading) as quickly as possible, rather than develop clear guidelines for conciliation and arbitration, which might avert the need for workers to strike.

Thus the Vietnam Development Report (World Bank 2007b, p. 45) concludes quite aptly:

The lack of workers representation at the enterprise level and prevalence of wildcat strikes

suggest that the legal framework for collective bargaining in Vietnam is not well adapted to the maturity of its economy.

In short, the institutional framework has not been able to adjust quickly enough to the rapidly changing economic structure, and the changing skill composition and human capital of the work force. Outdated practices in setting labour standards and resolving disputes impact negatively on the motivation, work effort, creativity and productivity of workers.

V. Conclusions

In this paper I have argued that the GFC has probably had quite small effects on the Vietnam labour market, measured in terms of conventional indicators of labour market imbalance such as unemployment, compared with several other neighbouring countries such as Thailand, Malaysia or the Philippines. In part this relates to robust economic growth and rapid expansion of higher productivity jobs before the crisis, associated particularly with FDI and export growth in manufacturing products. In part, it can be attributed to the solid performance of exports throughout 2008 compared with most other East Asian countries, and the quick recovery after a short, sharp decline in output and exports in early 2009.

Nevertheless, there are still considerable challenges faced by policy-makers as the country seeks to return to the pre-crisis growth path. Unless addressed in a more systematic way, shortages of skilled labour, rigidities in the labour market and a still under-developed industrial relations system are three problems, in particular, which could increasingly constrain growth in productivity and employment creation in 2010 and beyond. While no one wishes for shock therapy brought by a crisis, it has given Vietnam a breathing space to rethink approaches to these and other longer term issues. The challenge will be to put this in the forefront of the agenda at a time when recovery is still the main concern of policy-makers.

NOTES

Some of the material included in this paper has been taken from an earlier presentation at the Division of Economics, Research School of Pacific and Asian Studies, The Australian National University, 29 September 2009. The author thanks participants at that seminar for helpful comments on aspects of the earlier paper. In addition, I especially wish to thank Raymond Mallon and Prema-chandra Athukorala for sharing data and insights into several aspects of the Vietnam economy and labour market.

1. See especially Riedel and Comer (1997), Van Arkadie and Mallon (2003), and World Bank (2007*a* and 2008).
2. See also Menon (2009) and Trinh (2009). The foreign-invested sector refers to all establishments with any foreign capital investment. In practice, a high proportion of firms have a majority foreign ownership and many are 100 per cent foreign owned. Henceforth I refer just to FDI or the foreign owner firms to denote the foreign invested sector.
3. Riedel and Comer (1997) note the major constraints to private enterprise growth prior to the passing of the Enterprise Law in 2000.
4. By way of comparison, for example, employment in the manufacturing sector in Indonesia which followed a similar export-oriented path in the late 1980s and 1990s, never grew at faster than 5 per cent per annum, half that of jobs growth in manufacturing in Vietnam at a similar stage of development.
5. The VCCI report which focuses on human capital does not provide information on which sectors these data apply to but it appears they relate only to manufacturing and not to agriculture.
6. See VCCI (2008, pp. 105–106, 155–56). The six sectors were food processing, garments (including textiles with ISIC code 15), and construction, all examples of labour intensive industries, and tourism, banking and insurance among the more skill intensive industries.
7. An important indicator of a “turning point” in labour markets was registered when agricultural employment began to decline absolutely around 2002–03, providing an opportunity for more rapid growth in productivity in this sector. Employment in fisheries has continued to grow quite rapidly, however.
8. Of course the indirect effects of FDI, not taken into account here, are likely to be very much greater in view of its well known contribution to technology transfer, and also direct linkages with other key sectors of the economy, which vary across industries.
9. These figures are not adjusted for hours of work which were probably much lower among small farmers than in other occupations. It is also quite likely that subsistence agriculture might be undercounted.
10. For example, the government has recently announced plans to provide vocational training to one million farmers as part of a programme to raise rural productivity and incomes. This is one approach to tackling high under-employment, especially in agricultural regions with a high level of monoculture (*Vietnam News*, 13 June 2009).
11. Data are for the period 1993–98 and cover both urban and rural areas.
12. The increases were even more remarkable given that hours of worked also increased by almost 20 per cent on average as labour was used more intensively in new economic activities.
13. Data on wages in table are for state employees. However, data in Table 4 show that private sector wages rose only slightly slower than in the state sector.
14. Phan (2009, p. 21) presents data from Asian Productivity Organisation which estimates that labour productivity per worker in Vietnam (in current US\$) was around two-thirds that in China and one-third that of the ASEAN-8 in 2000, and the gap had widened especially with China by 2006.
15. The one exception reported in official data was transport and telecommunications.
16. The report to the Vietnam Consultative Group (December 2007, p. 40) also drew attention to skill shortages mentioned in a number of surveys. This problem was noted as a “severe bottleneck” by a fifth of firms interviewed in the 2005 Investment Climate Survey, and “moderate” by another 20 per cent of establishments.
17. Garments producers were reported to have found new markets in the areas like the Middle East and Africa to cushion the impact of declining demand in the United States and Europe. See *Vietnam Business and Financial News*, 22 October 2009.
18. The trends shown in the table are based on an assumption of fixed employment elasticities, based on historical data for 2000–07, and on data and various assumptions which indicate a slower rate of GDP growth from 2007–09 and then a recovery in 2010. While fixed coefficients are unlikely, the exercise is useful in providing a broad picture of the likely impact of the economic slowdown on employment.
19. ILO suggests that the impact in rural areas is being felt particularly in regard to hours worked (See *Vietnamnet* 23/12/2008).
20. Interviews in Hanoi, 9–19 June 2009; Vietnamese Academy of Science, 2009.
21. It appears that few households have been forced into poverty as a result of the GFC, to the extent that schooling

and health of children have been adversely affected. Interestingly, the study also suggests that there has not been significant reverse migration back to countryside. As the World Bank (2009a, p. 10) notes from the anecdotes that the “migration process was irreversible by now.”

22. VietnamNet Bridge 04/07/2009.
23. In September 2009, the ADB extended a US\$500 million budget support loan to Vietnam.
24. See Decree/2008/ND-CP issued on 8 October 2008.
25. The government is aware that the level of MWs will need to be unified for the two groups as Vietnam moves to becoming a fully fledged member of the WTO.
26. The Vietnam Development Report (World Bank 2007b, p. 43), for example, notes that firms with wages that fall within a narrow band below and above the minimum wage covered only 2–3 per cent of all wage earners, consisting mainly of young people, women and unskilled workers in manufacturing.
27. Although it should be noted that many claims and subsequent disputes in 2007–08 are reported to have resulted from grievances of individual workers rather than from the initiatives of trade unions seeking to improve working conditions in general (*Vietnam Development Report*, World Bank 2008).
28. Other regulations are also important, most notably Law No. 74, 2007 which distinguishes between dispute resolution procedures for disagreements over worker rights (contained in the labour law) and worker interests.
29. The EIU report in 2009 (p. 85) notes, for example, that the Law halved the time for completing various steps in resolving disputes.
30. See Directive 1129/QĐ-TTg, 18 August 2008 which recommends several reforms: a review and revision of the labor code in regard to collective bargaining; the undertaking of pilot studies of successful cases of labor relations; greater coordination of provincial labor offices and industrial export processing zone management; encouragement of the formation of trade unions in FDI enterprises; and an examination of possibilities for the formation of industry level unions.
31. See especially the Vietnam Development Report for a discussion of problems faced in the industrial relations system (World Bank 2007b, pp. 44–46).
32. There are close parallels with Indonesia under Soeharto, both in the organisation of the union movement and the emergence of industrial unrest as export oriented industrialization (also spearheaded by Korean and Taiwanese investors) gained momentum, and unskilled and semi-skilled labour shortages became a major issue (Manning, 1998).
33. Lee (2006) cites evidence from an ILO study that in the large majority (48 out of 50) of firms where strikes occurred the workers key demands were met.

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