



Ministry of Labour, Invalids
and Social Affairs



International
Labour
Organization

The economic prospects of Viet Nam and What it means for migration policy

Manolo I. Abella and
Geoffrey M. Ducanes

Hanoi, December 2011



Ministry of Labour, Invalids
and Social Affairs

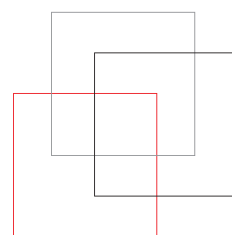


International
Labour
Organization

THE ECONOMIC PROSPECT OF VIET NAM AND WHAT IT MEANS FOR MIGRATION POLICE

Manolo Abella and Geoffrey Ducanes

Hanoi, December 2011



Publications of the International Labour Office enjoy copyright under Protocol 2 of the Universal Copyright Convention. Nevertheless, short excerpts from them may be reproduced without authorization, on condition that the source is indicated. For rights of reproduction or translation, application should be made to the Publications Bureau (Rights and Permissions), International Labour Office, CH-1211 Geneva 22, Switzerland. The International Labour Office welcomes such applications.

Libraries, institutions and other users registered in the United Kingdom with the Copyright Licensing Agency, 90 Tottenham Court Road, London W1T 4LP [Fax: (+44) (0)20 7631 5500; email: cla@cla.co.uk], in the United States with the Copyright Clearance Center, 222 Rosewood Drive, Danvers, MA 01923 [Fax: (+1) (978) 750 4470; email: info@copyright.com] or in other countries with associated Reproduction Rights Organizations, may make photocopies in accordance with the licences issued to them for this purpose.

ILO Cataloguing in Publication Data

ISBN: 978-92-2-125701-1 (print)
978-92-2-125702-8 (web pdf)

The designations employed in ILO publications, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the International Labour Office concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers.

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them.

Reference to names of firms and commercial products and processes does not imply their endorsement by the International Labour Office, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

ILO publications can be obtained through major booksellers or ILO local offices in many countries, or direct from ILO Publications, International Labour Office, CH-1211 Geneva 22, Switzerland. Catalogues or lists of new publications are available free of charge from the above address, or by email: pubvente@ilo.org

Visit our website: www.ilo.org/publns.



Contents

Executive Summary	01
1. Introduction	04
1.1 Vietnam's Economy	04
1.2 Vietnam vis-à-vis China, Indonesia and Thailand at same development stage	09
1.3 Economic Prospects	10
1.4 Labour Market Prospects	12
1.5 Labour Supply prospects	14
2. Internal labour migration	18
2.1 Who received domestic remittances and how much?	19
2.2 Has internal migration raised growth and reduced poverty?	21
2.3 Prospects for future internal migration	22
2.4 Economics of firm location	25
2.5 Internal migration policy	26
3. International Migration	29
3.1 Remittances	30
3.2 Who receive foreign remittances?	31
3.3 Impact of foreign remittances	33
3.4 Foreign remittances and household expenditures (2006 VHLSS)	35
3.5 Prospects for international labour migration	38
3.6 International migration policy	40
4. Raising the benefits of labour migration	43
4.1 Internal migration	43
4.2 International Migration	43
4.3 Areas for possible technical assistance by the ILO	45
4.4. Potential Migration-related Targets for Inclusion in VES	47
References	49

Foreword

In December 2007, the Ministry of Labour, Invalids and Social Affairs of Vietnam (MOLISA) signed a Memorandum of Understanding (MOU) with the ILO. The primary aim was to provide MOLISA with policy advice and capacity building to support the integration of decent work and employment policies and strategies into Vietnam's national development framework. More specifically, this meant ILO's technical advisory services to MOLISA would be anchored in Vietnam's five-year Socio-Economic Development Plan (SEDP) for 2006-2010 and the ten-year Socio-Economic Development Strategy (SEDS) for 2011-2020 and the new phase of SEDP (2011-2015). This MOU was followed by an ILO mission to Hanoi in September 2008 that laid the groundwork for intensive collaboration between the ILO and MOLISA on the process and content of formulation of Vietnam Employment Strategy 2011-2020 and in mainstreaming employment issues in the SEDS and SEDP. A number of tripartite consultations were held since September 2008 to identify priorities, following which several thematic studies were prepared by international and national consultants. These studies – please see attached list - were peer reviewed in workshops and seminars before being finalized.

This study offers a prognosis of the likely evolution of migration pressures, both internal as well as international, as the country is transformed into a middle-income economy and passes through development stages similar to those experienced by its neighbors in the region. Over the past ten years, Vietnam's urban population has grown by over 7.5 million with over 77 percent of the growth accounted for by new migration. The prognosis is for this population redistribution to gain even more momentum over the coming decades given continued rapid growth of Vietnam's industrialization, with its uneven spatial dimensions, and the income gaps between regions which have already markedly widened since the start of economic reforms. The authors examined the evidence on how household incomes and income distribution have been affected by migration through remittances generated. From this analysis the paper goes on to assess the implications for internal as well as international migration policies and institutions in Vietnam, identifying the challenges these pose to national and local authorities. The paper concludes with some

suggestions on how the government may respond with measures to facilitate productivity-enhancing mobility of workers and protect the rights of migrants and their families.

This study offers a number of recommendations for policies and institutions for employment promotion. The recommendations reflect ILO inputs to the Vietnam Employment Strategy 2011-2020. They also reflect the main outcomes of the several rounds of consultations that were undertaken in formulating the strategy which were led by MOLISA and included other ministries, in particular MPI, the National Assembly, Workers and Employers' organizations and key academics and researchers. Financial support from the Employment Policy Department of the ILO is also gratefully acknowledged.

This study offers a number of recommendations for policies and institutions for employment promotion. The recommendations reflect ILO inputs to the Vietnam Employment Strategy 2011-2020. They also reflect the main outcomes of the several rounds of consultations that were undertaken in formulating the strategy which were led by MOLISA and included other ministries, in particular MPI, the National Assembly, Workers and Employers organizations and key academics and researchers. Financial support of some of the research documents and the findings based on workshops by the EU/MoLISA/ILO Labour Market Project are also gratefully acknowledged.

This policy paper synthesizes the main elements of ILO technical support to MOLISA on how to manage labour migration in coordination with a number of other government ministries and institutions. It provides the foundation, based on a process of intensive collaboration with the government and social partners in Vietnam, for a coherent socio-economic framework for productive employment generation.

Dai Dong
Director
Bureau of employment, MOLISA

Rie Vejs-Kjeldgaard
Director
ILO Country Office for Viet Nam



Executive summary

Vietnam is a clear economic success story in East Asia in the past two decades, following only China. The country has averaged more than 7 per cent annual GDP growth since 1990, led by industry. From 1990 to 2009, industry's share in Vietnam's output has expanded from 23 per cent to 39 per cent; from 1996 to 2007, industry's share in employment rose from 11 per cent to 19 per cent.

By 2009, Vietnam was at roughly the same stage of development as Thailand had been in 1984, Indonesia in 1993, and China in 2000. Similar to these countries later on in their development, the industry sector in Vietnam is expected to expand further in its share in both output and employment. Continued export-oriented industrialization and foreign direct investment (FDI) inflow will mean growth is likely to remain concentrated in urban areas, possibly resulting in widening rural-urban income disparity. Currently, the bulk of the current labour force – about 74 per cent – is in rural areas.

In the medium term, labour market tightening could be expected in Vietnam as a result of economic growth and a flattening, if not declining, labour-force participation rate (as households become richer). As this happens, there will be upward pressure on domestic wages and for more full-time employment. Internal migration is likely to intensify. In the longer run, if the country is able to sustain its growth, there will likely be less need for outward international labour migration, but possibly greater pressure for inward migration from neighbouring countries.

Internal migration

From 2004 to 2009, there were an estimated 6.6 million internal migrants in the country, up from 4.5 million from 1994 to 1999, based on census figures. These are likely underestimates because of classification issues. The internal migration flow has been primarily from rural to urban areas, though rural-to-rural, and urban-to-rural flows also occur.

Based on the Vietnam Household Living Standard Survey (VHLSS) 2006, 88.5 per cent of all households received domestic remittances, though most received only a small amount relative to their total income. Only 11 per cent of all households relied on remittances for at least 25 of their total income, and only 4 per cent for at least 50 per cent of their total income. However, it is the poorer households who are most dependent on domestic remittances.

Though internal migration confers many benefits, especially domestic remittances and a more efficient allocation of labour, it also entails costs. Large-scale internal migration will result in congestion and severe pressure on infrastructure, including historically and culturally important communities and architecture. Without adequate preparation, it will result in shortages in affordable housing and access to basic social services, an increase in pollution and possibly the spread of petty crime. Policy-makers need to make informed decisions taking into account the inherent trade-offs involved in internal migration.

Vietnam needs to put in place a coherent internal migration policy that takes into account multi-stakeholder inputs (different government agencies, local governments, firms,

non-governmental agencies, and current and potential migrants). In the past, such a policy has been dominated by security concerns. There is a need to move away from this and to enable a more flexible labour force and to raise the benefits of internal labour migration by removing obstacles to productivity-increasing labour movement (for instance, by making sure the constitutional and legal guarantees to free movement of all workers are in place and are sufficient), by ensuring adequate service provision in areas with a large concentration of migrant workers (including services that will be accessed not just by the migrant workers, but also by their families, if any, such as education for their children), by better planning to avoid congestion, and by reducing the costs of remittances while speeding up their processing.

International migration

There is no definitive estimate of the number of Vietnamese international temporary migrant workers. Estimates vary from 300,000 to 500,000 international migrant workers (not including permanent settlers and refugees) currently employed in foreign countries. However, there appears a clear trend of increasing international migration based on official figures on annual gross outflow of registered workers.

According to the World Bank, foreign remittances to Vietnam have been substantial and on an almost continuous upward trend, from US\$2 billion in 2001 to US\$7.2 billion in 2008.¹ A substantial part of these remittances is received, not from temporary overseas workers, but rather from the Vietnamese permanently residing abroad. These remittances, which are said to already surpass FDI and official development assistance, have lately accounted for no less than 7 per cent of gross national product (GNP) and are clearly very important to maintaining Vietnam's external balance.

According to the VHLSS 2006, only 6.9 per cent of Vietnamese households – or 1.4 million households – received some amount of foreign remittances in 2006. Only 3.2 per cent of households received foreign remittances that were at least 25 per cent of total income; and 1.5 per cent were at least 50 per cent. Only 0.5 per cent received foreign remittances that were at least 75 per cent of total income, and only a very few were completely dependent on foreign remittances. It is the higher-income households that are typically the most dependent on foreign remittances.

As Vietnam's economy grows in the coming decade, there are two views as to how this will shape up international migration in the country. One view is that the demand for international migration will increase further, as the growing prosperity allows more people to afford the costs associated with international migration. The other view is that the demand for international migration will decline as domestic wages catch up to international wages, taking into account the risks and disutilities associated with international migration. Both tendencies are likely to be true and operative at the same time, but the former is expected to lose significance as domestic wages and incomes catch up with those offered abroad.

¹ The World Bank has no record of remittances to Vietnam for earlier years.



Vietnam's Employment Strategy 2011–20 will need to take explicitly into account the likely emigration of workers over the coming decade, its impact on the domestic labour market, on the incomes and welfare of families and communities receiving remittances, and their implications for policies and programmes. The Vietnamese Government has already announced a policy of promoting emigration from poor districts and from ethnic minorities through subsidies. Each of these mechanisms entails supporting policies and resources, such as opening more job placement centres in the poorer regions as well as training centres for skills in demand abroad; encouraging mobile phone service providers to also serve as low-cost funds transfer operators; and providing guarantees for small loans to help migrants obtain bank financing for their migration. More generally, however, by easing competition within the domestic labour market, overseas migration should already have the effect of giving more of the poor and the less-skilled workers better chances at obtaining domestic employment.

1. Introduction

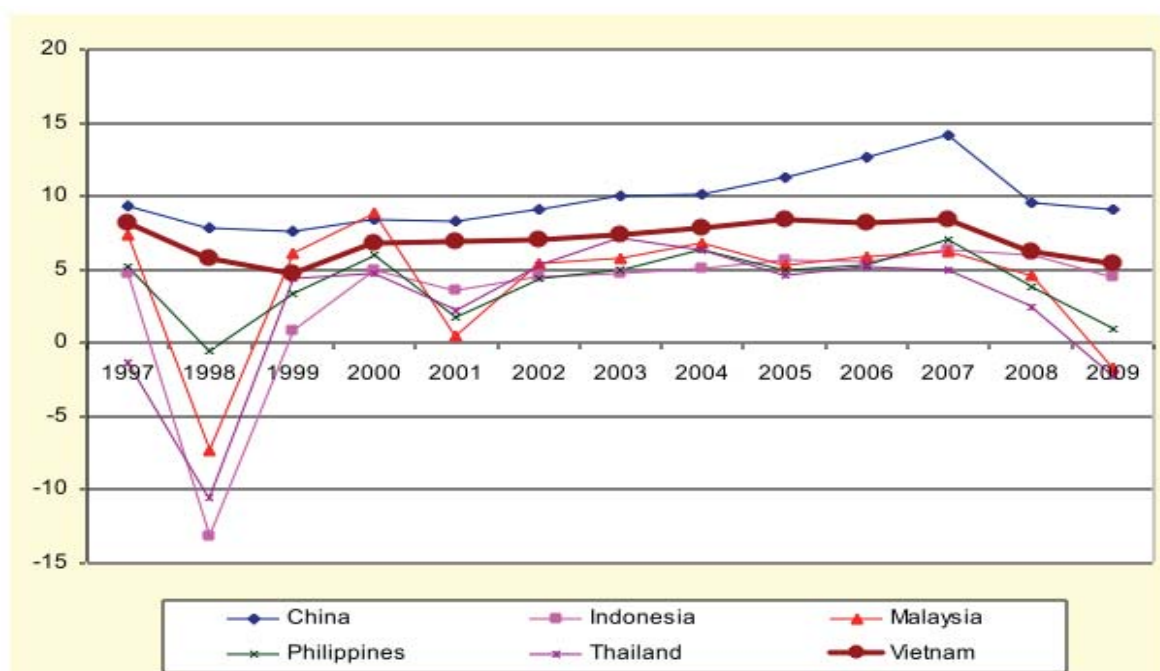
All indicators point to continuation of Vietnam's rapid economic growth well into the present decade and possibly beyond. Vietnam still has a large labour reserve since agriculture still absorbs some 23 million – about half of the country's workforce – but the last few years have seen the creation of between 800,000 to 900,000 new jobs each year, about a third of them in manufacturing. Even with conservative assumptions about the growth elasticity of employment, it is likely that the economy will start to experience a tightening of its labour market and a more widespread rise in real wages by the middle of the decade. The concentration of investments, especially in some regions like the Red River delta, Ho Chi Minh City (HCMC) and the south-east have already led to fast widening of income gaps with other provinces and to rising internal migration, particularly from rural to urban areas. Growing labour mobility, both internal as well as international, poses new challenges for the public authorities and policy planners, particularly in terms of removing obstacles to productivity-enhancing movements, maintaining standards of employment and avoiding congestion, which can have high social costs.

In this report, our general aim is to inform Vietnam's Employment Strategy for the next decade in the area of migration policy, both internal and international. We first review the country's current economic and employment situation. By comparing Vietnam's economic transformation to that of its neighbours in the region during similar stages of development, we offer a prognosis of the likely evolution of its economic and employment structure. Next, we focus on Vietnam's experience with internal migration (estimated to have risen by 47 per cent over the last decade) and draw on the VHLSS 2006 to examine its impact on migrant households, especially relative to non-migrant households. We assess the likely implications of growth on future migration and migration policy and institutions in Vietnam. We do the same analysis for international migration, the impact of remittances on household incomes and on income distribution, and the likely impact of development on future outflows. We conclude with a discussion of the challenges that internal and international migration pose to national and, more importantly, to local authorities, and offer some suggestions on how they may respond with measures to facilitate productivity-enhancing mobility of workers and to better protect the rights of migrants and their families.

1.1 Vietnam's economy

Vietnam is the other clear economic success story in developing East Asia in the last two decades, following only China. Similar to China, Vietnam has reaped the economic benefits of freeing its markets gradually even as it maintains an overall socialist framework. This has enabled the country to experience a surge in FDI, stimulated domestic enterprises and allowed the country to attain impressive and, so far, relatively robust growth. Since 1990, the country's annual GDP growth has averaged upwards of 7 per cent and never slipped below 4.8 per cent even during two severe recessions in the wider economy – the Asian financial crisis in the late 1990s and the more recent global financial crisis. Figure 1 clearly illustrates the high level and stability of Vietnam's growth relative to other South-East Asian economies, such as Indonesia, Malaysia, the Philippines and Thailand (the graph also includes China for comparison).

Figure 1. GDP growth: Vietnam, other ASEAN and China

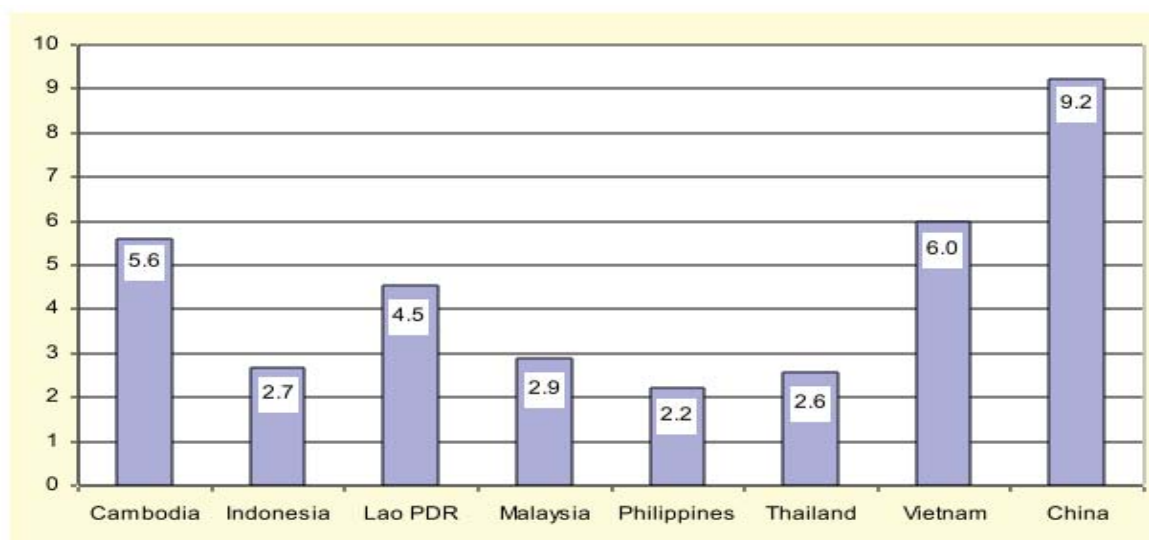


Source: World Bank, World Development Indicators.

From 1990, among South-East Asian countries, Vietnam has grown the highest in terms of standard of living, as measured by comparable per-capita GDP, growing at an average of 6 per cent per year, which is more than double the growth in Indonesia, Malaysia, the Philippines and Thailand, and higher even than the growth in Cambodia and Lao People's Democratic Republic (Lao PDR), both of which are growing from a lower base² (figure 2 illustrates this point). This has allowed Vietnam to do some catching up with the region's richer countries, though it is in fact still poorer in terms of per-capita GDP than most other South-East Asian countries (the exceptions being Cambodia, Lao PDR, Myanmar and Timor-Leste). As of 2009, per-capita GDP in Vietnam was still only one-fifth of Malaysia's, less than two-fifths of Thailand's, seven-tenths of Indonesia's, but 31 per cent and 55 per cent higher than Lao PDR's and Cambodia's, respectively. Vietnam's per-capita GDP bears closest resemblance to that of the Philippines, compared to which it is only 17 per cent lower (see figure 3).

^a Comparable per-capita GDP pertains to GDP per capita in the purchasing power parity (PPP) dollar (constant international 2005 \$) sourced from the World Bank.

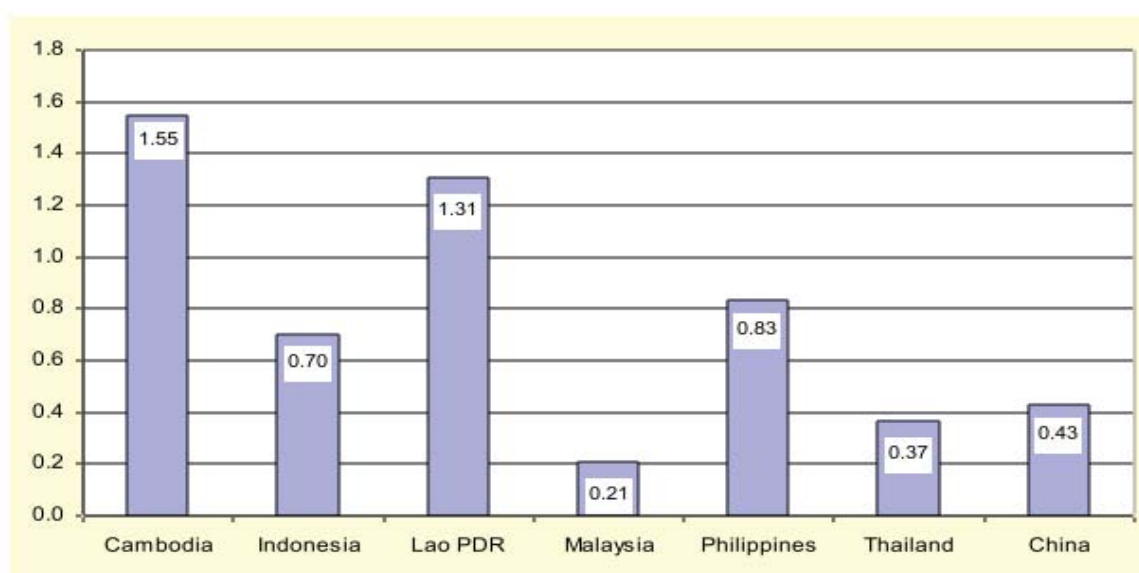
Figure 2. Average annual per-capita GDP growth (%) (1990–2009)



Source: World Bank, *World Development Indicators*.

Note: For Cambodia, the period pertains only to 1993–2009.

Figure 3. Vietnam per-capita GDP as fraction of other countries



Source: World Bank, *World Development Indicators*.

At this stage of its development, and because of its socialist history, income inequality is not yet severe in Vietnam and, consequently, growth has benefited the poor relatively more.³ Extending the comparison with the Philippines, for instance, poverty incidence is lower in

³ The poorest 20 per cent of the population in Vietnam received 7.1 per cent of total income; in the Philippines, the poorest 20 per cent of the population received only 5.6 per cent of total income. But, as the experience of China has shown, inequality can rise very rapidly as the reliance on the free market increases and with greater economic success.



Vietnam, despite the aforementioned advantage of the Philippines in per-capita GDP level. According to the World Bank, in 2006 the US\$1.25-a-day poverty incidence in Vietnam was 21.5 per cent compared to 22.6 per cent for the Philippines.⁴

The extent to which such gains in poverty reduction can be sustained will depend largely on the nature of the economic growth Vietnam will experience in the future and the capacity of the population, particularly the poor, to participate in that growth.

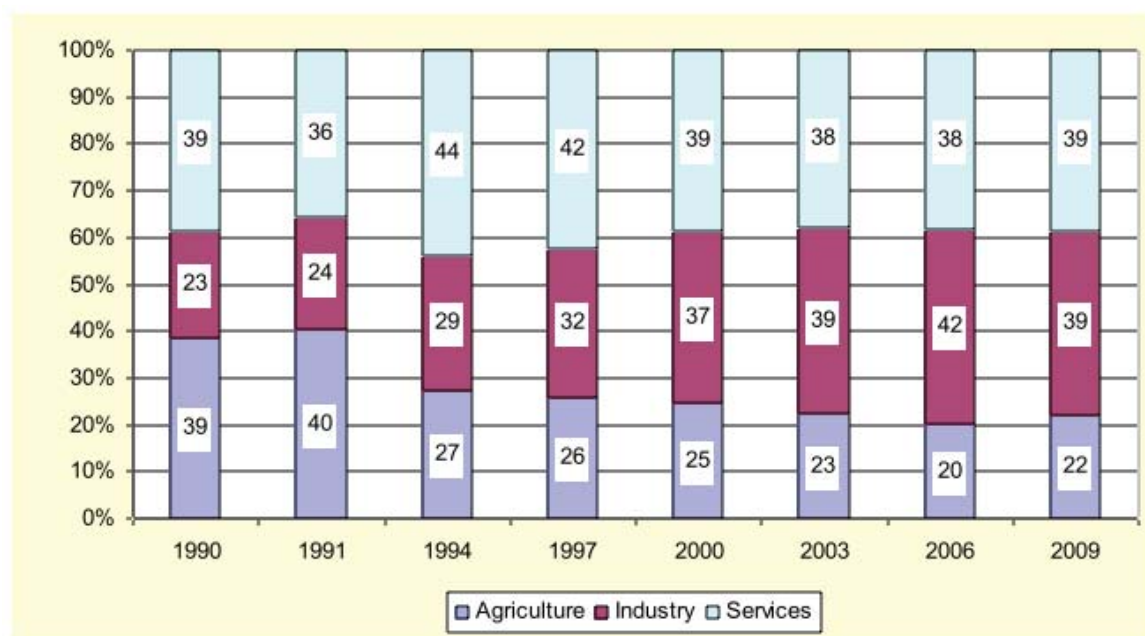
Economic growth in Vietnam has so far followed the textbook case of being led initially by agriculture and then subsequently driven by industry – the same path that was previously taken by other East Asian “tigers”.⁵ As a share of GDP, the industry sector in Vietnam has expanded from 23 per cent in 1990 to 39 per cent in 2009 (figure 4). Its share was in fact higher in 2006 at 42 per cent, but has since contracted as a consequence of the reduced demand for its manufactured goods due to the global recession. Meanwhile, agriculture as a share of GDP has narrowed from 39 per cent in 1990 to 22 per cent in 2009, almost exactly the reverse of the trend in agriculture.

To a lesser degree, the employment structure in Vietnam has been mirroring the changes in the economic structure. Comparable data on employment structure are available only from 1996 to 2007, as shown in figure 5. These more limited data show the share of agriculture in total employment narrowing from 70 per cent in 1996 to 52 per cent in 2007, whereas the share of industry expanded from 11 per cent to 19 per cent. Comparing the economic and employment structure patterns, one can see that they differ in the more pronounced expansion of the share of the services sector in the latter – from 19 per cent in 1996 to 29 per cent in 2007 – indicating that the growing prosperity has been translating into greater demand for service workers, such as in trade, hotels and restaurants, and education and health services, but that so far these have been limited primarily to low-value service work.

⁴ Based on the UNDP’s Human Development Report 2010, Vietnam also had a higher life expectancy rate than the Philippines (74.9 compared to 72.3, respectively) but lower mean years of schooling (5.5 compared to 8.7, respectively).

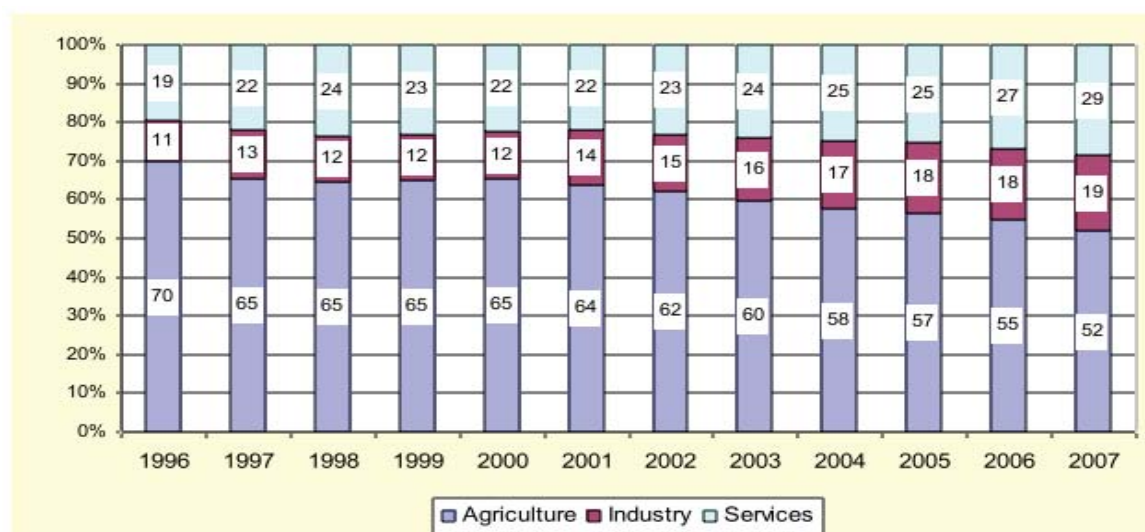
⁵ Indonesia, the Republic of Korea, Malaysia, Thailand, for example. The Philippines is different in that recent economic growth was driven primarily by the services sector.

Figure 4. Share of sectors in total GDP, Vietnam (1990-2009)



Source: World Bank, World Development Indicators.

Figure 5. Share of sectors in total employment, Vietnam



Source: World Bank, World Development Indicators; ILO, Labour and social trends in Vietnam 2009/10.



1.2 Vietnam vis-à-vis China, Indonesia and Thailand at the same development stage

It may be possible to glimpse what is in store for Vietnam in the near future by looking at other countries in the region when they were at the same level of development Vietnam is at today.

In terms of real per-capita GDP level, in 2007 Vietnam appears to be at the level China was in 1998, where Indonesia was in 1992, and where Thailand was in 1985, which is at real per-capita GDP of about PPP\$3,500 in 1996 prices⁶ (see table 1). Not only was Vietnam of approximately the same income level, but the table also shows it is very close in terms of economic structure to China and Indonesia at that stage in their development, with agriculture having about a 20 per cent share in the economy and industry and services each having close to a 40 per cent share. Thailand's economic structure was different because it possessed, even at that time, a very robust tourism sector, and thus a huge services sector. More importantly, at that stage of their development, in all the four countries, the industrial sector was propelling their growth, as in Vietnam at present. In terms of employment structure, Vietnam in 2007 and Indonesia in 1992 were also quite similar, with agriculture comprising slightly more than half of total employment, services comprising about 30 per cent, and industry comprising less than 20 per cent.

Table 1. Vietnam in 2007 vis-à-vis China, Indonesia and Thailand at the same stage of development

	Vietnam in 2007	China in 1998	Indonesia in 1992	Thailand in 1985
Real per-capita GDP (Penn World Table)1991	3,743	3,575	3,625	3,713
Share in GDP				
Agriculture	20.4	17.6	18.7	15.8
Industry	41.5	46.2	39.6	31.8
Services	38.2	36.2	41.7	52.3
Share in employment				
Agriculture	52.2	-	54.9	866.0
Industry	19.2	-	14.1	12.0
Services	28.6	-	30.9	22.0

Source: World Bank, World Development Indicators; Global Development Finance data.

⁶ Simultaneous comparison of per-capita GDP and economic and employment structure for these countries is possible only up to 2007, since more recent data are not yet available.

Table 2 shows what happened to per-capita GDP, the economic structure and the employment structure in these three comparator countries one decade after they were at the same level as Vietnam was in 2007. It shows the per-capita GDP of China (in 2007) more than doubling, Thailand's (in 1994) rising by 90 per cent, but Indonesia's (in 2001) going up by only 17 per cent, as it fell victim to the Asian financial crisis.⁷ But, more importantly, the table shows the countries maintained their momentum towards enlarging their shares of the industrial and services sector in output and employment, despite widely divergent growth paths.⁸ A decade after they were at the real per-capita GDP level Vietnam was in 2007, Indonesia and Thailand evolved so that agriculture accounted for less than half of total employment, services for more than a third, and industry for almost a fifth.

Table 2. China, Indonesia and Thailand one decade after they were at same level as Vietnam in 2007

	China in 2007	Indonesia in 2001	Thailand in 1994
Real per-capita GDP (Penn World Table)1991	8,511	4,243	7,061
Share in GDP			
Agriculture	110.8	15.3	9.5
Industry	47.3	46.5	40.7
Services	41.9	38.3	49.7
Share in employment			
Agriculture	-	43.8	46
Industry	-	18.7	18.8
Services	-	37.5	35.1

Source: World Bank, World Development Indicators; Global Development Finance data.

1.3 Economic prospects

What is the economic outlook for Vietnam? Based on growth forecasts of international organizations and private forecasting firms, post global crisis, the prognosis for Vietnam's economy is bright (table 3). The Asian Development Bank (ADB) predicts Vietnam's GDP to grow 7 per cent in 2011. The World Bank more recently predicted GDP growth in the country to be 6.5 per cent in 2011 and 7 per cent in 2012. International lending organizations like the ADB and the World Bank typically make conservative estimates due to the nature of their relationship with debtor countries: they are usually pushing for reforms they believe will raise the countries' growth further, particularly in the longer run.

⁷ As did Thailand, for that matter.

⁸ Thailand's and China's GDP grew more than 9 per cent per year in their respective decades, while Indonesia's grew less than 4 per cent on average.



When one looks at the projections of private forecasting firms, they are even more optimistic about Vietnam's future. The Economist Intelligence Unit (EIU) predicts GDP growth to be 7 per cent in 2011 and to rise gradually to 7.4 per cent by 2014. The projections of Business Monitor International (BMI) in its Vietnam Business Forecast Report are even higher – from 8.8 per cent in 2011 and to no lower than 8 per cent until 2018 (see table 3). The Vietnamese Prime Minister, Nguyen Tan Dung, himself has been quoted as saying that the Government is targeting economic growth of between 7 and 8 per cent from 2011 to 2020.⁹

All the forecasts assume that the industry sector, especially export manufacturing, will be the main engine driving future economic growth (ADB, 2010; World Bank, 2011; EIU, 2010; BMI 2009), as was the case prior to the global financial crisis. The EIU projects industry growth will rise from 6.8 per cent in 2011 to 10.5 per cent in 2014 (EIU, 2010). BMI expects the manufacturing sector's share in the economy to rise from the 20 per cent level at present to 40 per cent by 2018 (BMI, 2009). All these projections, however, are attached with the important caveat that they depend on how Vietnam addresses infrastructure constraints, such as in energy and transportation, and the expected shortage in skilled labour in the near future.

Table 3. Various GDP growth forecasts for Vietnam

Year	Asian Development Bank	World Bank	Business Monitor International	Economist Intelligence Unit
2011	7.0	6.5	8.8	7.0
2012	-	7.0	8.2	7.1
2013	-	-	8.0	7.1
2014	-	-	8.0	7.4
2015	-	-	8.0	-
2016	-	-	8.0	-
2017	-	-	8.0	-
2018	-	-	8.0	-

Source: ADB, Asian Development Outlook 2010 Update; World Bank, Global Economic Prospects, January 2011; Business Monitor International; Economist Intelligence Unit, February 2010.

⁹ News report: "Vietnam to achieve annual economic growth of 7-8% in next 10 years"; see: <http://www.glory.com.vn/view-content/2399.index.html?lang=en>.

1.4 Labour market prospects

What does the economic outlook imply for the future of the labour market? The relationship between economic growth and job creation is usually measured by what is known as the employment elasticity of growth. Put simply, this refers to the percentage change in total employment resulting from a 1 per cent growth in GDP.

Various researchers have estimated the employment elasticity of growth in Vietnam in the recent past and have found it to keep within a very narrow range of from 0.3 to about 0.4. Son (2005) estimated employment elasticity of growth to be at 0.37 from 1998 to 2001. Dinh et al. (2009) placed employment elasticity at 0.38 using data from 2000 to 2007. The Ministry of Labour, Invalids and Social Affairs (MOLISA) estimated employment elasticity at a lower 0.32.

For example, if we assume that elasticity ranges from 0.3 to 0.4 as suggested by previous computations, and assuming that there are currently 48 million employed people in the country, this means that a 5 per cent growth in the economy will raise total employment by between 720,000 (48 million currently employed \times 0.05 GDP growth \times 0.3 elasticity) and 960,000 (48 million \times 0.05 \times 0.4). Of course, the employment elasticity of growth varies by sector, with the services and industry sector typically exhibiting much higher employment responsiveness to growth compared to agriculture. Son (2005) estimated the employment elasticity of services and growth to be 1.78 and 0.89, respectively, whereas Dinh placed elasticity in industry at 0.84 and services at 0.63.

Assuming that the employment elasticity of growth remains stable in the next decade, and given reasonable projections about the growth in the working-age population and the labour-force participation rate, it is in fact possible to make rough projections about the future tightness or looseness of Vietnam's labour market, and we make such projections in the exercise below.

We get our estimate of the baseline working-age population – 64.4 million in 2009 – from the Labour Force Survey (LFS) 2009 conducted by the General Statistics Office (GSO). We assume that this working-age population will grow every year at the rate implicit in the ILO's working-age population projections in its labour statistics database (LABORSTA)¹⁰ (we do not use LABORSTA's level projections because of its substantial difference from the LFS 2009 estimate – higher in the former by about 1 million people). To this working-age population projection, we apply a fixed estimate of the labour-force participation rate of 76.5 per cent from the LFS 2009 to come up with the predicted total labour force to 2020. Note that this is a conservative estimate. In the process of economic growth, and as observed in many countries, the labour-force participation rate typically goes down. Again, we could have but did not use LABORSTA's projections of the total labour force because it is already very widely off the mark in its estimates.¹¹

¹⁰ The working-age population is expected to grow by 1.6 per cent in 2010 and to subsequently grow by an increasingly small magnitude so that, in the 2019–20 period, it is expected to grow by only 1.2 per cent per year.

¹¹ For 2009, LABORSTA places the labour-force participation rate in Vietnam at 71.9 per cent (47 million people) and projects gradual decline from that level in the years leading up to 2020. This is so much lower than the 76.5 per cent estimated in the LFS 2009 (49.3 million people) that it is probably not very useful for Vietnam policy-makers and may be misleading.



We carry out our projections about the future state of the labour market under different scenarios on GDP growth and employment elasticity of growth. Utilizing the GDP growth forecasts in table 3, we assume the cases where GDP growth is fixed at 6 per cent annually, then 7 per cent annually, and finally 8 per cent annually, to 2020. Similarly, using the employment elasticities cited earlier, we look at three possible scenarios: first, where employment elasticity of growth is at 0.25 (low assumption), then where it is at 0.3 (medium assumption), and finally at 0.35 (high assumption). Note that these are conservative estimates of the elasticity relative to what were cited in the studies earlier.

The results for the medium assumption, or where the employment elasticity of growth is assumed fixed at 0.3 up to 2020, are shown in table 4. The fourth to sixth columns show the predicted total employment at, respectively, 6 per cent, 7 per cent, and 8 per cent annual GDP growth. The seventh to ninth columns – which have the heading predicted unemployment rate – give a measure of the tightness of the labour market under the different growth scenarios. The table shows that even under the lower-bound 6 per cent GDP growth per year, and assuming normal growth in labour productivity, there will be strong pressure for the labour market to tighten by the middle of the decade, and possibly even sooner if growth is higher.¹²

Annex tables 1 and 2 show the results for the low elasticity assumption (0.25) and the high elasticity assumption (0.35), respectively. Here it is clear that it is only in the first case and only where GDP growth is fixed at 6 per cent that severe labour market tightness does not occur until the end of the decade. In all other scenarios, severe labour market tightness is predicted as early as the middle of the decade. Note that these results are contingent on the assumption that labour productivity grows at the historic level. If labour productivity suddenly grows much higher, which appears unlikely in the short term, it is possible that labour tightness does not ensue.¹³

¹² One must be careful in interpreting the figures. They are better read as indices of the predicted tightness (the lower the tighter) of the labour market rather than predictions of the unemployment rates themselves.

¹³ One only need remember Malthus's failed projections of subsistence living resulting from a geometrically growing population and an arithmetically growing food supply because he failed to account for technological progress.

Table 4. Labour force and unemployment rate projections, at 0.3 employment elasticity

Year	Working-age population 15+ (from UN database)*	Labour-force participation rate (fixed at 2009 level)**	Labour force	Predicted employment resulting from different assumed GDP growth, assuming employment elasticity fixed at 0.3			Predicted unemployment rate resulting from different assumed GDP growth, assuming employment elasticity fixed at 0.3		
				6%	7%	8%	6%	7%	8%
2009	64,421	76.53	49,302	48,015	48,015	48,015	2.6	2.6	2.6
2010	65,439	76.53	50,080	48,879	49,023	49,167	2.4	2.1	1.8
2011	66,473	76.53	50,872	49,759	50,053	50,347	2.2	1.6	1.0
2012	67,507	76.53	51,663	50,655	51,104	51,556	2.0	1.1	0.2
2013	68,541	76.53	52,454	51,566	52,177	52,793	1.7	0.5	-
2014	69,575	76.53	53,246	52,495	53,273	54,060	1.4	-	-
2015	70,609	76.53	54,037	53,440	54,391	55,357	1.1	-	-
2016	71,518	76.53	54,732	54,401	55,534	56,686	0.6	-	-
2017	72,427	76.53	55,428	55,381	56,700	58,046	0.1	-	-
2018	73,336	76.53	56,124	56,378	57,891	59,440	-	-	-
2019	74,245	76.53	56,819	57,392	59,106	60,866	-	-	-
2020	75,154	76.53	57,515	58,425	60,347	62,327	-	-	-

* Working-age population (WAP) projections computed by applying ILO-projected WAP growth rate to WAP 2009 from LFS 2009. ILO WAP levels not used because of poor correspondence with Vietnam LFS figures.

** Labour-force participation rate assumed at 2009 level from LFS 2009.

1.5 Labour supply prospects

The previous section predicted – based on computations in table 4 – a possible tightening of the Vietnam labour market within the decade, as growth in the demand for labour outstrips the growth in labour supply. The labour supply projections assumed a fixed labour-force participation rate of 76.5 per cent, which is the level observed in 2009, arguing that this is a conservative estimate since the labour-force participation rate tends to go down after a country attains a certain level of per-capita income. But is this really the case and has Vietnam reached that level of per-capita income?

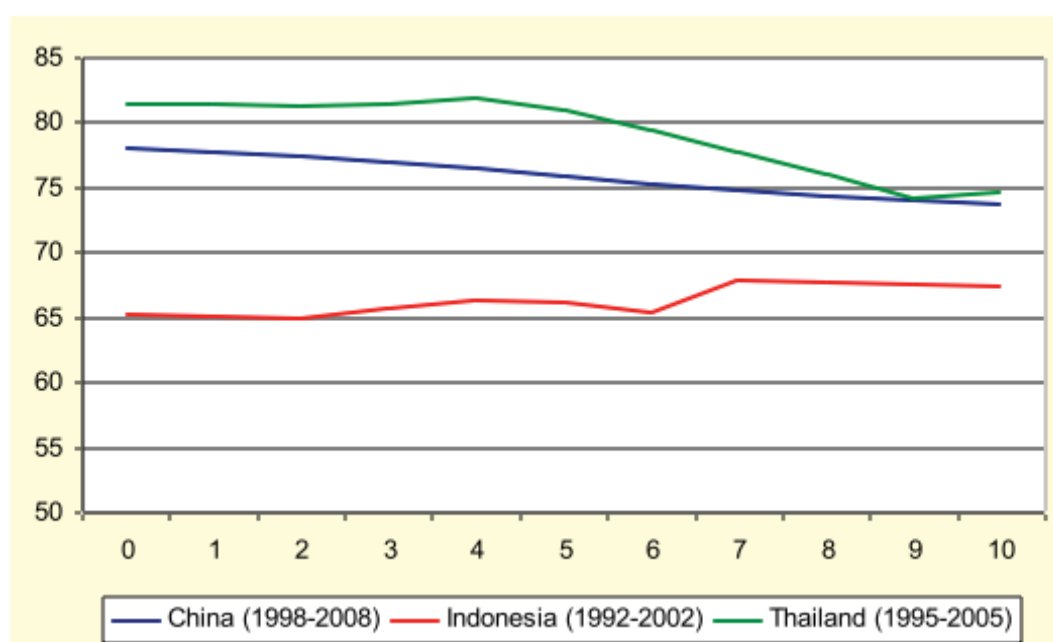
Again, it will be instructive to look at the experiences of China, Indonesia and Thailand immediately after they were approximately at the per-capita income level of Vietnam today. Figure 6 shows the labour-force participation rate in China from 1998 to 2008, in Indonesia from 1992 to 2002, and in Thailand from 1995 to 2005.¹⁴ The experiences of the three countries differ somewhat. China experienced a continuous decline in labour-force participation rate in the decade immediately after it was at the level Vietnam more-or-less is today. Meanwhile, the labour-force participation rate in Thailand was quite stable for the first five years, and then underwent a continuous decline immediately after. In contrast, the labour-force participation rate in Indonesia

¹⁴ Annex figures 1 and 2 show the labour-force participation rates for the three countries for men and women, respectively.



was relatively stable for the first six years, and then experienced a level increase afterwards. It should be noted, however, that the hike in labour-force participation rate in Indonesia coincided with the Asian financial crisis, when the Indonesian economy actually contracted.

Figure 6. Labour-force participation rate in comparator countries



Source: World Bank, World Development Indicators.

If Vietnam's growth path in the next decade is smooth, the pattern of its labour-force participation rate will more likely resemble those of China and Thailand rather than that of Indonesia. This means that, at most, it will likely be stable – possibly even increase by a little – in the next few years, but that soon after it will likely begin declining. If labour-force participation rate is likely to remain constant or to decline, geographical reallocation of the labour force may need to intensify.

At present, it is estimated that youth aged 15-24 years have a 60.5 per cent participation rate in the labour force. If we assume that over the next ten years there will be a 10 per cent reduction in their participation (to 54.5 per cent by 2020) the projected labour force will be 56.7 million instead of 57.5 million (where participation rates are assumed to remain unchanged). The reduced participation rate in this youngest age group will therefore mean a reduction of about 1.5 per cent in the overall 2020 labour force (see table 5). In order to offset this withdrawal of some 880,000 young people from the workforce, those aged 55-64 years must raise their participation rate by about 9 percentage points since those in the middle age groups are unlikely to increase further – their rates of participation of over 90 per cent are already high compared to other countries.

Table 5. Effect of reducing labour-force participation rate on size of labour force in 2020

Age group	2009 population ('000s)	Labour-force participation rate (%)	2009 labour force ('000s)	2020 labour force ('000s)	Labour-force participation rate (%)*	2020 Labour force*
15+	64,421	76.5	49,301	57,515	75.4	56,681
15-24	15,181	60.5	9,186	8,887	54.5	8,005
25-34	13,952	92.8	12,949	15,494	92.8	15,494
35-54	23,430	91.8	21,502	24,191	91.8	24,191
55-64	5,707	70.0	3,997	6,964	70.0	6,964
65+	6,151	27.1	1,669	2,027	27.1	2,027

* Assuming a 10 per cent reduction in youth participation in the workforce by 2020.

Regardless of what happens to participation rates, internal migration has to intensify to fill the employment needs in industrial areas, because the bulk of new entrants into the labour force this decade will be coming from outside the traditional growth centres. Table 6 shows, for 2009, the regional distribution of the labour force and the total employed, as well as the regional distribution of those who are set to join the working-age population this decade. The table shows that, currently, Hanoi and the rest of the Red River delta plus HCMC and the rest of the south-east have a combined 39 per cent share in both the total number of employed and the total labour force. Industrial growth in this decade is still likely to be concentrated in the same regions, and thus one would expect that they would take on a greater share of total employment. However, as the table also shows, only 35 per cent of the new entrants (aged 5-14 years as of 2009) will be coming from these regions – and only 34 per cent of the new entrants in the next five years (aged 10-14 years in 2009). If the growth areas are to maintain or increase their employment or labour force share, there has to be a substantial movement of people from the rest of the country to these areas.



Table 6. Share of regions in Vietnam's current and future labour force, 2009

Region	Employed	Labour force	Population 5-14 years old	Population 10-14 years old	Population 5-9 years old
Northern mountains	13.7	13.5	14.8	14.7	14.8
Red River delta	16.0	15.9	14.0	14.7	13.3
South-central coast	21.7	21.7	22.9	24.7	20.9
Central highlands	5.9	5.8	7.7	7.6	7.8
South-east	8.1	8.1	8.0	7.3	8.8
Mekong River delta	20.0	20.1	19.5	18.9	20.2
Hanoi	6.9	6.9	6.5	6.3	6.9
Ho Chi Minh City (HCMC)	7.6	7.8	6.5	5.8	7.3
<i>Total</i>	100.0	100.0	100.0	100.0	100.0
Total in absolute number	48,014,897	49,301,913	14,603,476	6,983,070	7,620,406
Combined share of Hanoi, HCMC, Red River delta and south-east	38.7	38.8	35.1	34.1	36.2
Combined share of the rest	61.3	61.2	64.9	65.9	63.8

Source: LFS 2009.

These results lead to several conclusions:

- First, there could be potent upward pressure on wages and for more full-time work, especially in the areas and sectors where growth is concentrated and where skills needed are in short supply.
- Second, and partly as a consequence of the first, the pressure for internal migration of workers could be expected to intensify.
- Third, again, as a consequence of the first, as wages rise, there could be less pressure for international migration, particularly to countries with relatively low wages and where the workers needed are similar to those expected to be in great demand in Vietnam in the future (e.g. Malaysia).
- Fourth, and further down the road, if Vietnam's economic success continues, there could be pressure for inward labour migration to Vietnam coming from its poorer neighbours, as was the experience, for example, of Thailand and Malaysia. In Thailand, in fact, inward labour migration from Myanmar intensified in the early 1990s, which is less than a decade after it was at the level Vietnam is at today.

2. Internal labour migration

Internal labour migration has played a crucial role in Vietnam's economic growth spurt and achievement in poverty reduction in the past two decades (Phan and Coxhead, 2010; Dang, 2009; Dang et al., 2010). Based on the 2009 census, the number of internal migrants during 2004–09 was conservatively estimated at 6.6 million, up from 4.5 million estimated in the 1994–99 period based on the 1999 census (Marx and Fleischer, 2010).¹⁵ The right to freedom of movement guaranteed in the new Constitution, the passage of the new Law on Residence, and the reform of the household registration system (Ho Khau) have removed the impediments to people migrating to places offering better economic opportunities. Many studies confirm that the majority of internal migrants are motivated in their movement by economic reasons, and tend to be young and increasingly female (Dang, 2009; Phan and Coxhead, 2010; Marx and Fleischer, 2010).

The internal flow of people has been primarily from rural to urban areas, though rural-to-rural migration and urban-to-rural migration have also occurred (Dang, 2009, citing the Vietnam Asia-Pacific Center, 2008). As a result of large internal migration to urban areas, the urban population is reported to have been growing at 3.4 per cent per year, compared to only 0.4 per cent per year for the rural population (Marx and Fleischer, 2010). So far, the movements have been intra-regional and mainly to urbanized areas where capital is concentrated and where industrial zones are located, which are mainly HCMC and surrounding provinces in the south, and Hanoi and surrounding provinces in the north (Phan and Coxhead, 2010; Marx and Fleischer, 2010).¹⁶

The censuses and the nationally-representative household surveys, which should be the source of comprehensive data on internal migrant workers, are believed to substantially underestimate the number of short-term and seasonal migrants. In the census (and it appears also in the LFS), the problem lies in the question that is intended to filter who should be counted as migrants. Only those who resided in a different place five years before the survey date are counted as migrants in the census, thus excluding more recent and shorter-term migrants.¹⁷ In the household surveys – such as in the earlier versions of the Vietnam [Household] Living Standard Survey¹⁸ – the problem relates to questions that are meant to filter who should be counted as household members. Excluded as household members are other people related to the household but who do not stay in the house for more than six months in the year, even if the only reason they do not spend more time in the house is because they are employed in another province or overseas.¹⁹ And this is true even if they happen to send a substantial part of their earnings to their

¹⁵ It is conservative because it does not include shorter-term and seasonal migrants. See Dang (2009) and Marx and Fleischer (2010) for a discussion.

¹⁶ Continued growth of FDI is likely to stimulate more internal migration and from farther sources because these widen wage differentials as they concentrate in well-developed industrial centres and tend to be capital-intensive. The evidence of growing income divergence between provinces can be found in a number of studies. Nguyen (2009) found that income inequality by province has grown since 1990, although he found no convincing evidence that this can be linked to the rate of economic growth. Phan (2009) found strong geographic differences in returns to education, which are especially low in the central highlands, in small urban areas and in the rural south where levels of education are also low.

¹⁷ See Marx and Fleischer (2010) for a more detailed discussion of the issue.

¹⁸ The name of the survey has changed from the “Vietnam Living Standard Survey” initially (1992/3 and 1997/8 versions) to “VHLSS” subsequently (2002, 2004, 2006 and 2008 versions).

¹⁹ Except if such a person is the household head or a student living away but supported by the family (see McCaig, Benjamin and Brandt (2009) for a more detailed discussion).



original households. Such decisions on classification render the data very much less useful for analysing the scale, and especially the impact, of internal migration on household welfare.²⁰

2.1 Who received domestic remittances and how much did they receive?

Based on the VHLSS 2006, 88.5 per cent of all households in the country, or 17.4 million households, received some amount of domestic remittances in 2006 (table 7). Most received relatively small amounts, however, that comprised a small share of their total income. The mean domestic remittance received by households was VND2.4 million while the median received was VND520,000, which just illustrates the clustering of domestic remittances at the lower levels.

Only 23 per cent of households, or 4.3 million households, actually received domestic remittances that were at least 10 per cent of their total income; 11 per cent at least 25 per cent of total income; 4 per cent at least 50 per cent of total income; 1 per cent at least 75 per cent of total income; and one-fifth of 1 per cent their entire income. There is no observed substantial difference in the share of households receiving domestic remittances between urban and rural areas.

Table 7. Number and percentage of households receiving domestic remittances

Location	Households receiving remittances	Total households	Percentage receiving remittances
<i>Households receiving any amount of domestic remittances</i>			
Urban	4,720,390	5,398,281	87.4
Rural	12,650,330	14,231,591	88.9
Total	17,370,720	19,629,872	88.5
<i>Households receiving domestic remittances comprising at least 10 per cent of total income</i>			
Urban	1,092,093	5,398,281	20.2
Rural	3,401,402	14,231,591	23.9
Total	4,493,495	19,629,872	22.9
<i>Households receiving domestic remittances comprising at least 25 per cent of total income</i>			
Urban	475,993	5,398,281	8.8
Rural	1,676,073	14,231,591	11.8
Total	2,152,066	19,629,872	11.0
<i>Households receiving domestic remittances comprising at least 50 per cent of total income</i>			
Urban	180,835	5,398,281	3.3
Rural	585,617	14,231,591	4.1
Total	766,452	19,629,872	3.9

²⁰ One may perhaps argue that the contribution of internal migrants can be captured through the information on domestic remittances. But, as table 7 shows, the range of domestic remittances is wide and it may be very useful to

<i>Households receiving domestic remittances comprising at least 75 per cent of total income</i>			
Urban	69,630	5,398,281	1.3
Rural	183,064	14,231,591	1.3
Total	252,694	19,629,872	1.3
<i>Households receiving domestic remittances comprising more than 75 per cent of total income</i>			
Urban	13,791	5,398,281	0.3
Rural	20,403	14,231,591	0.1
Total	34,194	19,629,872	0.2

Source: Authors' calculations based on VHLSS 2006.

Table 8 classifies domestic remittance-receiving households into different total income quintiles, from poorest (or lowest-income quintile) to richest (or highest-income quintile), using the different levels of domestic remittance-receiving households as in table 7. The table shows that it is the lower-income households that are typically the most dependent on domestic remittances. Among those for whom domestic remittances were at least 10 per cent of total income, one-third belonged to the poorest quintile; among those for whom domestic remittances were at least 25 per cent of total income, 40 per cent belonged to the poorest quintile; among those for whom domestic remittances were at least 50 per cent of total income, more than half belonged to the poorest quintile, and so on.²¹

Table 8. Location of household in income quintile by importance of domestic remittances in total income

Income quintile	Any amount	At least 10%	At least 25%	At least 50%	At least 75%	100%
1 (poorest)	20.4	33.0	39.8	51.6	69.8	86.1
2	20.2	20.4	20.1	18.1	5.1	7.5
3	19.8	16.4	12.4	10.0	9.7	6.3
4	20.3	16.9	15.5	11.5	7.4	0.0
5 (richest)	19.3	13.2	12.2	8.9	7.9	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Authors' calculations based on VHLSS 2006.

²¹ Annex table 3 is similar to table 8 but classifies households into per-capita income. It still shows a relatively high share of the poorest quintile households as being highly dependent on domestic remittances, though to a lesser degree.



2.2 Has internal migration raised growth and reduced poverty?

That internal migration has resulted in raising the income of the poor and reducing both income and non-income deprivation is almost certainly true. Internal migration can directly affect poverty if the poor are able to migrate and find better employment. But even if it is only the non-poor who are able to migrate, if the poor then take over their work in the place of origin, migration still indirectly reduces poverty. In other words, even non-migrants may benefit from the migration of others. This is of course apart from remittances that, through multiplier effects, may have a separate effect on poverty. Knowing this intuitively and from informal observation is easy, but proving this formally and quantifying its impact is not straightforward. In fact, a quick survey of the literature on internal migration in Vietnam shows that none has yet provided a convincing measure of the impact of internal migration (or even international migration) on household welfare.

The main reason for this is that the data requirements for a strong proof are difficult to come by. The proper measurement of the impact of internal migration involves comparison with a counterfactual scenario: a comparison between the actual world where internal migration is occurring against a hypothetical one where there is no internal migration. More simply, if we only look at the level of an individual household that has an internal migrant, this would be a comparison of their actual well-being against what would have been their well-being without the internal migrant.

The problem with most studies, and this is true for studies pertaining to other countries as well, is the lack of a proper counterfactual base from which to estimate the impact of migration. For instance, it is not enough to say that internal migrants earn more than the average worker in the provinces they were originally from. In the first place, internal migrants are likely to be more motivated and more skilled than the average worker in his original area, which may be the reason he or she was able to migrate in the first place. It is possible the migrant would have earned more than the average worker even if he or she stayed in his or her home place. Similarly, it is not convincing evidence to simply compare poverty incidence of households when remittances are included to one where remittances are arbitrarily excluded. In the first place, if migrants did not move, there would have been a significant probability that they would be employed in their places of origin (though they may displace somebody else) and would have earned some income. Such simple comparisons, though suggestive, tend to exaggerate the impact of migration on well-being.

A more convincing proof would entail any of the following: (a) the use of panel data that allow the comparison of households before and after they migrated or had an internal migrant, and allow comparison against households that have not had an internal migrant; (b) cross-section data that have the feature of a natural experiment, in terms of a more or less random assignment of who has the opportunity to migrate, which would allow the teasing out of the impact of migration; or (c) simply using the current data but employing reasonable counterfactual simulations. The first type of data is expensive to collect, although the VHLSS has a panel subset that may possibly be used for such purposes. The second type of data is very difficult to come by. The third is more achievable but is often inferior to the first two, though even this strategy is made difficult by how migrants are classified into household membership by Vietnam's household surveys.

With that in mind, it is still worth noting the findings of previous studies as to the impact of internal migration, even if they should be taken simply as suggestive of the actual impact.

Using the Vietnam Migration Survey 2004, the UNFPA (2007) found that internal migration has: (a) enabled workers, after some adjustment time, to progress towards more skilled jobs; (b) increased the income of over 80 per cent of migrants compared to their incomes prior to migration;²² and (c) improved schooling opportunities for the children of most migrants compared to their places of origin. The UNFPA found indirect evidence of discrimination against migrants, mainly based on the observation that women migrants earned less income, on average, than non-migrants even after controlling for age, education and occupation.

Note that this is where better data would have been helpful. Discrimination is a strong claim and demands strong evidence. Besides age, education and occupation, and possibly migrant-status, earnings also depend on experience or length of time employed in a particular job.²³ And migrants, precisely because on average they would have spent less time on a particular job than a non-migrant, would be expected, on average, also to have lower income, even controlling for age, education and occupation. This is not to say that discrimination is not occurring, only that the proof is still very weak. Similarly, one cannot attribute all the increase in income experienced by the migrants to their migration; some income increase would have come naturally to them as they gained more experience in their jobs.

Migrants are of course believed to contribute to the economic vibrancy of the areas where they migrate. Dang (2009), citing the Vietnam Parliament's Association for Population Development (2006), reported that in HCMC, the area of largest concentration of internal migrants, migrants contributed 30 per cent of GDP. Phan and Coxhead (2010) found that migration, through remittances to the poorer origin provinces, tends to reduce inter-provincial inequality.²⁴

2.3 Prospects for future internal migration

Between 1996 and 2007, the urban labour force grew at an annual rate of 5.8 per cent compared to only 2 per cent growth of the rural labour force (Phan, 2009). Nationally, the working-age population grew at an annual rate of 3 per cent. If the projections about robust economic growth led by manufacturing in the next decade come to fruition it can only be expected, and in fact it will be necessary, that internal migration will further intensify. The circumstances render it inevitable: given an export-oriented industrialization and the continued large inflows of FDI, economic growth will remain concentrated in the urban areas. By contrast, the bulk of the labour force – about 74 per cent – is in the rural areas.

Migration tends to develop its own dynamics, often reinforcing the economic and economic forces that may have initially driven it.²⁵ For this reason, it is extremely risky to make predictions

²² This is not based on panel data but rather simply from recall questions.

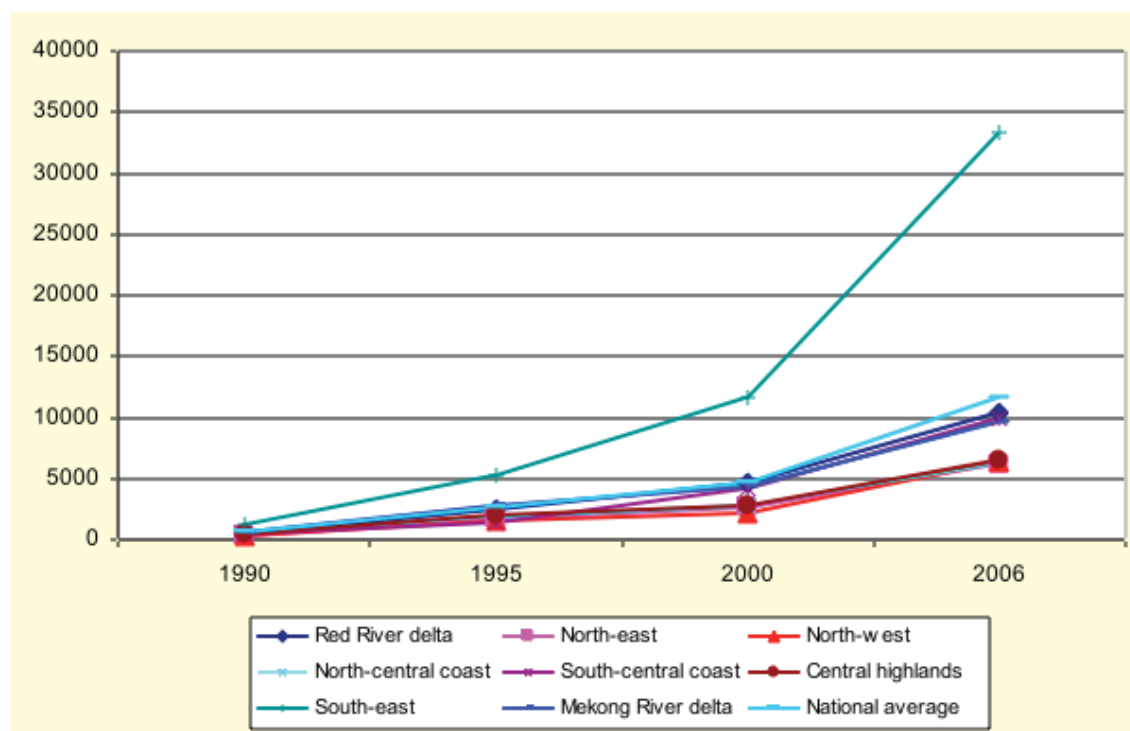
²³ Experience on a particular job is expected to be correlated with but different from age.

²⁴ Their data, which are at the provincial level, do not allow them to estimate the impact on household inequality, which may be different in trend from inter-provincial inequality.

²⁵ Examples include the development of economic activities that thrive on migration, such as recruitment, transport and the money-transfer business, as well as the so-called relative deprivation effects on non-migrants.

about the likely dimensions of future flows. Few observers, for instance, could have predicted that Vietnam's urban population would grow by over 7.5 million over the past ten years, with over 77 per cent of the growth accounted for by new migration. Whether or not migration can somehow be successfully planned, especially by national authorities, remains to be seen. In the past, the Government has merely reacted to the surge in population mobility, especially after Doi Moi, by introducing legal reforms that basically guaranteed in law, if not always in practice, the right of citizens to move where they wish to. These measures fortunately have been supportive of greater labour mobility.

Figure 7. Evolution of GDP per capita in current international dollars (1994 prices)



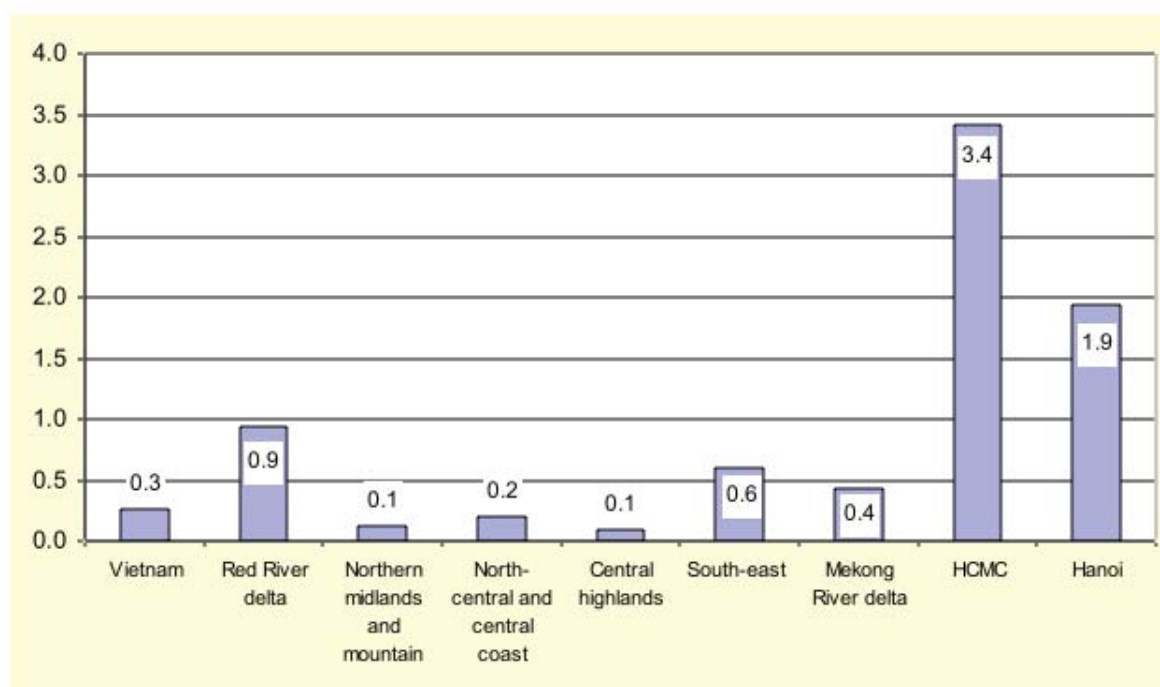
Source: *Nguyen (2009)*.

We know that migration is driven by differences, and that such differences are created by uneven economic growth. In Vietnam, there is now evidence that rapid economic growth has led to growing income disparity between provinces, as reflected in the evolution of per-capita incomes (see figure 7). GDP per capita in the south-east – where HCMC and the provinces of Binh Duong, Dong Nai and Ba Ria-Vung Tau are located – started to pull away from the general trend in the early 1990s and continued to do so at even faster rates in later years. Whereas average per-capita income in the south-east was only about three times greater than that of the north-east in 1990, the difference had grown to almost six times by 2006. There are ample examples of similar experiences with rapid economic growth creating severe income inequalities. China went swiftly from having one of the lowest rates of rural-urban income inequality in the world to having one of the highest within a very short span of time (Qin et al., 2009). China is notable also for the ultra-fast urban spread in its historical cities.

Differences between economic sectors, especially in terms of productivity, evidently also matter. Phan (2009) estimated labour productivity in industry to have grown at an annual rate of 5.5 per cent between 1990 and 2007, compared to 3 per cent for agriculture and only 1.5 per cent for services. Phan noted that there was an earlier sluggish employment growth in industry and an increase in wage gaps, reflecting a higher skill premium. This implies that growth in productivity in industry has led to fewer jobs being created. As is typical in many developing countries, low-skilled workers flowing to urban areas are largely absorbed in low-productivity services. This suggests that the wage gap will continue to widen, provoking reallocation of labour resources, with more workers absorbed into higher value-added jobs (Phan, 2009).

Reducing regional disparities through such measures as giving greater priority to the least developed areas in investment in human resource development and health facilities is more easily said than done. For example, over the last two decades, public investment in educational facilities favoured the poorer rural provinces over the richer ones, but Nguyen (2009) found that inequality in enrolment continued to favour the latter provinces. Apparently, because of poverty, the drop-out rate in the poorer provinces remained much higher compared to that in the richer ones. In the case of health care, the reforms introduced in the 1990s have led to a rapid increase in the number of private health providers, improvements in the quality of hospitals and in the availability of drugs nationally, but they also meant that the poorer sections of the population were left out since they could no longer afford the services available.

Figure 8. Population density of Ho Chi Minh City and Hanoi ('000s)



Source: GSO



It would be naive to think that rapid economic growth and the urbanization that accompanies it can be achieved at no cost to the other things that a society may hold dear, such as culture, the traditional way of life or safeguarding its historically important communities and architecture. There is already some evidence of considerable congestion in the two major cities of HCMC and Hanoi, which are also the centres of industry. The problem is not so much that the population densities in these cities are exceedingly high (see figure 8) – other major Asian cities such as Bangkok, Jakarta and Manila are much denser – but that the cities themselves as constructed are clearly not built to accommodate a much larger population. As Vietnam grows, wages rise and household per-capita incomes increase, the demand for private vehicles can only be expected to accelerate. Traffic is just one manifestation of congestion. Others include the shortage of affordable housing, access to basic services, pollution and the spread of petty crime. Policy-makers will have to make the difficult choice of deciding how much more building and rebuilding should be undertaken in these historic cities without sacrificing an important part of their character and history. While it may be in the nature of economic growth that trade-offs are inevitable, it will be important that negative externalities are taken into account to ensure that choices are well informed.

2.4 Economics of firm location

One alternative for Vietnam is to have the Government take a more active role in getting new firms to locate further out of the major cities. Simply having designated industrial zones may not be enough, and additional incentives may have to be put in place. Firms choose their location in large part to minimize transaction costs. If the cost of distributing their products is high, they will want to locate near their markets. They would of course want to be near their suppliers and to locate where there is a large pool of skilled labour. Many of the conditions facing the firm are, however, shaped by government policy. An export-oriented development strategy, for example, tends to lead to a concentration of firms in major metropolitan centres where the main international hubs for sea and air transport are usually located and where public authorities responsible for granting licences and tax exemptions have their offices. Such strategies are usually supported by government priorities in infrastructure development, especially transportation and communication, and by establishing certain areas as free trade zones.

Within these parameters a firm may choose to locate in what may already be a crowded or congested place because it does not face the full cost of the congestion it is causing. This is what is known in economics as an externality or spillover problem. A firm typically looks only at its own costs, though the additional congestion it causes is suffered not only by that firm but also by other firms and the community at large. What this means is that, without regulation, there may be a natural tendency towards congestion or an over-concentration of firms.

As the Vietnam economy grows further and current businesses expand and new ones emerge, the Government will need to counterbalance the pecuniary advantages to the firm to locate in the major centres by using various policy instruments. Offering firms modern, well-developed special economic zones, developing the necessary support infrastructure and

offering tax incentives are the usual instruments. Vietnam already has special economic zones in the country, though there are complaints that they do not offer adequate incentives.²⁶ Training centres and new educational institutions (whether vocational or university) or extensions of current educational institutions may also need to be developed near these designated industrial zones. The adequate provision of housing and other basic services for workers should also be addressed at an early stage. If need be, incentives or subsidies for the construction of such houses may be provided to ensure sufficient accommodation for the expected influx of workers. The idea is to bring skilled workers nearer the designated economic zones and to make it much less costly for new industrial firms to access their suppliers from there. There should, however, be a clear limit as to how long such incentives are to be in effect. The Government should offer such incentives only until a critical mass of firms has established in those economic zones that it then becomes worthwhile for firms to set up in those areas without extra incentives.²⁷

2.5 Internal migration policy

As is the case with most countries, Vietnam has yet to develop a comprehensive and coherent policy on internal migration. In the past, national security concerns were the principal factors behind policies and measures to influence, coerce or restrict the movements of citizens. Over the more recent past, the needs of the economy for a more flexible labour force has assumed greater importance. These needs are, however, still far from being fully met and – given the prospects of a tightening labour market that could constrain economic growth – it is important that the key issues and challenges for migration policy be identified. In our view, the following are some of the key questions that need to be addressed:

- Are the constitutional and legal guarantees to free movement of citizens within the country already being enjoyed in practice by most, if not by all? If not, what further measures are necessary, especially to enable workers to obtain productive employment?

- How should migration policy planning and implementation be best structured given the fact that needs for services and infrastructure support are easier seen and responded to at local or regional levels, but at the same time there is a need for central Government to spread development and reduce inequality?

- What target levels for internal migration are consistent with the growth projection in the next decade? What level of skills of internal migrants, and in what numbers, will be needed, especially in the industrial sector?

- To what extent are market incentives sufficient to bring about the desired outcomes, or should the State intervene, at what levels and through what means?

²⁶ Dr. Vo Dai Luoc of the Vietnam Academy of Social Sciences, for instance, argues that so-called special economic zones in Vietnam are operating as ordinary industrial zones and pale in comparison to other countries, such as China. See: <http://www.vneconomynews.com/2010/09/special-economic-zones-systems-are.html>.

²⁷ Concerns about congestion should not, of course, lead to government action to stop internal migration, which would be self-defeating, but at most to influence – through positive incentives – where such migration is directed.



Following the liberalization of the economy, Vietnam has also made it a constitutional right of citizens to move and change residence, passed a new law on residence and done away with some of the more odious features of the household registration or *Ho Khau* system. By law, any citizen should have no difficulty registering in any locality he or she moves to and thereby enjoy the same right as permanent residents to secure a job, send children to school, avail of medical services, rent or build a house, etc. Established systems are, however, never easy to change simply through changes in legislation or ministerial decrees. For example, despite the reform of the *Ho Khau* system, registration cards are still necessary for transacting almost any business with public authorities, from registering a motorcycle to obtaining a marriage licence. Dang and others have referred to the multi-layered character of the enforcement of various controls flowing from the registration system and how its applicability remains a matter for negotiation.

At present, MOLISA, in particular the Bureau of Employment (BoE) under MOLISA, is putatively in charge of internal migration policy as it pertains to the movement of labour. More specifically, MOLISA's mandate is to protect workers, an issue of particular importance for migrant workers who are often in the more vulnerable forms of employment and in jobs usually not attractive to permanent residents. However, migration has implications for policies that fall outside the pale of MOLISA's mandate, including investment promotion, transport and infrastructure development, housing, education and medical services, and even banking.²⁸ Aside from the increasingly large role played by the private sector in housing and the provision of various urban services, there are many other national authorities and stakeholders whose policies and programmes impact on internal migration more directly than those of MOLISA. They include the Ministry of Planning and Investment (MPI), the Ministry of Education and Training (MET), the State Bank of Vietnam (Vietnam's central bank), the Ministry of Health (MOH), the Ministry of Construction (MOC) and the Ministry of Transport (MOT).

The main burden of responding to fast growth of rural to urban migration has naturally fallen on Vietnam's major cities – Hanoi, HCMC, Haiphong and Danang – which are under the direct control of the central Government. There is much evidence that the very rapid growth of their migrant populations has strained capacities even with the advantage these cities have in the resources, expertise and information available from the central line ministries. At one level, mitigating the pressures on these urban centres would clearly require upstream decisions and actions that can only be taken by the central Government, especially with respect to industrial zones and investments in related infrastructures. At another level, they will also involve furthering the devolution of powers to provincial and district levels through such measures as increasing the powers of People's Councils and People's Committees to decide on land use, raising the limit to foreign investment projects that they are empowered to license, and facilitating their borrowing of money for infrastructure investments. A model for planning internal migration policy should profit from combining the local knowledge of local governments with the expertise of the central line ministries. In this regard, the experience with the implementation of the Poverty Reduction Programme (Prime Minister's Decision No. 135) would be instructive.

²⁸ See UNFPA (2007).

With the reform of the Ho Khau system, the State has by and large committed itself to the principle that internal migration should be left to the market. It is thus left with mainly promotional instruments with which to influence movements, such as by making information on job opportunities available through the public employment exchanges, by providing tax incentives to influence enterprise location, and by subsidizing transport, housing education and other services. Some form of “indicative planning” might, however, be helpful if only to give guidelines for private business.

Finally, another policy area relevant to internal movements of workers is the reduction in the cost of domestic remittances. The State Bank of Vietnam should encourage state banks and commercial banks to adopt new technologies that will make the act of remitting money less costly, more convenient and much faster.²⁹ One example of such technology is the link-up between mobile phone companies and financial institutions that allows remitters an almost instant way of sending money (by purchasing stored value cards and sending the necessary information via text message to their intended recipients, which will allow the latter to withdraw from an outlet of a mobile phone company or a partner bank). This is made feasible by the very high mobile phone penetration rate in Vietnam, exceeding 100 per cent in some reports.³⁰ Another means of reducing remittance charges is for the State Bank to mandate transparency about remittance charges among remittance service providers, perhaps even to post the rates of the different providers on the State Bank website, as is done in other countries.

²⁹ There are seven state banks in Vietnam: (1) Bank for Foreign Trade of Vietnam; (2) Bank for Investment and Development of Vietnam; (3) Industrial and Commercial Bank of Vietnam; (4) Mekong Delta Housing Development Bank; (5) Vietnam Bank for Agriculture and Rural Development; (6) Vietnam Development Bank; and (7) Vietnam Bank for Social Policy.

³⁰ For example, see the report “Industry overview: Vietnam-Telecoms, Mobile, Broadband and Forecasts”, available at: <http://www.prlog.org/10898823-industry-overviewvietnam-telecoms-mobile-broadband-and-forecasts.html>, or the Wikipedia page: http://en.wikipedia.org/wiki/List_of_mobile_network_operators_of_the_Asia_Pacific_region.



3. International migration

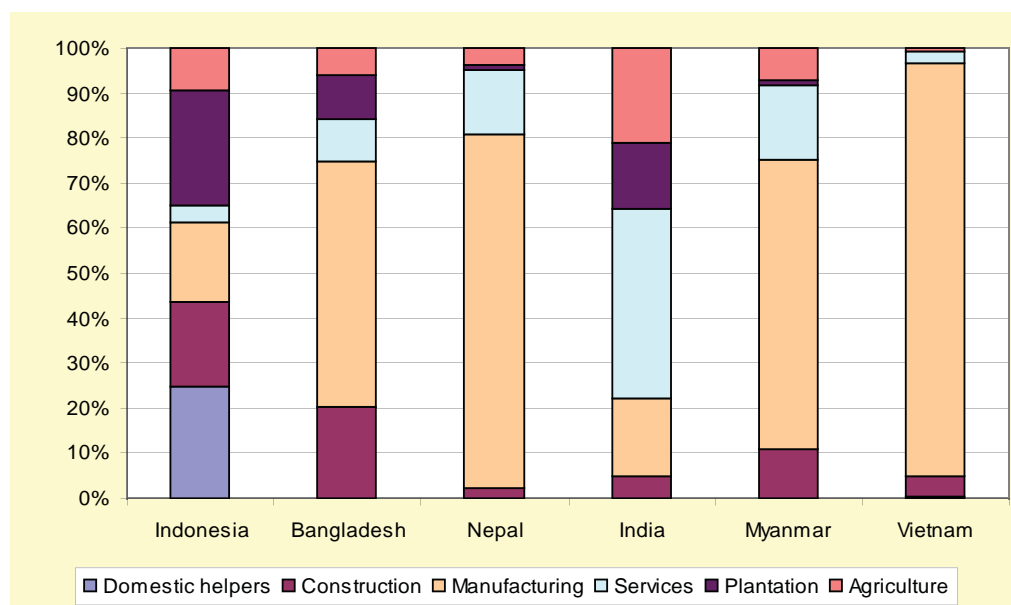
There is no definitive estimate of the number of Vietnamese international temporary migrant workers. Estimates vary from 300,000 to 500,000 migrant workers (not including permanent settlers and refugees) currently employed in foreign countries. The most recent official estimate from MOLISA puts the figure at about 300,000 workers, but it is generally believed this is an underestimate because it excludes those who left through informal channels, including those who were assisted by unauthorized recruitment agencies (Nguyen, 2008; Dang, 2008). This is further complicated by the lack of clarity as to how repeat migrants are recorded. The effect of not making a distinction between new migrants and those who are going for a second term could overstate the stock of temporary migrant workers.

There appears a clear trend of increasing international migration as annual gross outflow of registered workers has increased from 22,000 in 1999, to 46,000 in 2002, to 79,000 in 2006, and to 87,000 by 2008 (Dang et al., 2010). The most popular destinations for Vietnamese contract workers are Japan, the Republic of Korea, Malaysia and Taiwan (China), where they take on very varied jobs, such as in manufacturing (electronics and garments), construction, agriculture, housekeeping and shipping.

Figure 9 shows the sectoral distribution of Vietnamese workers in Malaysia, the most frequent country of destination for temporary migrant workers from Vietnam. In 2008, there were 103,000 registered Vietnamese workers in Malaysia. The figure also shows the five other countries with more than 100,000 registered temporary workers in Malaysia.³¹ Vietnam stands out from the other countries in that almost all its workers (92 per cent) in Malaysia are engaged in manufacturing work. The other sectors have relatively small shares, with construction having a 4 per cent share, services with 3 per cent, and domestic work, agriculture and plantation combined with only a little more than 1 per cent. The country that most resembles Vietnam in terms of the profile of workers in Malaysia is Nepal, which has 79 per cent of its workers in manufacturing. That most of the labour export of Vietnam is engaged in manufacturing work has likely significant implications for the future demand for overseas work by Vietnamese workers, as the country's manufacturing sector itself grows further in the next decade.

³¹ The figures are only for registered workers. Indonesia had 1.1 million, Bangladesh had 315,000, Nepal had 207,000, India had 138,000 and Myanmar had 134,000.

Figure 9. Sectoral distribution of Vietnamese workers in Malaysia (2008)



Source: Malaysia Ministry of Home Affairs.

3.1 Remittances

Foreign remittances are the most palpable benefits from international labour migration. According to the World Bank, foreign remittances to Vietnam have been substantial and on an almost continuous uptrend, from US\$2 billion in 2001 to US\$7.2 billion in 2008.³² See figure 10 which also contains the estimated remittances for 2009.³³ It is evident that a substantial part of these remittances is received, not from temporary overseas workers, but rather from the Vietnamese permanently residing abroad. More than 3 million Vietnamese are estimated to be permanently living abroad, most of them in developed countries (Nguyen, 2008).³⁴ These remittances, which are said to already surpass FDI and official development assistance, have lately accounted for no less than 7 per cent of GNP and are clearly very important to maintaining Vietnam's external balance.

It is notable that Vietnam's foreign remittances have exceeded those of Indonesia, which has a much larger stock of overseas workers. In the East Asia and the Pacific region in 2007 and 2008, Vietnam had the third highest level of remittances received, following only China (US\$48.5 billion in 2008) and the Philippines (US\$18.6 billion in 2008). More than 60 per cent of remittances to Vietnam are recorded as having been coursed through the United States. This need not necessarily mean that they originated from the United States – although it is likely that most of them did – but that they were sent using a US-based financial institution.

³² The World Bank has no record of remittances to Vietnam for earlier years.

³³ It should be noted, however, that it is difficult to distinguish whether the increase in remittances observed is due to a real increase in remittances sent, or just an improvement in how remittance data are being captured by the formal system.

³⁴ This explains why as much as 88 per cent of remittances originate from North America and Europe.



3.2 Who receives foreign remittances?

Remittances estimates from the World Bank are available only in the aggregate. To get a sense of who among Vietnamese households benefits from overseas remittances, one needs to look at household-level data. One source of such data is the VHLSS, though other data have since become available (see discussion below on Dang et al., 2010).

According to the VHLSS 2006, only 6.9 per cent of Vietnamese households – or 1.4 million households – received some amount of foreign remittances in 2006 (see table 9). A larger share of urban households (11.6 per cent) received foreign remittances compared to rural households (5.1 per cent). Most of the households that received foreign remittances received amounts that were at least 10 per cent of their total income. Among households that received foreign remittances, the mean amount received was VND20.7 million, while the median amount received was VND9.6 million.

Only 5 per cent of households – or about 1 million households – received foreign remittances that were at least 10 per cent of their total income, but a significantly larger share among urban households (8.3 per cent) compared to rural households (3.8 per cent). Only 3.2 per cent of households received foreign remittances that were at least 25 per cent of total income; and 1.5 per cent were at least 50 per cent. Only 0.5 per cent received foreign remittances that were at least 75 per cent of total income, and only very few were completely dependent on foreign remittances.

Table 10 classifies foreign remittance-receiving households into different total income quintiles, from poorest (or lowest-income quintile) to richest (or highest-income quintile), using the same levels of domestic remittance-receiving households as in table 8. However, in contrast to table 8, table 10 shows that it is the higher-income households that are typically the most dependent on foreign remittances. Among those for whom foreign remittances were at least 10 per cent of total income, half belonged to the richest quintile; among those for whom foreign remittances were at least 25 per cent of total income, 51 per cent belonged to the richest quintile; among those for whom foreign remittances were at least 50 per cent of total income, 54.6 per cent belonged to the richest quintile, and so on.³⁵

Comparing foreign remittances (table 7) to domestic remittances (table 9), it is obvious that many more households receive domestic remittances but that foreign remittances sent are, on average, much larger. In addition, whereas dependence on domestic remittances occurs mainly among poorer households, dependence on foreign remittances is more typical of higher-income households. Note that this is not evidence that foreign remittances raise households out of poverty. It is possible that, even without remittances, the richer households would remain richer (but perhaps not to the same extent), as would be the case if the foreign remittances were instead coming from a household member (for example, the household head) staying in Vietnam, having found a well-paying occupation within the country.

³⁵ Annex table 4 is similar to table 10 but classifies households into per-capita income. It shows pretty much the same pattern.

Table 9. Number and percentage of households receiving foreign remittances

Location	Households receiving remittances	Total households	Percentage receiving remittances
<i>Households receiving any amount of domestic remittances</i>			
Urban	627,152	5,398,281	11.6
Rural	731,202	14,231,591	5.1
Total	1,358,354	19,629,872	6.9
<i>Households receiving domestic remittances at least 10 per cent of total income</i>			
Urban	449,780	5,398,281	8.3
Rural	537,411	14,231,591	3.8
Total	987,191	19,629,872	5.0
<i>Households receiving domestic remittances at least 25 per cent of total income</i>			
Urban	255,898	5,398,281	4.7
Rural	367,449	14,231,591	2.6
Total	623,347	19,629,872	3.2
<i>Households receiving domestic remittances at least 50 per cent of total income</i>			
Urban	101,607	5,398,281	1.9
Rural	191,500	14,231,591	1.3
Total	293,107	19,629,872	1.5
<i>Households receiving domestic remittances at least 75 per cent of total income</i>			
Urban	19,932	5,398,281	0.4
Rural	71,321	14,231,591	0.5
Total	91,253	19,629,872	0.5
<i>Households receiving domestic remittances more than 75 per cent of total income</i>			
Urban	1,579	5,398,281	0.0
Rural	0	14,231,591	0.0
Total	1,579	19,629,872	0.0

Source: Authors' calculations based on VHLSS 2006.



Table 10. Location of household in income quintile by importance of foreign remittances in total income

Income quintile	Any amount	At least 10%	At least 25%	At least 50%	At least 75%	100%
1 (poorest)	7.6	6.7	5.3	6.2	5.5	0.0
2	10.9	10.3	10.1	9.8	2.2	0.0
3	12.6	11.2	11.6	11.0	8.8	0.0
4	20.4	21.6	22.1	18.5	15.1	0.0
5 (richest)	48.5	50.3	51.0	54.6	68.4	100.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Authors' calculations based on VHLSS 2006.

One further thing worth noting is that there is a large disparity as to the remittances received by Vietnam if one compares the World Bank estimate against the VHLSS estimate. For example, in 2006, according to the World Bank, Vietnam received US\$4.8 billion in remittances, but according to the VHLSS 2006, it only received US\$1.8 billion. It is not clear what the reasons are for such a large disparity, nor what its consequences are for the estimation of the household impact of remittances. This needs to be studied.

3.3 Impact of foreign remittances

There are not many studies that have attempted to measure the impact of overseas migration and remittances on Vietnam. Of the few, the most ambitious and most recent is probably the report *Development on the Move: Measuring and Optimising Migration's Economic and Social Impacts in Vietnam* (Dang et al., 2010), which was produced with the support of the Global Development Network. Instead of relying on existing household surveys such as the VHLSS, the authors carried out their own survey of 1,508 households taken from different areas of country, and from these households obtained demographic, socio-economic and migration-related information.

- The major findings of *Development on the Move* are the following:
- 5 per cent of households have at least one or more members currently living abroad. This is equivalent to about 1 million Vietnamese workers currently away.
- 2 per cent of households have one or more members who are returnees from abroad.
- Vietnamese migrant workers are present in 30 countries. The largest numbers are to be found in the United States, Taiwan (China), the Republic of Korea and Malaysia. The period of migration is typically 1-5 years.
- These overseas migrants are typically young (largest age group is from 17 to 30 years) and better educated.

- Their econometric results indicate that migration and/or remittances have had the following impacts:³⁹
 - raised the per-capita income and living standards of migrant households by between 40 per cent and 60 per cent compared to non-migrant households;
 - improved household income inequality;
 - raised per-capita consumption of migrant households by between 6 per cent and 9 per cent compared to non-migrant households;
 - raised per-capita savings of migrant households;
 - reduced labour-force participation in migrant households.

The main methodology they used to quantify the impact of having an overseas worker or the receipt of remittances is regression analysis. In the analysis on per-capita income and per-capita expenditure, they employ two methodologies, which are the ordinary least squares regression (OLS) and fixed effects regression (FE).⁴⁰ As pointed out below, it is somewhat misleading to use the term “fixed effects” for what they actually did. In the analysis on per-capita savings they employ OLS, and in the analysis on labour-force participation they employ probit analysis, which is just a form of regression analysis that is applied when the dependent variable is dichotomous (takes on only two possible values).

As is the typical case, their analysis proceeds by regressing the variable of interest (whether per-capita income, per-capita consumption, per-capita savings or labour-force participation) against an indicator variable for having a migrant (or receiving remittances) and control variables for household characteristics (e.g. location of residence, number of working adults, number of children) and the characteristics of the household head (e.g. age, sex, marital status, education). If the indicator variable on migration or remittances comes out as significant in the regression, then its coefficient is counted as its effect on the variable of interest. If it does not come out as significant, then it is said to have no effect.

The problem with this methodology is that it misleadingly attributes all of the differences observed in the variable of interest on having a migrant (or receiving remittances), when this may not be the case.⁴¹ It ignores foregone earnings at home or the opportunity cost. For example, take any household with an overseas migrant. If instead of migrating, the migrant decided to stay home. Because she is typically younger, more educated and likely more motivated, she would have probably found a domestic job anyway, which would have enabled her to have contributed a non-trivial amount to household income, consumption or savings even in the absence of migration. Of course, she was probably able to earn more by migrating and consequently was able to contribute more to the household, but by ignoring this opportunity cost, one exaggerates the impact of migration and remittances on household well-being.

³⁹ There are others discussed in the report, but these are the major ones in our view. The same critique that will be levelled against these findings are applicable to the other findings.

⁴⁰ OLS is just the most basic regression.

⁴² There are other problems with the analysis. One is the endogeneity of an explanatory variable such as the number of working adults in the household with respect to having an overseas worker. This potentially biases the estimate of the impact of migration.



On the use of fixed effects regression, what the authors seem to have actually performed was simple OLS but with the addition of province dummy variables. Since their survey was carried out in only six provinces, this means they just added five dummy variables to their original OLS regression.⁴² While this may indeed be called “fixed effects” regression, as it controls for the fixed province effects, it should be pointed out that fixed effects regression is a methodology employed on panel data. It is a means of controlling for unobserved individual-level factors that may be influencing the variable of interest – such as ability or motivation – to get an accurate estimate of the effect of the treatment variable (migration or remittances in this instance).⁴³ Because their data are on an individual level, the confounding factors that should be controlled must also be at the individual level and not at the provincial level. When the data are panel in nature, using a fixed effects methodology enables one to be more confident that the effect observed, if any, is really causal in nature.⁴⁴

How the study measures the impact on inequality also seems to be flawed. To simply remove remittances and compare inequality against the actual inequality where remittances are present amounts to assuming that if people did not migrate they would not have earned any income whatsoever. By not accounting for foregone earnings, the analysis overstates the extent of the jump in the income quintile that is due to migration or remittances. One should attempt to account for these types of opportunity costs for a proper analysis.⁴⁵ The finding on labour-force participation is probably also misleading and driven mainly by the exclusion of the migrant in counting those who are employed. The migrant is often the household member with the most ability, most motivation or strongest reason to work, and by excluding her from the computation of labour-force participation, it stacks the odds against households with migrants. It will be more interesting to see whether the finding of lower labour-force participation for migrant households still holds when the migrant herself is included in the analysis.

3.4 Foreign remittances and household expenditures (VHLSS 2006)

The effect of overseas migration is more ambiguous when one uses the VHLSS. Here we carry out OLS regressions using a dummy variable for receipt of foreign remittances to examine the relationship between overseas migration and specific household expenditures – on education, health, food, fixed assets, durable goods, houses and land, and utilities. To check for the robustness of the results, we look at the specific expenditures in terms of levels, as a share in total expenditure and as a share in total income.

Table 11 shows the results of estimating the relationship between education expenditure and receipt of foreign remittances.⁴⁶ What it shows is that there is no significant difference between the

⁴² This explains why they obtained OLS results and fixed effects results that are very close to each other.

⁴³ See, for example, Angrist and Pischke (2009) or Wooldridge (2001).

⁴⁴ If one really performed fixed effects analysis, one would not be able to estimate the effect of explanatory variables that are fixed over time, such as location and the household head's sex, education, etc.

⁴⁵ A simple way to do this is to generate a domestic income function and estimate the income of the migrants if they had instead stayed home.

⁴⁶ The fourth column (Higher in overseas remittance-receiving households by) contains the magnitude of the effect. The fifth column (P-value) shows whether the effect is significant or not. A small P-value, by convention, usually assumed as less than 0.1 or 0.05, is indicative of a statistically significant result.

expenditure on education of foreign remittance-receiving households and non-foreign remittance-receiving households, whether one looks at it in terms of level, as a share of total expenditure or as a share of total income, after controlling for some basic variables. Alternatively put, households with the same income and the same number of school-age children, on average, spend the same on education whether they receive remittances or not.⁴⁷

Table 11. Foreign remittances receipt and education expenditure

Dependent variable	Number of observations	R-sqrd	Higher in overseas remittance-receiving households by	P-value
Education expenditure				0.11
Level	9,188	0.1504	284	0.87
As share of total expenditure	9,188	0.0452	0.0005	0.44
As share of income	9,188	0.0004	0.0050	

Note: Estimates obtained by regressing the dependent variables on a dummy variable for household receipt of overseas remittances plus control variables. For level and expenditure share, controls include the natural logarithm of income and the number of school-age children in the household. For the income share regression, control is the number of school-age children.

Table 12 shows the results of estimating the relationship between the receipt of foreign remittances and health expenditure. The table shows that the total health expenditure of foreign remittance-receiving households, whether in terms of level or as a share of total expenditure, is higher than non-foreign remittance-receiving households even after controlling for income and the number of household members. In the case of foreign remittance-receiving households, the level of household health expenditure is higher by about VND511,000 and health expenditure as a share of total expenditure is higher by about 1.2 percentage points. This suggests that perhaps a portion of foreign remittances is being earmarked for health expenditure. By specific health expenditure, there is no clear result.

⁴⁷ Of course, the effect of overseas migration may be to raise income, which is not captured here



Table 12. Foreign remittances receipt and health expenditure

Dependent variable	Number of observations	R-sqrd	Higher in overseas remittance-receiving households by	P-value
<i>Total health expenditure</i>				
Level	9,188	0.0418	511	0.02
As share of total expenditure	9,188	0.0179	0.0120	0.01
As share of income	9,188	0.0024	-0.0014	0.76
<i>Health expenditure on medicine</i>				
Level	9,188	0.0317	46	0.44
As share of total expenditure	9,188	0.0274	0.0016	0.11
As share of income	9,188	0.0025	-0.0007	0.52
<i>Health expenditure on medical tools</i>				
Level	9,188	0.0162	7	0.41
As share of total expenditure	9,188	0.0018	0.0003	0.08
As share of income	9,188	0.0006	0.0004	0.05
<i>Expenditure on health insurance</i>				
Level	9,188	0.0585	10	0.21
As share of total expenditure	9,188	0.0023	0.0007	0.18
As share of income	9,188	0.0001	0.0003	0.23

Note: Estimates obtained by regressing the dependent variables on a dummy variable for household receipt of overseas remittances plus control variables. For level and expenditure share, controls include the natural logarithm of income and the household size. For the income share regression, control is household size.

Table 13 shows the results of estimating the relationship between the receipt of foreign remittances and other expenditures. No significant relationship is found between receipt of foreign remittances and food expenditure, nor between receipt of foreign remittances and fixed assets expenditure, durable goods expenditure, or house and land expenditure after controlling for income. However, higher utilities expenditure is found to be robustly related to receipt of foreign remittances, likewise suggesting that at least a portion of foreign remittances is allocated to everyday household operations. Note that these results are not definitive because they abstract from the effect of overseas migration on income itself. The true effect of overseas migration and remittances on household welfare likely lies somewhere in between the very positive results as in Dang et al. (2010) and the close to marginally positive results presented here.

Table 13. Foreign remittances receipt and other expenditures

Dependent variable	Number of observations	R-sqrd	Higher in overseas remittance-receiving households by	P-value
<i>Food expenditure</i>				
Level	9,188	0.5395	743	0.29
As share of total expenditure	9,188	0.0946	0.0074	0.44
As share of income	9,189	0.0001	-0.0671	0.01
<i>Fixed assets expenditure</i>				
Level	9,188	0.0131	-46	0.96
As share of total expenditure	9,188	0.0038	-0.0024	0.54
As share of income	9,189	0.0017	-0.0033	0.72
<i>Durable goods expenditure</i>				
Level	9,188	0.0454	116	0.83
as share of total expenditure	9,188	0.0169	-0.0011	0.81
as share of income	9,189	0.0000	0.0006	0.91
<i>House and land expenditure</i>				
Level	9,188	0.0222	-204	0.92
as share of total expenditure	9,188	0.0069	-0.0028	0.71
as share of income	9,189	0.0004	-0.0255	0.17
<i>Utilities expenditure (electricity, water, garbage collection, household operations)</i>				
Level	9,188	0.2384	538	0.00
as share of total expenditure	9,188	0.0405	0.0082	0.00
as share of income	9,189	0.0009	0.0086	0.00

Note: Estimates obtained by regressing the dependent variables on a dummy variable for household receipt of overseas remittances plus control variables. For level and expenditure share, controls include the natural logarithm of income and the household size. For the income share regression, control is household size.

3.5 Prospects for international labour migration

Over the five years from 2004 to 2009, the number of Vietnamese workers registered to have left to work abroad more than doubled from 30,000 to 73,000. As pointed out above, available statistics on labour emigration do not include those who migrated through irregular channels to neighbouring Cambodia and Thailand, nor those who found work while studying, visiting families or touring in other countries. The Government has declared overseas labour migration as a component of its development strategy, establishing a goal of sending abroad at least 85,000 to 100,000 workers each year between 2010 and 2015. This goal is very likely to be realized because of continuously expanding demand for the so-called “replacement migration” in



low-fertility countries such as the Republic of Korea and Japan (and later China!) with their now ageing populations and declining labour forces, the existence of large Vietnamese diaspora communities abroad, the continued availability of low-skilled labour reserves in Vietnam, and the existence of a large recruitment industry that benefits from expanding overseas migration.⁴⁸ Moreover, for some workers, particularly the very high-skilled professionals, the gap between what they could earn in some developed countries (Japan, the United Kingdom, the United States, etc.) and what they would earn in Vietnam (or some other developing country) is likely to remain very wide.

As Vietnam's economy grows in the coming decade, there are two views as to how this will shape up international migration in the country. One view is that the demand for international migration will increase further, as the growing prosperity allows more people to afford the costs associated with international migration. At present, many migrants incur heavy debts in order to migrate. The other view is that the demand for international migration will decline as domestic wages catch up to international wages, taking into account the risks and disutilities associated with international migration. Such disutilities include being away from the family, living amidst another culture with people speaking another language and, in some cases, having relatively limited rights and access to social services.

Both tendencies are likely to be true and operative at the same time, but the former is expected to lose significance as domestic wages and incomes catch up with those offered abroad. The question is what that level of income will be. According to data from MOLISA, the average monthly salary of Vietnamese workers in Malaysia was about US\$200 per month in 2010.⁴⁹ Even if this has risen by now, Vietnamese wages should be able to approach this level well within the decade.⁵⁰ So long as Vietnam is able to grow at the pace currently projected by international organizations and private forecasting firms, and targeted by the Government (see table 3 above), it will likely be able to generate sufficient jobs for its growing labour force in the next decade. At the very least, it is likely to reduce the incentive to migrate to countries like Malaysia, which offer similar job opportunities and not much better pay, and induce those who are currently working in such countries to return or at least not to renew their contracts. Not that overseas migration will cease completely; after all, even relatively rich countries like Malaysia and Thailand have a significant number of overseas workers. Thai workers, for example, have continued going for employment to Israel, the Republic of Korea, Libyan Arab Jamahiriya and Taiwan (China) even after per-capita GDP had reached US\$4,600 and Thailand itself had become a country of destination for migrant workers.

⁴⁸ According to a rapid assessment in northern Vietnam conducted by the Institute of Labour Science and Social Affairs (ILSSA) with support from the ILO, the number of people crossing the border into China has increased nearly tenfold in the past five years. An estimated 4,000 Vietnamese workers enter China on a daily basis through the Lao Cai border crossing alone. Of these, only one-third are from Lao Cai; the rest come from all over Vietnam. As of early 2008, an estimated 2,500 trafficked persons from Lao Cai had been rescued. Traffickers operating along the border can earn between VND3 million and VND40 million (US\$160-US\$2,500) for each person they bring to unscrupulous employers in mining, brick kilns, plantations, the entertainment industry and domestic work.

⁴⁹ Based on a study of returning migrants by the ILSSA supported by the World Bank.

⁵⁰ In contrast, relatively similar workers in Taiwan (China) earned US\$300 to US\$500, and those in the Republic of Korea earned US\$450 to US\$1000. See Nguyen (2008) or Dang (2008) for average wages in 2006 of Vietnamese workers in other countries.

3.6 International migration policy

The Government is continuing its long-standing policy to send Vietnamese workers abroad for employment and to earn foreign currency. In support of the policy, the Government has authorized some 170 enterprises to act as recruitment brokers or agencies and has tasked MOLISA to supervise their activities, set minimum standards for employment and provide services to protect the rights and interests of Vietnamese migrant workers. The Government is actively seeking new employment markets abroad and has already entered into labour agreements with some countries – notably the Republic of Korea and Taiwan (China) – for the supply of skilled and low-skilled workers. However, the policy is viewed as a temporary one that will eventually become less important as Vietnam catches up with her more affluent neighbours.

At present, the bulk of the responsibility for international migration policy lies with the Department of Overseas Labour (DOLAB), a specialized agency under MOLISA. Based on its task description, DOLAB is in charge of the following: statistics on overseas migrants and recruitment agencies; forging bilateral agreements; monitoring and licensing recruitment agencies; registration of overseas workers; setting up training programmes for overseas workers; protection of rights of overseas workers; collecting and managing fees from overseas workers; and providing guidelines to the Management Boards of Overseas Labour.

Vietnam's Employment Strategy 2011–20 will need to take explicitly into account the likely emigration of workers over the coming decade, its impact on the domestic labour market, on the incomes and welfare of families and communities receiving remittances, and their implications for policies and programmes. The Vietnamese Government has already announced a policy of promoting emigration from poor districts and from ethnic minorities through subsidies.⁵¹ Each of these mechanisms entails supporting policies and resources, such as opening more job-placement centres in the poorer regions as well as training centres for skills in demand abroad; encouraging mobile phone service providers to also serve as low-cost funds transfer operators; and providing guarantees for small loans to help migrants obtain bank financing for their migration. More generally, however, by easing competition within the domestic labour market, overseas migration should already have the effect of giving more of the poor and the less-skilled workers better chances at obtaining domestic employment.

There are a number of questions regarding priorities and strategies that will need to be addressed in the articulation of international migration policy, including:

- How far should the migration of the highly-skilled be promoted when an increasing wage gap at home between the skilled and unskilled already reveals shortages of the former?
- If the overseas demand is for skilled workers, what measures should Vietnam take to minimize possible productivity losses that could prejudice job creation at home?

⁵¹ It was reported on 29 April 2009 that the Prime Minister had approved a project on the Promotion of Overseas Workers from 62 poor districts between 2009 and 2020. The Government will promote the migration of the poor and ethnic minorities by subsidizing their training, offering loans and meeting the cost of return under certain circumstances.



- How can skills in modern production processes gained by migrant workers in places such as the Republic of Korea and Taiwan (China) be harnessed upon their return to benefit domestic industries or enhance skills-training capacities at home?
- How is the trade-off between more employment and more protection for Vietnamese workers to be resolved at the operational level?
- How frequently should minimum standards for contracts be reviewed and possibly raised?
- How can the cost of recruitment to the migrant workers be minimized?
- How can abuses and fraud in recruitment be better monitored and prevented?

As the experience in other countries of the region shows, the skill composition of migration is basically driven by external developments and is not easily controlled by authorities in origin countries, except where citizens do not enjoy the right to leave their countries. The emigration of skilled workers, however, has not emerged as a serious problem in Asia, thanks largely to the priority most governments have accorded to education and to the responsiveness of private training institutions to new demands in the market. It is, nevertheless, important to keep in mind that skill shortages can easily be caused by emigration (for example, the current shortages of airline pilots and aircraft mechanics). The public authorities must be alert to these developments. A system for regular consultations between MOLISA and heads of state and private enterprises, as well as licensed recruitment enterprises, on such matters would go a long way to generating reliable information on conditions in the domestic and foreign labour markets.

Most industrial workers pick up their skills on the job, especially where the industries they are employed in require skills very specific to their products, processes and technology. Many migrants who find employment in more advanced countries obtain experience and skills they would not normally acquire at home, and would not usually use upon return if they were not absorbed into employment in a similar industry. For example, many Vietnamese migrants in the Republic of Korea, Malaysia and Taiwan (China) are employed in modern factories and become very skilled after three or more years of employment. If, upon return, they do not find employment in similar industries, they eventually lose their acquired skills. A strategy for harnessing their skills to benefit domestic industries needs to be developed.⁵² There is a MOLISA requirement that recruitment enterprises report the return of migrants, but this is not followed in practice. Instead of making it an obligation, MOLISA might consider establishing a web-based programme for registering skilled migrant returnees online. The database would automatically serve as a “talent pool”, easily accessible to domestic employers.

The Government has already established standards and procedures for the employment of Vietnamese workers in different countries, measures to license job agents and regulate their recruitment activities, and through its missions abroad provides on-site services to attend to the needs of nationals abroad. Protection, however, remains a major challenge, especially because many jobseekers, in their eagerness to escape poverty at home, willingly settle for substandard conditions. There is a need for :

⁵² A government-sponsored programme is being launched for those who return after working under the Republic of Korea's Employment Permit System (EPS).

- public information services easily accessible to all jobseekers on: (a) the conditions of employment of contract migrant workers in major countries of destination, including cost of living; (b) the requirements of these countries for legal admission; (c) Vietnam Government's standards for work contracts and the policies and procedures for registering them prior to departure; and (d) how to avoid and to seek redress against recruitment fraud and abuses;
- in addition to inspection (upon receiving complaints), there is need for closer and regular monitoring of recruitment practices by licensed recruitment enterprises, ideally in cooperation with provincial and district authorities, especially with respect to the fees charged by their agents and sub-agents, and how limits to fees imposed by DOLAB are actually observed;
- negotiating bilateral agreements with destination countries, especially with respect to standards for work contracts, procedures for dispute settlement and for enabling migrant workers to receive social security protection, especially to earn rights to old-age benefits; and
- ratifying international migrant worker Conventions – especially the ILO's Migration for Employment Convention (Revised), 1949 (No. 97) and the Migrant Workers (Supplementary Provisions) Convention, 1975 (No. 143) – to strengthen Vietnam's position in negotiating for equal treatment of its workers abroad.

Vietnam has established policies and regulations for the admission of expatriate personnel of companies with foreign investments and for other skilled workers needed by local companies. According to Dang (2008), in 2008 there were already about 400,000 foreign professionals, businessmen and technical workers in Vietnam. However, policies for the admission of the less-skilled remain to be addressed. It may not be too early for Vietnam to consider the possibility that it might become a destination area for foreign workers in the future, particularly from Lao PDR and maybe the poorer provinces of China, in which case, the Ministry of Home Affairs should also be involved in migration planning.

The State Bank of Vietnam should encourage state and private banks to forge links with foreign financial institutions or, where possible and financially viable, establish a presence in countries with a large population of Vietnamese temporary workers or immigrants, to reduce the cost of and expedite the receipt of remittances. As with domestic remittances, it is important for the State Bank to make remittance charges by competing remittance service providers more transparent, and to make this information available to the public, perhaps via a government website. The adoption of new technologies, such as the use of mobile-phone technology, as was discussed in the case of domestic remittances, is also important, as is Internet banking. Banks in the Philippines, for example, give preferential treatment to overseas workers (in terms of rates charged for remittances) and allow them to manage their accounts from abroad.

4. Raising the benefits of labour migration and improving the protection of migrant workers

Here, we distil, as well as expand on, the lessons from the preceding sections, on how to make the best of labour migration in Vietnam – both internal and international – in terms of raising its economic benefits while ensuring the well-being of migrant workers.

4.1 Internal migration

Internal labour migration is a potent tool for spreading the benefits of geographically uneven economic growth, and consequently for reducing unemployment, poverty, inequality and the potential for social instability in the country. This should be reflected in government policy. A key objective should be to limit, if not remove, any direct or indirect obstacles to the mobility of labour, such as any remaining limitations posed by the household registration system. At the same time, the Government should ensure that adequate basic services – utilities, health and education – are available in areas with a large concentration of migrant workers. This includes services that will be accessed not just by the migrant workers, but also by their families, if any, such as education for their children.

To avoid further congesting major cities, the Government should be careful not to bias infrastructure improvements in their favour, at the expense of less-crowded areas with good potential for industry location. This is usually difficult because business groups with vested interest in having infrastructure improvements in their areas paid for from public funds instead of their own are often very influential. Moreover, the investments required for infrastructure development tend to be “lumpy” (i.e. industrial parks or zones require a minimum set of complementary physical facilities), hence it is often easy to justify concentrating investments in a few already advanced areas. A long-term perspective that takes into account the growth experience of the large urban centres, such as HCMC and Hanoi, is essential to planning for regional development and migration.

Domestic remittances are the most palpable benefit of internal migration. Since many families, especially among the poor, depend on remittances for a substantial part of their incomes, reducing the cost of money-transfer services and making them widely available will have a large impact on welfare. The monetary authorities should look into developing more efficient inter-bank clearing mechanisms and requiring banks to be more transparent about their remittance charges.

4.2. International migration

With a view to rationalizing its approach to international migration, it may now be timely for the Government to embark on a careful evaluation of current policies and their system of administration or, for that matter, of the whole system for organizing labour migration through licensed intermediary companies, with a view to determining if the approach is producing the intended outcomes, or at least outcomes that are not incompatible with Vietnam’s development goals. Such an evaluation would need to be informed by good information about conditions in labour markets at home and abroad, the effectiveness and efficiency of established systems for control, the incidence of failure (i.e. fraud or high cost of recruitment, bribery, trafficking, etc.) and their consequences, and the experience of other countries in using different instruments to achieve the same ends. The

ILO has already surveyed and reviewed “best practices” around the world in the governance of labour migration and it would be wise to start with its recommendations included in the ILO Multi-lateral Framework on Labour Migration.⁵³ The ILO Framework offers guidelines on developing a comprehensive, rights-based approach to managing migration.

The internal efficiency of the administration of overseas employment policy could be greatly enhanced by the use of a modern management information system. The problem with current antiquated practices has been recognized and measures have been taken to develop a web-based information system, but organizational dysfunctions (and not a lack of equipment) have so far stood in the way of fully modernizing the system. Once in operation, the system that has already been designed, together with the recommendations of an ILO advisory mission in 2010, can provide up-to-date information on migration and on conditions in the labour market, and give management ample feedback on how policies are working and how efficiently regulations are being implemented.

Developing specific niches for Vietnamese workers in foreign labour markets could be part of the overall strategy. According to a report from its National Assembly, Vietnam had some 3,060 nationals working for Vietnamese companies abroad. Should the deployment of Vietnamese workers overseas along “corporate export” lines be the core strategy for the future? If so, would it make economic sense at this stage to establish enterprises capable of embarking on large-scale contracting abroad using Vietnamese labour, such as what several large Korean and Chinese construction contractors are doing with their respective workers? Or should the effort first go to promoting more bilateral agreements along the same model as the Republic of Korea’s Employment Permit System (EPS)? Through the EPS, the Republic of Korea was able to send workers who received better pre-departure and post-arrival training (language, culture, safety, skills) and with expanded labour rights (including to health and other insurance).⁵⁴

The experience of every country exporting labour confirms the value of providing adequate destination country-specific pre-departure training on language, culture, working conditions, their rights as workers and their avenues for redress, should they encounter any problems. Workers can make better-informed migration decisions (such as whether to migrate or not, and where to migrate) if provided with up-to-date labour market information on destination countries. The information should also be posted on a government website (e.g. DOLISA’s) and include data on regulated costs involved, especially service charges, brokerage commissions, etc., wages (by occupation), working hours, working conditions, workers’ rights, cost of living, the number of Vietnamese workers in these places, the problems frequently encountered by Vietnamese workers in these places, and addresses to get support. This useful information can easily be sourced from diplomatic missions, the records of DOLAB, a survey of Vietnamese workers abroad and returnees from these countries.

Despite more than 170 licensed recruitment agencies, it is believed that a significant portion of overseas migration still goes through unlicensed agencies.⁵⁵ Illegal recruitment is a serious crime

⁵³ See: http://www.ilo.org/public/libdoc/ilo/2006/106B09_343_engl.pdf

⁵⁴ See ILO: Decent Work for Migrants through Decent Talks by Countries: Improving the Management of Labor Migration to Korea through Bilateral Cooperation (ILO Regional Office for Asia and the Pacific, 2000).

⁵⁵ See Dang et al. (2010) citing Nguyen Nga (2008).



that endangers the lives and livelihoods of potential migrants. As in other countries, the association of recruitment agencies – in this case, the Viet Nam Association of Manpower Supply (VAMAS) – can help MOLISA monitor and check illegal recruitment. The regulation of recruitment agencies should be strengthened by raising the penalties for illegal recruiters and intensifying the enforcement of the law against such activities. Even licensed recruiters should be made accountable if the jobs for which they sign up workers turn out to be bogus. This would force them to more carefully check and evaluate the foreign employers with whom they deal. This should be supplemented by actions to reduce the costs of migration through formal channels, and information campaigns targeting potential migrants highlighting the perils of going through the informal route. Some studies indicate a high incidence of Vietnamese workers breaking their employment contracts and taking the irregular route, an important concern of destination countries.⁵⁶

The cost of remitting money to Vietnam varies considerably by country of source and whether it is done through banks or through money-transfer operators such as the Western Union (see World Bank, 2011). The State Bank of Vietnam should work at further reducing the costs of sending foreign remittances (to, for example, no more than 3 per cent) by fostering more correspondent relationships between Vietnamese and foreign commercial banks, especially those that have a good track record for transferring funds at minimal cost, publicizing remittance fees (through government websites), encouraging banks and other financial institutions to facilitate remittances through the use of modern technology such as mobile phones and Internet banking, and for the State Bank itself to provide a special facility for clearing remittances.⁵⁷ Lower remittance fees should lead to a higher level of remittances being sent, and to a greater portion being coursed through the formal channels, thus lending itself to better utilization for development purposes.

Finally, the Government should also explore possibilities for negotiating bilateral agreements on social security in order to provide migrant workers (Vietnamese workers employed in foreign countries as well as foreign workers employed in Vietnam) with adequate social security protection. Where agreements are not yet feasible, the effort could be directed at their coverage under Vietnam's social insurance system, either on a voluntary or on a compulsory basis. In the absence of bilateral agreements, temporary migrant workers are disadvantaged since they are seldom employed long enough to qualify for social insurance benefits even if they are made to contribute to social insurance – this is especially the case for old-age benefits – unless the workers' years of contribution in different countries can be taken into account (i.e. “added-up”) through agreements.

4.3 Areas for possible technical assistance by the ILO

4.3.1 *Workshop on internal migration policy*

With a view to enhancing the efficiency of the labour market in allocating labour to the most productive and gainful employment, as well as assisting local governments, the central Government is planning social and physical infrastructure that minimizes the social costs of migration. MOLISA

⁵⁶ See Dang (2008).

⁵⁷ This is done, for example, by the Central Bank of the Philippines.

could organize local-level consultations in the form of workshops to identify key concerns of all involved parties – the migrants, employers, city/district governments, national agencies, etc. – and to discuss practical approaches to improving policies and measures affecting internal movements. These consultations could lead to identifying the parameters for a clear and coherent internal migration policy. The ILO could provide technical support by organizing the local consultations and for putting together an “issues paper” for future national discussion. A national workshop could later be organized to address the following: identify the challenges facing the Government, at all levels, posed by fast-growing internal migration; come up with a reasonable forecast for future levels of internal migration; and identify the different roles to be played by the concerned government agencies and stakeholders for the attainment of the goals of the internal migration policy.

4.3.2 Workshop on international migration policy

Another potential area of ILO technical assistance could be an inter-agency workshop to discuss the goals and strategy for international migration policy, identify shortcomings of current laws and policies related to international migration, and identify the different roles to be played by the government agencies and the stakeholders for the attainment of the goals of the international migration policy.

4.3.3 Assist GSO in slightly modifying existing household surveys to better capture data on international migrant workers

The LFS is potentially a very rich source of information on temporary overseas migrant workers. Though the survey itself would not allow the interviewing of the overseas workers, the remaining household members may be asked useful information about them, such as, at the minimum, their gender, age, education, marital status and possibly their previous occupation(s). Such information would then be useful in analysing some of the impact of international migration on Vietnamese households; for example, their impact on the labour-force participation of household members. It would also be useful in monitoring the profile of overseas workers. However, at present, such information is not adequately collected in the LFS because of the way household members are classified. Many of the overseas Vietnamese who have a temporary working contract – for example, in the Republic of Korea, Malaysia, Taiwan (China), etc. – which lasts for a year or several years do not qualify as being a member of their original households, even if they still count themselves as such. This is a waste of potentially very useful information. The ILO can assist the GSO in making this slight revision. It may entail some costs as it will lengthen the interview time slightly for households with temporary migrant workers. This information would be even more useful if embedded within panel data, so that one can trace how losing or gaining overseas workers impact households. Thus, the ILO should also support efforts to have a subsample panel within the LFS.

4.3.4 Provide training to Vietnamese government officials in charge of providing on-site protection to Vietnamese overseas workers

The ILO can assist with the training of diplomatic officials who are assigned to protect and provide on-site services to Vietnamese workers abroad. The ILO has documented typical challenges and problems encountered in the field, studied the constraints and conditions facing these officials



in typical assignments, and developed the principles and guidelines for being effective in what are often very difficult jobs.

4.3.5 Study the feasibility of including overseas workers in the domestic social insurance system, including unemployment insurance

The ILO can provide technical advisory services for negotiating bilateral agreement with one or more countries of employment covering, among others, methods for “adding up” contributions of migrants in different countries so as to enable them to qualify for social security benefits, particularly for old-age pensions.

4.4 Potential migration-related targets for inclusion in Vietnam’s employment strategy

Objective 1: Increase productive employment for Vietnamese women and men

- Remove obstacles to internal migration that cause inefficiency and discriminate against certain groups.
- Improve access for all jobseekers and employers to information about demand for and supply of workers in different parts of the country as well as in foreign labour markets.
- Increase training facilities and opportunities for Vietnamese workers to acquire, at low cost, the skills needed in the local economy as well as overseas.

Objective 2: Ensure improved quality of employment for women and men in the labour force

- Increase the share of overseas workers going to countries with which Vietnam has bilateral agreements and where the workers are more likely to have adequate rights and protection.

Can be achieved in two ways: increasing the number of workers in countries with which Vietnam has bilateral agreements; and increasing the number of countries with which Vietnam has bilateral agreements.

- Develop and provide country-specific pre-departure training to departing overseas workers (learning from past experience gained with some destination countries, such as the Republic of Korea).
- Include temporary overseas workers in the domestic social insurance system.

Objective 3: Improved labour market governance

- Formulate a clear and coherent internal migration policy, outlining the goals for internal migration and the roles to be played by different government agencies and stakeholders towards those goals.

- Formulate a clear and coherent international migration policy, outlining the goals for international migration and the roles to be played by different government agencies and stakeholders towards those goals.
- Make publicly available, via such means as government websites, labour market information (wages, working conditions, law and cultural information) regarding potential destinations for Vietnamese workers to help them make better-informed migration decisions.
- Improve the supervision of recruitment agencies, strengthen the law against illegal recruitment and increase the number of illegal recruiters prosecuted.
- Provide support to VAMAS to develop mechanisms and tools for monitoring recruitment and labour-market conditions abroad.
- Provide concerned diplomats with adequate training regarding on-site protection for overseas workers.



References

- ADB. 2010. *Asia Economic Monitor*, December 2010.
- Angrist, J.D.; Pischke, J.S. 2008. *Mostly Harmless Econometrics: An Empiricist's Companion* (Princeton University Press, New Jersey).
- Angsuthanasombat, K. 2007. *Situation and Trends of Vietnamese Labor Export* (unpublished, available at: http://www.asianscholarship.org/asf/ejournal/articles/kannika_a.pdf).
- BMI. 2009. *The Vietnam Economy to 2010*.
- Balisacan, A.M; Pernia, E.M.; Estrada, G.E.B. 2003. "Economic Growth and Poverty Reduction in Viet Nam", *Asian Development Bank ERD Working Paper Series No. 42*.
- Dang, N.A. 2008. "Labour Migration from Viet Nam: Issues of Policy and Practice", *ILO Asian Regional Programme on Governance of Labour Migration Working Paper No. 4* (ILO, Regional Office for Asia and the Pacific).
- Dang, N.A. 2009. *Internal Migration and Development in Vietnam: Issues for Policy Consideration*.
- Dang, N.A.; Tran, T.B.; Nguyen, N.Q.; Dao, T.S. 2010. *Development on the Move: Measuring and Optimising Migration's Economic and Social Impacts in Vietnam* (Global Development Network and Institute for Public Policy Research).
- Dinh, H.M.; Trinh, Q.L.; Nguyen, A.D.; Trinh, T.H. 2009. *Trade, Growth, Employment and Wages in Vietnam* (unpublished PowerPoint presentation, Hanoi Horizon Hotel, 3 July 2009).
- Ducanes, G. 2010. "The Case of the Missing Remittances in the FIES: Could it be causing us to mismeasure welfare changes?", *UP School of Economics Discussion Paper No. 201004* (Quezon City).
- EIU. 2010. *Country Forecast: Vietnam, February 2010*.
- ILO. 2010. *Labour and Social Trends in ASEAN 2010: Sustaining Recovery and Development through Decent Work* (Regional Office for Asia and the Pacific).
- Marx, V.; Fleischer, K. 2010. *Internal Migration: Opportunities and challenges for socio-economic development in Viet Nam* (United Nations Vietnam, Ha Noi).
- McCaig, B.; Benjamin, D.; Brandt, L. 2009. *The Evolution of Income Inequality in Vietnam, 1993-2006* (unpublished work in progress, available at: http://www.cbe.anu.edu.au/staff/info/mccaig/BBM_Vietnam_Inequality_October_2009.pdf).
- MOLISA. 2010. *Social Protection Strategy of Vietnam, 2011-2020: New concept and approach* (PowerPoint presentation, available at: http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-hanoi/documents/presentation/wcms_145777.pdf).

-
- MOLISA; ILO. 2010. *Labour and social trends in Viet Nam 2009/10* (Hanoi).
- Niimi, Y.; Reilly, B. 2008. "Gender Differences in Remittance Behavior: Evidence from Viet Nam" *ADB Economics Working Paper Series* No. 135.
- Nguyen, H.H. 2009. *Regional Welfare Disparities and Regional Economic Growth in Vietnam* (PhD thesis, Wageningen University (2009), available at: <http://edepot.wur.nl/2542>).
- Nguyen, M.T. 2008. *Migration, Remittances and Economic Development: Case of Vietnam* (unpublished).
- Phan, D.N. 2009. *A Report on Vietnam's Labor Market* (unpublished, available at: http://www.ciem.org.vn/home/en/upload/info/attach/12508208725620_Report_VN_Labor_Market.doc).
- Phan, D.N.; Coxhead, I. 2010. "Inter-provincial migration and inequality during Vietnam's transition", in *Journal of Development Economics*, Vol. 91, No. 1, pp. 110-112, Jan.
- Qin, D.; Cagas, M.A.; He, X.H.; Ducanes, G.; Liu, R.; Liu, S.G. 2009. "Effects of income inequality on China's economic growth", in *Journal of Policy Modeling*, Vol. 31, No. 1, pp. 69-86.
- Son, H.H. 2005. "Vietnam: Jobs, Growth & Poverty", *International Poverty Centre for Inclusive Growth One Pager* No. 14 (UNDP).
- UNDP. 2010. *Human Development Report 2010 – The Real Wealth of Nations: Pathways to Human Development*.
- UNFPA. 2007. *Internal Migration in Viet Nam: The Current Situation* (UNFPA Vietnam).
- Wooldridge, J.M. 2001. *Econometric Analysis of Cross Section and Panel Data* (MIT Press, Cambridge).
- World Bank. 2011. *Global Economic Prospects: Navigating Strong Currents*, Jan.



ILO Country Office for Viet Nam

48 - 50 Nguyen Thai Hoc, Hanoi, Viet Nam

Tel : (84.4) 3 747 0902; Fax : (84.4) 3 747 0904

Email: hanoi@ilo.org;

www.ilo.org