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## Work motivation in Vietnam: some aspects of change under *Doi Moi*

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## Abbreviations

NPA	National Political Academy
SOE	state-owned enterprise
SRV	Socialist Republic of Vietnam

In this article, we examine key changes in work motivation in the period of *Doi Moi*. Such changes include the application of a contract basis at work, expansion of democracy in the economic sector and contribution-related compensation. In order to clarify the significance of these changes, we analyse some of the shortcomings of work motivation under the centrally planned mechanism. Our subsequent discussion leads us to the conclusion that market-driven policies play a key role in the establishment of a work environment in which ability and contributions are valued as central to the management of human resources. Because it allows the performance of each individual to be assessed according to his/her ability and contributions, such an environment lays the basis for significant improvements in labour productivity.

### Significant lessons from the past

In the early 1990s, a number of studies noted that Vietnam's centrally planned economy had failed to provide work incentives (NPA 1992; Nguyen, H. 1993; Pham, V.N. 1993; Le 1997). Instead of encouraging creativity and performance, it dampened the enthusiasm of both managers and workers. These studies identified five areas in which this was particularly the case.

Firstly, the mechanism of central planning and subsidisation actually discouraged people from working conscientiously and effectively. Under this mechanism, all activities from production to sale of products and from allocation of resources to incentive provision were

planned and supervised by the central government. Employees and managers of enterprises had to follow the orders and plans assigned to them. The government guaranteed lifetime employment for workers. It also stipulated unified salary and incentive schemes throughout the economy.

Consequently, both employees and managers became passive, apathetic and uncreative. They had little incentive to take any sort of initiative of their own in their work and good reason to be careful and not try anything new (NPA 1992:67). They passively awaited orders from above and followed them without regard for considerations of efficiency. The guarantee of lifetime employment meant that people could work until their retirement (at age 60 for men and 55 for women), providing they committed no serious offence. Thus, no one really worked to his/her full capacity.

Secondly, the rigidity of the reward system, which was designed and strictly controlled by the government, failed to reward persons who were more talented and performed better than others (Nguyen, H. 1993:109; Nguyen, V.S. 1993:41–52). This was particularly the case in state-owned enterprises, which made up the greater part of the economy (Nithinart 1996:113–5). Because enterprises did not have autonomy in deciding incentive schemes, they were denied the capacity to actively manage their employees' performance. As a result, people became apathetic, and it was widely felt that there was no need to improve individual or organisational performance. State

employees saw themselves as jobholders rather than achievers (Nithinart 1996:114). Furthermore, because there was no possibility of their being replaced for poor performance, they held their jobs simply by attendance.

Thirdly, in agriculture, the largest economic sector in Vietnam, farmers became unsatisfied with the collective regime because it deprived them of ownership of land and its produce (Vu 1994:137–40). All products produced by farmers were distributed under government control. Farmers did not have the right to manage their business activities or product surpluses. All farming activities and extension services were organised and managed by collectives, which were responsible for the achievement of production quotas fixed centrally through bureaucratic processes. In this situation, farmers had no incentive to produce more or to improve the quality of their products.

Fourthly, individual interests were played down in relation to social and collective interests (NPA 1992:70–1; Nguyen, H. 1993: 109). According to Marxist–Leninist ideology, in a socialist society there are three kinds of interests, namely social interest, collective interest and individual interest, and the achievement of social and collective interests is the decisive precondition for the accomplishment of individual interest. In Vietnam, the application of this ideology resulted in a massive process of collectivisation and nationalisation under central planning. All sectors of the economy and all enterprises were regarded as assets of the state, and therefore under the common ownership of

the Vietnamese people. In reality, however, the people experienced no sense of ownership of these assets (Vo 1997:195–8), understanding that the products of their contributions would not belong to them but to the state or the collective. As a result, individuals were not inclined to maximise their efforts in their work. During the 1990s, the alternative view that individual interests are the main impetus for economic action came to be held widely (Le 1997:45).

Finally, the egalitarian ethos of Marxist–Leninist doctrine also made employees disinclined to improve their work performance. Egalitarianism in wage and salary determination in state enterprises was enshrined in the unified reward system already mentioned, however pay was also mainly determined by plan fulfillment rather than performance-related factors (Thanh 1991:72; Vo 1997). Because plan fulfillment was achieved through collective contributions, rewards and bonuses were divided equally among collective members regardless of differences in their capabilities and efforts. This made it impossible to disaggregate the performances of individuals, work groups or organisations, and thus also to reward performance.

Egalitarianism failed to stimulate individual employees to improve their skills and knowledge because it offered no recognition of such achievements. Far from encouraging talented and energetic workers to increase their productivity, the system encouraged poorly performing and lazy workers to become ‘free riders’ (Nguyen, V.S. 1993:47).

By the 1990s, the view that the centrally planned economy generally failed to

motivate people to work better had become well established in Vietnam (Nguyen, H. 1993:110). The central points of this view were that under central planning people showed no initiative or creativity in performing their jobs because there were insufficient incentives in place to reward the contributions they made, and that egalitarianism failed to stimulate employees to fulfil their potential in their work and actively pursue the goals set by their organisations.

### Work motivation under *Doi Moi*

*Doi Moi* has brought about radical changes in the socioeconomic life of Vietnam, with considerable impacts on work motivation. These fall under three main areas

- the application of a contract basis at work
- the implementation of democracy in the economic domain
- the introduction of contribution-related rewards.

The following discussion explores each of these in turn.

#### Application of a contract basis at work

In Vietnam, a contract basis for work was first applied in agriculture in the early 1980s in response to production failures, and later extended to other economic sectors (Vu 1994). In agriculture, the output contract system (*khoan san pham*) consists of three main elements

1. long-term (15–50 years) allotment of land to farmers under unchanged contract quotas

2. farmers to take full responsibility for all production on the land allotted.
3. application of a new payment system under which farmers can pay for extension services and taxes in cash and/or kind.

Vu has described the output contract system as a new breeze for Vietnamese agriculture (Vu 1994:37, 142). Under this system, farmers were given control over their main productive resource—the land. They took full responsibility for cultivation of the land allotted and self-managed their surpluses on a market basis. These measures gave farmers more autonomy in raising crops and animals according to market signals and encouraged them to work with zeal (Boothroyd and Pham 2000:168–9).

By the early 1990s, researchers were reporting that farmers had begun to derive more satisfaction from their work because of the direct relation between their earnings and other benefits and their own skills and efforts. Thus, the output contract system came to be seen to have revolutionised Vietnamese agriculture and led the country to a decisive turning point in its organisation of economic activity (Vu 1994:132–5; Pham, X.N. 1991:108). The reform in agriculture motivated farmers to realise their full production potential, leading to increased national food output. In contrast with the early 1980s, the early 1990s saw Vietnam solve the problem of food shortage and even exceed domestic demand, and once again begin to export rice. From a modest export quantity of 1.4 million tonnes in 1989, Vietnam increased its exports enough to become the world's

third largest rice exporter in 2001 (Pham, X.N. 1991:13; *Nhan Dan Newspaper* 2002:1).

A contract basis has also been introduced into government employment policy. The contract employment system was first implemented in the early 1990s, and was formally promulgated in the Labour Code of the Socialist Republic of Vietnam, effective from 1 January 1995 (Vo 1997:271). Under this code, contract employment can take three forms, namely a non-term contract, a term contract for one–three years, or a seasonal contract for a period of less than one year.

The implementation of the contract employment system has brought two main benefits. First, employees are now required to have adequate qualifications, high skill levels and strong discipline at work. They must work to their full capacity in order to keep their jobs, for if they do not then competitors could move in to replace them. The pressure of competition encourages employees to improve their professional skills and knowledge in order to stay ahead. The era of the 'ticket to lifetime employment' has ended, and employees can no longer remain passive or apathetic in their workplaces. As a result, the performance of organisations has started to improve.

Second, the contract employment system allows for flexibility in workforce mobilisation. It has created a dynamism in the labour market, with workers now able to look for the jobs and positions best suited to their qualifications and skills and managers able to seek the employees they need rather than remain stuck with those they are given. Self-determination of jobs

and workplaces has helped create confident and pleasant employee attitudes towards work. Employees have become more inclined to put creativity and energy into their work, and to make the most of their capabilities. Furthermore, now that organisations can mobilise seasonal and casual labour, they can participate in seasonal industries such as agriculture, aquaculture and service industries. This was impossible under the lifetime employment system (Nguyen, V.S. 1993:88).

Hence, contract employment has established the conditions for the development of a motivational and competitive atmosphere among jobseekers and current employees. In theory, capable and competent persons should win jobs and go on to improve themselves and their work. On the other hand, incapable and poorly performing persons will lose jobs and move out to more suitable employment. While the contract employment system is of importance in creating the possibility of performance efficiency in organisations, workplace level research needs to be done to reveal how this is working in practice.

### **Democracy and economic activity**

Democratisation of the economy in Vietnam has been seen as a key step towards democratisation of the nation as a whole (Nguyen, T.C. 1997:113). Democratisation of the economy is expected to bring people and organisations the autonomy and freedom to do business and participate in all legal economic activities (Nguyen, V.S. 1993:90). It may also aid in the development of a transparent and democratic environment in which all

economic relations, production conditions and business forms are structured on the principle of freedom. In theory, the legal guarantees of self-determination provide the incentives to effort and innovation which drive progress (Nguyen, T.C. 1997:113).

Democratisation of the economy is therefore underpinned by respect for and protection of individual interests. In a democratic economic environment, individuals can be confident that their ability, labour, capital and other resources will be appreciated and their initiative and creativity in work will bring them adequate rewards. Appreciation of individual interests has been recognized as a key contributor to the acceleration of socioeconomic development in Vietnam (Nguyen, T.C. 1997:115). In this sense, respect for and protection of individual interests are the main direct motives for economic development (Nguyen, V.S. 1993:37–40). This idea was expressed in policy documents of the early 1990s as follows.

[T]he main objectives and motives for development are set up by people and for people. The socio-economic strategy, as people centered process, aims at liberating the production forces, and stimulating the potential of each individual, each collective group of workers and all the ethnic communities. (SRV 1991:8)

It is difficult to over-estimate the extent of the change economic democratisation represents for employees. In the past, in Vietnam, as in other socialist countries but especially China, workers were assigned to particular jobs by the government and had

no say in the matter themselves. Transfer of staff had to be approved by the relevant authorities. The recruitment function was practically nonexistent in SOEs (Moore and Jennings 1995:194). Now that the right of self-determination by each individual is guaranteed by law in Vietnam, people themselves can choose their job and workplace. Similarly, enterprises can hire and dismiss workers at their discretion on the basis of performance rather than politics. Better skilled workers who perform more efficiently and creatively have a greater advantage in job seeking and job holding than less educated workers who perform less efficiently and creatively.

Liberalisation has also meant great changes for employers. The development of private ownership has given people the freedom to invest their own capital and other resources into many kinds of business, giving rise to a sense of ownership in the workplace that can be seen to have created a new dynamic, in turn stimulating individuals to invest their capital, skills and knowledge (NPA 1992:72–6). As rewards have become increasingly related to contribution and performance, the responsibility for outcomes has come to be 'owned', in a way that was not possible under central planning.

In parallel with the development of the private sector, the restructuring of state-owned enterprises (SOEs) has created more motives for development through increased enterprise autonomy. This process began in 1987 when enterprises were given formal autonomy to do their own business and government subsidies were phased out (SRV 1987). Whereas previously these

enterprises had operated within guidelines set by bureaucratic processes, by the mid 1990s they had gained the freedom to make their own decisions on how to produce, what to produce and how to market their products (Peebles 1996:254). An important aspect of this was the separation of the function of business from the political control of the central government so that enterprises could be freed of political control (Vo 1997:99–107).

A significant human resource management implication of this increased managerial responsibility was seen in the Prime Minister's Decision No.26/CP dated 23 May 1993, which gave enterprises the task of determining salaries, wages and bonuses. These reward levels were to be based on the enterprises' performance, but could not be lower than the minimum levels stipulated by the government (Vo 1997:279). This was the beginning of formal recognition of the significance of extrinsic factors of motivation for good performance. By the late 1990s, research showed that there had been some positive impacts—especially in SOEs, where 89 per cent of the respondents in one survey insisted that good individual performance and merits had become important attributes for promotion (Truong and Ha 2000:97). At the same time a case study in textile-producing SOEs showed that the flexible provision of bonuses and high pay had motivated employees to achieve higher productivity (Akiba 1999:25–33).

### **Contribution-related compensation**

Underpinning these changes was a significant conceptual shift, as reflected in the development of changed attitudes to

fairness in reward management. The idea that legitimised this change in perceptions was contribution-related compensation (Le 1997:63). Put simply, the argument is that those who work harder and better or make a greater contribution to society should receive greater benefits. Far from an attack on equality, contribution-related compensation has been presented as serving social justice, and also as compatible with Vietnamese traditions of social justice, which have historically privileged those who sacrificed their own interests for the sake of the nation. Thus, the labour and capital contributions of employees, managers and investors were treated as comparable with the contributions to society of veterans and war heroes, and attempts were made to ensure that labour and capital-based income distribution related to workers' contributions (Le 1997:70–81; Boothroyd and Pham 2000:154–5).

In the past, the labour-based criterion of distribution had been used as the decisive means to establish social equality. During the 1990s, however, commentators challenged this criterion, arguing that it was not well suited to a market-oriented policy context (Nguyen, V.S. 1993, Le 1997, Boothroyd and Pham 2000). These studies argued that the labour-based distribution criterion should be seen to be of relative rather than absolute value and that differences in income determined by differences in the ability and skills of individuals, as well as the overall performance of the organisations in which they worked, would be of significant motivational value. Thus, it became acceptable for personal incomes to differ



among managers and employees, as well as between those who worked in SOEs and those who worked in the private sector, joint ventures and so on. These differences were not seen to violate the principle of social equality (Le 1997:74).

Capital-based distribution was a new principle that had never been used in Vietnam before 1986. Since its introduction, people have been increasingly encouraged to contribute their own capital to the establishment of businesses. Their share of the profits and other benefits is based on the amount of capital they contribute. In reality, this principle plays an important role in work motivation. The gains workers can make in return for their contributions provide significant motivation to work better (Nithinart 1996:159). By encouraging co-ownership or participation as investors, capital-based distribution of rewards may also have an additional impact on staff motivation.

The more general point is that this motivation-based approach to economic growth has the potential to make a significant impact on social development. Studies made in the initial period of economic renovation showed that employees were satisfied with the principle of 'same contribution – same benefit' because it valued the contribution they made to society. Employees reported that they were doing their best to invest their intelligence, labour, capital and other available resources in the socioeconomic development of the country. Le, for instance, found that approximately 80 per cent of employees interviewed accepted

that those who contributed more through labour or capital to society not only deserved to have a better life than those who contributed less, but had already begun to have a better life (Le 1997:66–7). Interestingly, despite a generally upbeat assessment of the impact of economic renovation on their lives, the employees in Le's study were bitter about those they saw as benefiting unfairly from the changes through activities such as dishonest trading, embezzling and abuse of power (Le 1997:67–8). This moral element in their assessments of change calls for further research but could also open the way for management practices which build on it.

## Conclusion

Work motivation in Vietnam appears to have changed dramatically since the introduction of *Doi Moi* in 1986. On the one hand, during the period of central planning, people's active initiatives and creativity were limited by administrative and bureaucratic orders and commands. Because the egalitarian principle ensured that people were equally rewarded regardless of the level of their contributions and efforts, individual interests received inadequate attention. This created a vicious cycle of demotivation.

On the other hand, under the market mechanism, people have been given greater freedom and autonomy in serving their own interests and meeting their own expectations. People's creativity and active initiatives have been encouraged. Initially, the contribution-based reward concept was popular, although employees expressed

reservations about those who gained great wealth from exploiting the new opportunities unfairly.

These initial indications of success in improving motivation must be regarded as significant. Further research will be required to determine the extent to which such changes have proven sustainable. More work is also needed to relate the changes in attitude to measurable outcomes in terms of economic growth and social development.

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