

RESEARCH REPORT ON RURAL LABOUR AND EMPLOYMENT IN VIETNAM

Vietnam Union of Science and Technology Associations (VUSTA)

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Research Report on Rural Labour and Employment in Vietnam ILO Cataloguing in Publication Data

ISBN: 978-92-2-125715-8 (print) 978-92-2-125716-5 (web pdf)

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FOREWORD

This report has been produced by the Office for Social Evaluation and Consultancy $(OSEC)^{I}$ with the financial and technical support of the Office of the International Labour Organization in Vietnam (ILO) and through allocation from the Department of Employment (belonging to the Ministry of Labour, Invalids and Social Affairs – MOLISA). This report is divided into two main parts. Part I is based on the results of the 2009 survey on the rural workforce and employment in Vietnam (LFS 2009) by the General Statistics Office (GSO). Part I pays considerable attention to an overall evaluation of the policy system relating to the researched issues.

Part II is the result of a survey conducted in nine provinces: Yen Bai, Ha Nam, Vinh Phuc, Quang Binh, Quang Tri, Quang Ngai, Binh Duong, Vinh Long and Dong Thap. The survey was designed to examine and evaluate matters relating to rural labour and employment in Vietnam in order to supplement the data obtained from the LFS 2009.

This report has been developed under the supervision of Assoc. Prof. PhD. Pham Bich San – Director of OSEC – with the participation of researchers: Dang Dinh Long, Pham Van Hanh, Tran Ngoc Yen, Nguyen Van Thuc, Nguyen Viet Nga, Tran Xuan Khanh, Nguyen Thi Thanh Huyen, Pham Thi Thanh Huyen, and Nguyen Tien Loc.

To complete this report, the research team reviewed and analysed a large number of previous studies and research conducted by both domestic and international authors/organizations. The team focused on reports from the ILO, United Nations Development Programme (UNDP), World Bank (WB), Asian Development Bank (ADB), and related data of MOLISA, the Institute of Policy and Strategy for Agriculture and Rural Development (IPSARD), and the GSO. The team also examined the policy evaluation and implementation reports of the nine surveyed provinces as well as the socio-economic statistics of the localities. The reports, research, and studies are listed in the reference section.

This report has also benefited from the precious contributions of representative experts from the ILO, Department of Employment, and VUSTA. The research team would like to express sincere gratitude for the support provided by the Department of Employment, the ILO, and the People Committees of the nine provinces. Special thanks goes out to the Provincial Departments of Labour, Invalids and Social Affairs; the Vietnamese Union of Science and Technology Associations; and many local organizations that helped conduct and develop this report.

¹ OSEC belongs to the Vietnamese Union of Science and Technology Associations -VUSTA

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BACKGROUND

At its 97th session in 2008, the ILO's International Labour Conference (ILC) had a discussion about rural employment with respect to decent work. This set the frame for a comprehensive strategy to promote decent work in rural areas.

The EU/MOLISA/ILO Labour Market project "Better Information for Employment Creation and Vocational Skill Development Vietnam" – the Project – is conducting a number of studies aimed at providing evidence-based policy criteria for the formulation of the national employment strategy. In addition, the Project seeks to increase the relevance of the Labour Market Information System (LMIS). The LMIS is being enhanced by the Project's counterparts with the technical assistance of the ILO.

The research for this paper was carried out by the Department of Employment under the EU/MOLISA/ILO Labour Market project. By evaluating the challenges to rural employment in Vietnam, this research can serve as a supportive instrument for the formulation of the National Employment Strategy from 2011 to 2020. The research will contribute to identifying and assessing various policy implications in order to deal with challenges regarding (i) employment creation in rural areas and (ii) industrialization and restructuring in Vietnam.

The study on rural employment includes two phases:

- Phase 1: Analysis of relevant literature, policies and institutions to create a report largely based on data from the Labour Force Survey (LFS) and other secondary sources.
- Phase 2: Survey activities based on the recommendations of the Phase 1 report to supplement other sources. The results of Phase II will also be analysed for inclusion in the Phase 1 report and to offer policy implications for the National Employment Strategy 2011-2020.

INTRODUCTION

1. RESEARCHED ISSUES

In the next ten years, Vietnam will have to speed up its progress in order to achieve the target of being an industrialized country by 2020. Developing a flexible and dynamic labour market to satisfy the demands of a strongly transforming economy is also a significant policy-related issue. A developed labour market is a good solution to the many social issues, which may emerge in rural areas due to the effects of urbanization, industrialization and related events.

Research on international and internal migration has claimed that migration benefits socioeconomic development. However, migration may not be the best solution to the development issues facing rural areas. To achieve sustainable development, rural areas need to build upon existing potentials - of which labour quality is one.

In rural areas, agricultural production is still a major occupational activity and means of livelihood for millions. However, the actual capacity of agriculture to create new employment is pretty low. Basically, agricultural is a highly risk sector; production is tradition-based and scattered. In addition, the economic value of agricultural goods is low in comparison to many other commodities. This leads to a gap in productivity between agriculture and other more productive sectors. This disparity has led to a decrease in the members of the workforce who want to participate in agricultural production. This trend is especially noticeable amongst the young.

In many provinces, particularly those that are agriculturally based, workers are mostly children and the old. This not only directly affects agricultural production but is a challenge to the implementation of rural renewal targets. To ensure the labour supply for development, many provinces make efforts, on the one hand, to keep local workers and, on the other, to draw migrants back to their hometowns.

Workers working far from home are mostly trained, experienced and skilled. However, they do not consider the possibility of returning to their original residences as viable because the income and occupational opportunities in their home localities are not ensured. On the contrary, labour shortages have been relatively serious issues in developed industrial provinces, especially in the Southeastern region. To solve the problem of labour shortages, some provinces like Binh Duong have implemented cooperative policies on labour in cooperation with agriculture-based provinces.

These cooperative policies benefit the State, labour receiving provinces, labour supplying provinces, workers themselves, and employers as well. However, the majority of supplied workers are unskilled, so the income of workers coming from the outside provinces is often lower than that of local workers and their living conditions are very poor. In the case of Binh Duong this reality has been leading to extreme fluctuations in the number of labourers.

Results from the LFS 2009 survey reveal a trend of underemployment and low productivity in the rural Vietnamese workforce. Policies on vocational training and employment creation are available, but their implementation cannot be successful if they are placed into an imbalanced socioeconomic context. On the other hand, localities demonstrate the need for the implementation of these policies immediately.

2. OBJECTIVES

2.1. General objectives

This research will provide evidence and analysis to aid the understanding of the different roles of labour market institutions. It will also offer policy suggestions for promoting the development of Vietnam's rural areas.

2.2. Specific objectives

- To describe and explain the challenges to Vietnam's rural employment with respect to different labour market groups and socio-demographic indicators such as gender, age, educational attainment and geographic region.
- To identify economic sub-sectors that need to be encouraged to develop through appropriate policies and to ensure that rural employment is productive and generating income.
- To analyse the formal and informal mechanisms of the labour market.
- To review policies and institutions including the major measures and programmes affecting employment in rural areas.
- To identify policy options available to balance urbanization and rural employment promotion as well as formulate suggestions for the Vietnam Employment Strategy 2011-2020.

3. RESEARCH METHODS

Sociological research methods (qualitative and quantitative) play a major role in Phase II of the study. However, we supplemented these methods with other methodological frameworks in order to achieve a synthesized interdisciplinary approach.. The most typical methods used were as follows:

- •Secondary data analysis method: All data related to rural labour and employment was gathered from the LFS 2009. The concentration of data analysis figures are from rural areas; however, relevant figures from urban areas were used to make comparisons in some cases.
- •Material analysis method: Many research materials on employment issues as well as policy evaluation documents (produced by related domestic and international research organizations) were analyzed in detail and assessed in Part I of the report. In Part II, the method of material

analysis was used mostly for analyzing collected materials and making comparisons amongst the provinces on issues of policy implementation, new rural development, migration and labour cooperative programs to name a few.

Sociological survey method:

- a) There were two kinds of quantitative questionnaires designed for agricultural workers and non-agricultural workers in rural areas. Questions focused on topics such as: (i) the current situation of rural vocational training activities, (ii) the vocational skills of rural labourers, (iii) labour productivity and the factors affecting labour productivity in rural areas, (iv) the role of enterprises and/or farms on rural employment creation, and (v) the impact of the State policy on rural employment creation.
- b) Topics mentioned in in-depth interviews and concentrated group discussions explain quantitative results and supplement information which could not be gained by using quantitative questionnaires.

4. RESEARCH SAMPLE

Chapter I and II of this report analyse the 2009 LFS data. An explanation of the research sample can be found in the 2009 GSO report on Vietnamese labour and employment. The total LFS 2009 survey sample was 18,000 households. This included individuals 15 years old and over from across six economic zones and Vietnam's two largest cities: Hanoi and Ho Chi Minh.

The sample size in Part II is not representative of all rural labour in Vietnam. The main purpose of the sampling was only to supplement existing official statistics. The sampling criteria were: the natural and socio-cultural characteristics of localities; the level of industrialization and urbanization in selected locations; regional development of agricultural models oriented towards a market economy; and the capacity and skills of the labourers themselves.

Three provinces were selected from each region – one representing a group with high speed industrialization and urbanization, one with medium speed, and one with low speed. In each province, three districts and three communes were selected using the same rules used in selecting provinces. 27 districts and 81 communes were selected in total.

Table 1: Distribution of quantitative sample

Region	Province	Agricultural labour	Non-agricultural labour
	Yen Bai	180	120
The North	Vinh Phuc	180	120
	Ha Nam	180	120
The	Quang Binh	180	120
Center	Quang Tri	180	120

	Quang Ngai	180	120
	Binh Duong	180	120
The South	Đong Thap	180	120
	Vinh Long	180	120
r	Γotal	1 620	1 080

Sample composition description

Table 2: Classification of surveyed subjects and data collection methods

	Surveyed subject	Applied method
1	Leaders of provincial Party committees, authorities of the People's Committee and leaders of the People's Council at the provincial level, or members of the National Assembly in charge of the provinces.	In-depth interview
2	Managers in the service of Labour, Invalids and Social Affairs.	In-depth interview
	Staff and experts in the service of Labour, Invalids and Social Affairs.	In-depth interview
3	Managers in the service of agriculture and agriculture development.	In-depth interview
4	Owners of enterprises in rural areas	In-depth interview
5	Agricultural labourers	Questionnaire + in-depth interview
	Non-agricultural labourers	Questionnaire + in-depth interview
6	Staff of vocational training institutions and employment introduction centers	In-depth interview

5. LITERATURE REVIEW

There are so many social and policy-related aspects to the story of rural labour and employment. Over the years, the complexities of rural labour and employment have been dissected and analysed time and again by reasearchers. Most of the research eventually tries to offer policy suggestions for a sustainable rural development model in Vietnam. Given the amount of literature available, the scope of the following review does not cover the most typical research and assessments related to this subject.

Issue of labour and employment

The report, *Challenges to Youth Employment in Vietnam*, ² emphasizes the high unemployment rates among the youth aged 15-24. Despite its rapid growth rate, Vietnam faces many employment related challenges – especially with regard to youth employment.

The increase in school enrollment rates at all levels caused the rates of young people in the workforce to decrease from 31.1 per cent in 1990 to 25.2 per cent in 1999. Still, the number of the youth entering the workforce each year is about 1.4 million. This exerts pressure on the entire economy as the pace of job creation has not been adequate enough to provide sufficient employment opportunities.

In addition, education and training are seen to be ways out of unemployment, underemployment, and poverty. However, education systems are themselves being challenged by rapid changes in labour market needs and there are widespread skill mismatches in the labour market.

The report also demonstrates the tendency over the past ten years of the young to gradually withdraw from the agricultural sector. It posits that if there are no positive changes in the area of employment creation the trend of increasing migration from rural to urban areas will continue into the future.

To minimize the challenges created by the youth employment issue, the report lists four policy recommendations at the national level for Vietnam:

(i) invest in education and vocational training for young people, and improve the impact of those investments; (ii) give young women the same opportunities as young men; (iii) make it easier to start and run enterprises to provide more and better jobs for young women and men and encourage self-employment; (iv) place employment creation at the centre of macroeconomic policy.³

The 2007 GSO *Report on Labour Force and Employment Survey in Vietnam* addresses four issues: (i) workforce, (ii) employment, (iii) unemployment, and (iv) the economically inactive population. In the period betweeen1997-2007, the average growth rate of the workforce was 2.59 per cent per year. The level of workforce participation in rural areas was nearly 12 per cent higher than that in urban areas.

According to the report, the educational attainments of the workforce continued to improve between 1997 and 2007, but there was still a difference between urban and rural areas. This difference was also correct in terms of the professional/technical qualifications of the workforce.

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² UNDP; Discussion paper No. 3, Report by International Labour Organization and the Sub-regional Office for East Asia.

³ Ibid., page 7.

The employment analysis also showed that the number of unemployed labourers only accounted for a small proportion of the total number of labourers.

The employment structure transformation was happening strongly with the declining proportion of labourers working in the agricultural sector and the increasing proportion in the fields of industry-construction and services. The trend of labour shifting from the state sector to the private enterprises also became clearer. In terms of income, there was a gap among the economic sectors as labourers working in agriculture, forestry and fisheries had the lowest income.

In 2007, there were more than one million unemployed labourers of whom females accounted for 47 per cent. It is worth saying that about 46.4 per cent of the unemployed population held high school degrees or higher – a waste, which has not effectively been exploited by the labour market. However, most of these labourers would need to be trained since 65.9 per cent of unemployed people had not taken part in vocational training. In addition, most of the unemployed were young unmarried labourers.

Compared to the 1997 data, the general unemployment rate had decreased, but there were differences among regions. Regions with high urban population rates were also those with high unemployment rates.

The GSO report also points out that schooling was the fundamental cause for the existence of economically inactive population segments. Of the economically inactive, females accounted for 59.6 per cet. The main reasons for their non-involvement in economic activities were schooling and housework. So, though the findings of the report do not refer directly to the issues of labour and employment in rural areas, at national level, we can identify many problems related to all four important issues mentioned above.

This also suggests the need for similar analysis and assessment for rural areas in order to complete the employment-related policy system in the period from 2011 to 2020. The period will certainly witness major changes in Vietnamese rural areas.

To support the formulation of Vietnam's Socio – Economic Development Strategy 2011 – 2020, the UNDP has conducted a number of studies and assessments related to many socio-economic issues in Vietnam, especially research on labour and employment topics. The UNDP's report *Getting to Work – research topic: Labour Market, Employment and Urbanization in Viet Nam: Lessons from International Experiences* (March 2010), reasserts that the underemployment of rural labour force and agricultural labourers in Vietnam is rather remarkable.

This report shows that investment in developing agriculture and rural areas is extremely necessary and the growth in GDP of Vietnam is still mostly comprised of the contributions from these sectors. Through a comprehensive approach based on the comparison with other countries in

the region, the report indicates a series of policy implications need to be given attention in order to effectively develop the labour market in Vietnam in the future.

To accurately address the issues of unemployment and underemployment, it is necessary for Vietnam to continue to keep focusing on labour-intensive industries and offer more convenient conditions for the development of the private sector as well.

Labour mobility has been a significant solution to the problems discussed above and must be implemented in all three dimensions: (i) occupational mobility, (ii) skill mobility and (iii) spatial labour mobility. Such mobility will improve labour productivity and make the labour commodity more valuable. However, to create such mobility, Vietnam also has to create a number of comparable changes in the land and credit market. In the UNDP report, one of the emphasized conclusions drawn from comparison with other countries in the region and elsewhere is the absolutely necessity of developing human capital amongst labourers.

The lack of human capital explains why Vietnam has a plentiful labour force and a low unemployment rate, but poor labour productivity and unstable incomes for labourers. Therefore, Vietnam has to focus on improving the professional skills of labourers in order to catch up and even precede labour demand. In other words, the quality of Vietnam's labour supply needs to be improved in order to avoid hinderances to economic growth. Reassessing vocational training programmes to satisfy the demands of the market is a compulsory requirement in order to make these changes and improve labour quality.

The report *Labour and Social Trends in Vietnam* (October 2010) by the Institute of Labour Science and Social Affairs discusses a series of issues related to the Vietnamese labour market. Among these issues, the most important one has to do with labour skills. Vietnam is not only a nation with a large general population but of labourers as well. However, of the numerous labour force in Vietnam, 65.3 per cent are untrained labourers. The gender balance amongst untrained labourers is also uneven – the share of untrained female labourers accounts for 70.9% in comparison with that of 59.9 per cent of male labourers.

The report indicates shortages in the education attainment of Vietnam's labour force as well. In 2007, only 24.5 per cent of the total labour force had finished high school. Obviously, if the increase in the numbers of labour force is not accompanied by the increase in the number of trained labourers, this again becomes a barrier to the development process. Cheap labour is not the target that Vietnam is trying to hit in the current globally comparative trend. The report also highlights the role of non-state economic sectors in the job creation process. since these sectors have been attracting approximately 90 per cent of working labourers.

The number of labourers working in agriculture has continued to decrease while the number of salaried workers has been increasing – from 14.8 per cent (2000) to 22.6 per cent (2007). This is a

positive trend in the labour market and in the poverty alleviation process as well. However, due to the labour distribution, in which almost all labourers are still concentrated in rural areas and agriculture, most labourers have been doing non-salary, non-wage work. This means that most labourers cannot participate in insurance policies or social welfare programmes which have been stipulated in the law. Also, migration flow from rural to urban areas has been increasing, in which most migrants are the young.

In recent years, the unemployment rate in Vietnam has remained at a low level, and that has been primarily the problem of the young. *Labour and Social Trends in Vietnam* emphasizes that underemployment is a current concern in Vietnam, particularly in rural areas. There are three remarkable problems related to the current labour and employment situation in rural areas, which can be drawn from the report: (i) inaccurate professional skills, (ii) slow labour structure transformation, and (iii) underemployment in rural areas.

Migration and social problems in rural areas

Rural Labour Market and Migration (March 2007) is one of the typical studies on labour market issues in the ADB's project "Making Markets Work Better for Poor" (Markets4poor). The report points out the systematic weaknesses in earlier studies on migration in Vietnam as they overlooked or were too superficial in assessing the impacts of rural migration in terms of outmigration. The impacts of migration on the rural labour market are divided into two distinct groups with numerous research questions.

The first aspect is the family/personal level:

"How does migration affect the allocation of the labour force in agriculture, non-agriculture and wage labourers households? How does migration affect the selection of profession in the agricultural and non-agricultural sector. How does migration affect the labour productivity in agricultural and non-agricultural activities?"

The second aspect is the commune level:

"i) The employers in areas with relatively high migration rates have to face the problem of worker replacement, less profit and smaller markets due to the impacts of migration; ii) Migration is not only good for the migrants themselves but also good for their families and community (commune); and iii) The expense structure from money sent by migrants to households with migrants has changed and had positive impacts on local development, etc."⁵

The results of the process of finding answers to the above questions take the author to a series of important policy recommendations: (i) develop rural labour markets to enable households to adjust the excess or shortage of labour, (ii) reform the land-exchange market to make the land use rights more flexible in order to improve the labour productivity in the agricultural sector, (iii) increase investment in employment creation in both rural and urban areas, and (iv) develop

⁴ ADB (March 2007), Rural Labour market and Migration, Project Making Markets Work Better for Poor, page 3.

⁵ ADB (March 2007), Rural Labour market and Migration, Project Making Markets Work Better for Poor, page 4.

information networks to support migrants. The report also includes forecasts made by the local people about migration in the next ten years, in which migration will most likely still be a tendency in the rural labour market.

The report shows the need for flexible regulatory policy in labour mobility. However, due to the limitation of researched areas (eight communes nationwide), the research results may not be representative and the persuasiveness of some of the indicated opinions may be called into question.

In an effort to continue developing more up-to-date and comprehensive approaches to migration issue, in July 2010, the UN agencies produced the report: "Internal Migration and Socioeconomic Development in Vietnam: A Call to Action". The report points out the need to reconsider and reassess the impacts of migration through three lenses: (i) the migrants themselves, (ii) the migrant-receiving communities, and (iii) the migrant-sending communities.

The report claims the existence of an undeniable fact: migration always goes hand-in-hand with development. The impacts of migration, both positive and negative, on development are evidenced throughout the report. In other words, migration offers both opportunities and challenges for development.

The report indicates five main issues related to internal migration in Vietnam and recommends the formulation of active plans and policy initiatives.

(i) Need for internal migration data for evidence-based policymaking, (ii) Reform of household registration system to remove institutional barriers to migrants' access to basic services, (iii) Actions to ensure internal migration is safe and migrants are protected in their employment, (iv) Need for migrant-sensitive planning in urban areas and industrial zones, (v) Exploration of new ways to leverage internal migration for human development. ⁷

If the issues mentioned are well addressed, internal migration in Vietnam will keep increasing.

Looking at the phenomenon of out-migration, mostly in rural areas, there are many simultaneous impacts. Migration may solve the problem of capital shortage – an urgent problem associated with labour and employment in rural areas. Also, migration may offer opportunities to improve the living standard of many people (i.e. migrants and their families at their original places of residence). However, if the migration movement is excessive, it may affect agricultural and rural development by causing shortages in a skilled and healthy labour force since most migrants are the main labourers in their families.

This problem becomes more serious when studied in terms of changes in lifestyle, culture and functional familial insufficiency in migrants' families. Hence, one of the final messages sent by the report is that: "community schemes should be established for elderly people that are left behind, or for "skip-generation" and single parent households to ease the burden on taking care of dependants." This is one of the biggest challenges caused by the migration to development process.

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⁶ This is the summary of research results of the report: "Internal Migration: Challenges and Opportunities for Socioeconomic Development in Vietnam".

⁷ Ibid.

Rural and agriculture development

It is not unintentional that the topic of World Development Report in 2008 was related to agriculture: "Agriculture for Development." It is also not confusing that we have put this report here, in the literature review section.

In the 21st century, agriculture remains a basic tool for sustainable development and poverty reduction. Three-quarters of poor people in developing countries live in rural areas, where 2.1 billion people live on less than \$2 per day, and 880 million people live on less than one dollar per day and most of them take agriculture to make their livelihood. ⁸

Although not directly mentioning Vietnam, the global analysis of agriculture and the means by which agriculture participates in the development process mentioned in the report show that this is like an annual report by the WB on Vietnam's development.

The report answers three important questions:

- How can agriculture contribute to the development?
- What are efficient tools to utilize agriculture for development?
- How to most effectively implement agriculture programmes for development?

The first answer: "agriculture has characteristics to make it an incomparable tool for development" because agriculture is an economic activity and also a common livelihood. Additionally, agriculture can adapt to all three development models: agricultural nations, transforming nations and urbanized nations.

The second answer: it is necessary to have policy reforms to bring agriculture to the market as well as promote competitiveness as well as scientific and technological application. This will allow the build up of sustainable agricultural systems which are more environmentally stable and ultimately the development of a healthy rural labour market so that the farmers can flexibly change their profession and feel safe when starting a new job.

The third answer: to promote a national agenda on agriculture and intensify agricultural management. On a global scale, strengthening the role of agriculture for development is important to all countries, especially the agricultural nations and countries in transition. The role of agriculture will change when there are important changes in agricultural development policies as well as flexible policies on rural labour markets and labour migration from the agriculture to the non-agricultural sector. These changes certainly cannot be created by the government alone, private sector organizations, civil social organizations and the community will have to take part in and make important contributions to this process.

In the agricultural sector, "a robust harvest" is the hope and goal for the tireless efforts of the farmers. However, in a market economy, the value of "the robust harvest" has changed. Farmers may have to cry, even be bankrupt due to robust harvests. Therefore, "strategic choices for

⁸ Preface at back cover of World Development Report 2008 by the WB, Agriculture for Development, published in October 2007.

agricultural and rural development in Vietnam," ⁹ are extremely important. The repercussions of a robust harvest should be evaluated accurately in the economic and social development strategy in the period 2011-2020.

The authors point out the significant changes in the economy of Vietnam after 20 years of reform, but they also confirm that the roots of Vietnam's development process have been and will continuously depend on two main sources: labour and land. This means the rural areas still have an important voice in this process. The report points out that as income increases people spend less on food in their total expenses and labour productivity in non-agriculture sectors increases faster than that in the agricultural sector.

Hence, labour will gradually withdraw from the agricultural sector and a part of the land used for agriculture will be converted to a different use. However, productivity will continue to improve due to scientific and technological advances in agricultural production. There will be a transformation from traditional model to the modern commodity production model. The mobility of labour from the agricultural to the non-agricultural sector will also lead to two positive effects: (i) increase the coefficient of labour / agricultural land area and (ii) reducing the dependence rate in rural areas. The two changes mentioned above help agriculture make a dual impact on the process of sustainable rural development. "Regional experiences show that sustained rural development has been driven by a mix of internal dynamics (agricultural growth) and external forces (rising labour productivity and remittances), a further reminder of the integration between agricultural growth and that of the economy as a whole" 10.

The report provides a series of analyses and comparisons with other countries in the region, as well as assessment and lessons learned from the reality of rural development in Vietnamese history. The report also offers an experimental model imitating agricultural growth, employment, poverty, and income distribution.

The report offers three strategic alternatives for rural and agricultural development in Vietnam in terms of policy:

(1) improving incentives for efficient resource allocation within the agricultural economy and reducing institutional obstacles to least-cost input supply and profitable post-harvest processing and trade; (2) leveraging public investments in infrastructure, R&D, and rural credit through partnerships with the private sector; and (3) ensuring that labour and other resources can move freely in and out of the rural economy in response to productive opportunities.¹¹

¹⁰ UNDP (March 2010), "A robust harvest": Strategic choices for agricultural and rural development in Vietnam – research topic: Accelerating Growth in Agriculture Productivity and Rural Incomes in Vietnam, Lessons from Regional Experiences. page v, Summary.

¹¹UNDP (March 2010), "A robust harvest": Strategic choices for agricultural and rural development in Vietnam – research topic: Accelerating Growth in Agriculture Productivity and Rural Incomes in Vietnam, Lessons from Regional Experiences. page xi, Summary.

⁹ UNDP (March 2010), "A robust harvest": Strategic choices for agricultural and rural development in Vietnam – research topic: Accelerating Growth in Agriculture Productivity and Rural Incomes in Vietnam, Lessons from Regional Experiences.

Thus, although only covering the "agricultural" production aspect, the report offers many interesting suggestions on both policy and research aspects for those who are interested in the issues of labour and employment in rural areas today.

In general, the research mentioned above mostly focuses on the issues related to labour and employment of the whole country in general. There are only a few in-depth studies examining the issues of labour and employment in rural areas. This fact comes partly from the shortage of data and interest level in conducting specialized research on labour and employment in rural areas.

LFS data in 2007 and 2009 was collected from sampling surveys allowing us to generalize as well as analyze deeply the rural labour market – which has not been fully exploited. Therefore, a research report on rural employment based on this data is very essential and important for developing the National Employment Strategy of Vietnam 2011- 2020.

The raised issues, predictions and even the issues which have not been mentioned in the research but are related directly or indirectly to rural employment will continue to be considered in this report. In case other contents mentioned in this report have not been clarified due to lack of data, they will be surveyed and added in Phase II. With these objectives, this report hopes to contribute to clarifying the picture and the movement of rural employment in Vietnam today.

6. RESEARCH DRAWBACKS

Research results in Part I would be more comprehensive if they indicated changes in LFS data among surveys. However, due to the disparity between the LFS 2007 data and the LFS 2009 data in some indicators as well as sample size, this comparison could not be carried out.

Many readers will regard this report as one on rural labour and employment rather than on employment since in the report, labour issues were paid similar attention as employment. The analysis of labour issues was made in order to provide mone in-depth results on employment issues. Labour and employment are closely linked and indicators used in LFS 2009 attached the two elements; therefore, clearly distinguishing between labour and employment is not a simple task.

LFS 2009's toolset was designed in accordance with international standards but with the most basic statistical indicators related to the issues of labour and employment. Hence, to achieve the research target of supplementing the missing data of the LFS 2009 is an extremely big challenge. Besides, instead of a common quantitative questionnaire, OSEC designed 2 separate questionnaires for 2 types of subject but ensured close information link between them. Specification of questionnaires caused some difficulties in ensuring the suitability of the questionnaire to the subject.

Non-agricultural questionnaires were for workers working in small manufacturing establishments and businesses while agricultural questionnaires were required to satisfy all modes of production from forestry to agriculture and fishery. The agricultural surveys also were used for those involved in cultivation and animal breeding. In addition, due to the dissimilarity in sample size, location and research indicators as well as the combination of research results in Phase II with those in Phase I in the general report on rural labour in Vietnam has exposed some irrelevancies.

Sets of secondary materials found at the localities such as specialization reports, policy documents on rural employment, and statistical yearbooks played a remarkable role in the research resultsof the second phase. However, the pace of policy implementation in localities was different, and even provincial statistical yearbooks contain dissimilarities in arranging and using statistical indicators. This fact leads to the impossibility of comparing several related criteria. Moreover, the implementation of policies on creating new rural areas in most of localities is just in the beginning stages (i.e. establishing Direction Boards at all levels, setting up and approving projects). Thus, related information has been limited.

Additionally, the survey was carried out right after the Congresses of Party Committees at all levels. Therefore, many provinces had experienced changes in personnel arrangement in related fields. This affected some of the in-depth interviews.

Finally, there are many research issues related to the labour and employment market in rural areas. Thus, the sample size of the Phase II was still limited, leading to the difficulty or impossibility in comparing the frequencies of many options.

7. MAIN FINDINGS

After the 20 years of the Doi moi era, Vietnam has been carrying out reforms to promote sustainable socio-economic development and to narrow gaps in development level among areas. With the majority of the population living in rural areas, development in these areas has played significant roles in the socio-economic strategies of the whole country. In the most recent stage of development, Vietnam, the country that in the 1990s was counted among the world's very poorest, has now been gradually transferring into a middle-income economy. This process requires a continuously effective use of resources, among them rural labour and employment – which should be identified as core issues.

The Research Report on Rural Employment has been produced to clarify the current situation of and challenges to rural labour and employment. Additionally, the report also points out policy gaps in employment creation. Conclusions and recommendations offered by the report are expected to be important policy implications for the formulation of the National Employment Strategy 2011-2020.

Current situation of rural labour and employment

Having more than 60 million people, rural areas are the residences of the majority of Vietnam's population. Over nearly 20 years, the rural population has accounted for more than 70% of the population. This also means that Vietnam did not achieve the population targets proposed for the period from 2001 to 2010. Industrialization and modernization processes have been accelerating, yet the transformation in economic and labour structures has remained slow.

Labour in agriculture and rural areas has accounted for a large proportion (71.1%) of the whole labour force in the country. While the economic and labour structures have been changing

slowly the population's natural growth has been happening along with economic risks and in the context of crisis. This has been very challenging to rural employment.

The contemporary rural labour force consists mostly of young people. The proportion of the population aged 15-29 accounts for one-third of the total working-age population. In the near future, this workforce will be a strong force for socio-economic development if we have efficient strategies for the improvement of labour quality and employment creation – right now.

Challenges to rural labour and employment

Many challenges to rural labour and employment are identified in this report. Addressing these challenges can neither be done in a short term way nor can it be based only on separated actions of independent organizations. Addressing these challenges requires a comprehensive, long-term strategy with the cooperation of many ministries and organizations at all levels. Therefore, clarifying the weaknesses of rural labour and employment is an important foundation to formulating employment strategy in the period of 2011-2020.

The unemployment rate in rural areas is rather low due to the nature of agriculture work. The underemployment rate is high is the biggest challenge to solving labour-employment problems in rural areas. Challenges become greater as most of rural labourers are working long hours even though they have met difficulties in improving their income. Conditions for enhancing labour productivity in rural areas has not happened or has been happening very slowly because the labour quality is low.

Hired employment in the agricultural sector tends to decrease both in supply and demand dimensions. Waged labour transfers to many other sectors go along with relatively rapid mechanization. Such decline even turns into the partial shortage of labour when the harvests come in many rural areas, especially in the Mekong Delta provinces.

Poor labour quality has become a bottleneck to labour structure transformation – especially the possibility of withdrawing labour from the agricultural sector. Low labour quality also directly affects the labour productivity of the whole society and leads to barriers in attracting investment to the rural agricultural sector and employment creation.

Though the number of salaried workers in state-owned and non-state sectors has been increasing, in general, most rural labourers are own account workers or work in informal sectors. Existing policy gaps are causing limitations for informal workers in accessing the social welfare programs designed for them.

Employment creation for the rural labour force faces many difficulties because the growth rate of the labour supply is rather high. That agricultural land area is diminishing, while the capacity to attract investment in rural-agricultural areas from enterprises is limited, causes the problem of employment creation to become more serious.

Investment in rural-agricultural areas is at a low level. Current investment does not create the on-site jobs that local labourers need, even in localities where agricultural land has been taken back. Solving the problem of rural labour and employment should not be separated from the

impacts of migration. Management based on the household registration system causes many difficulties for migrants in approaching basic social services, such as health care and education.

There is much evidence to demonstrate that migration is one of main "factors" impacting the current labour and employment structural transformation in Vietnam. Unfortunately, the transformation happening in many localities is going in a horizontal direction from the agricultural sector with low productivity to informal service sectors with not much higher productivity but many potential risks. In policy aspects, workers migrating in this form have not received support from the State.

Vocational training for rural labour – demand and challenges

Vocational training for rural labour is considered one of the key solutions to improving the quality of labour in rural areas. However, to train rural workers in vocational skills, there must first be a demand. This would seem to be a simple issue since Vietnamese rural areas are in "excess of labour," but in single localities, this is not the case, particularly with regard to young labour. Besides, current demand for the vocational training of rural labour is scattered, while regulations of establishing vocational institutions are very strict in terms of quantity and financial procedures.

Social demand based training is also regarded as one of the important solutions to improving the quality of vocational training as well as attaching vocational training to employment creation. However, many localities are currently facing the fact that human resources at the working-age are few and the demand for vocational training is very scattered. Many people argue that management organizations should forecast figures related to quantity and demand of vocational training because the changes in the labour force are quite strong in many rural areas.

Project 1956 sets up the goal to train 1 million rural labourers each year. Of these 1 million the number of workers trained in agricultural vocations should be one-third. However, due to the low labour productivity, the agricultural sector is attracting fewer and fewer young workers. The trend of aging agricultural workers is one of the crucial hindrances to achieving the goal.

Promoting vocational training activities – continuous requirement for policy changes

Promoting vocational training activities is one of significant policies devised to enhance the effectiveness of vocational training. However, many employers prove uninterested in these policies because after being trained workers may immediately move to another enterprise if they are offered even a slightly higher salary.

Many workers in rural areas have an awareness of occupation that is ambiguous at best. In many provinces, much young labour concentrates on acquiring information technology and network administration skills because these works can be done in "offices". Many occupations having potential output are not "enrolled" in by rural workers.

Currently, many rural employers are also training institutions for employees. The training effectiveness of these vocational training institutions is considerable. However, with a training process which is mainly focus on how to do a particular task, more than a few employees who have

experienced the training face difficulties in enhancing their professional skills when moving to another type of work. This is another reason why many trained rural workers accept positions as unskilled workers when recruited by urban employers – their skills are not transferable. Also, these vocational training institutions themselves usually find difficulty in adopting support policies for training institutions because they are just considered employers.

The issue of unskilled labour not only affects rural areas. In urban enterprises labour demand also mostly focuses on unskilled labour. Obviously, it is an issue related to development orientations at an earlier stage and it needs to be adjusted in the next development period of Vietnam.

The rate of trained labour will increase more rapidly and maintain a higher quality if labourers have better self-awareness of their benefits. In Job Exchanges, the proportion of unskilled labour in both supply and demand directions is predominant in comparison to the those with technical or professional qualifications. This fact also means that to improve the quality of the labour supply it is essential to improve the standards of the demand sources. This is also the reason why the income of rural workers in many places is higher than that of industrial workers.

Information about the labour market remains a big challenge with regard to vocational training and employment creation in many localities. In many provinces, the engagement between training institutions and employers is loosening. The number of workers trained at the request of employers is very small.

Cooperative training – an implication for policy on rural labour and employment

Most provinces have their specific programs to implement projects on vocational training for rural labour. However, if they only end up resolving "intra-provincial" goals, the effectiveness of policies on vocational training and rural labour will not be as "high" as expected.

Creating local employment for rural labour is a big problem for many of the "poor" provinces. However, even in many developed industrial provinces like Binh Duong labour shortages for development are not a small challenge. For a long time, intra-provincial labour supplies have not satisfied the demands of the development process.

An appropriate policy does not mean that it immediately achieves all the goals it sets out. The pathway from policy to reality is always long and different in each locality. Sometimes, the excess in one province is the shortage in the other. In other words, to sufficiently address issues of rural labour and employment in particular and the issue of "agriculture – rural – farmer" in general, we need solutions that are beyond the administrative and geographical boundaries of each province.

Policy gaps

It is estimated at present that Vietnam has about 20 different policies related to rural labour and employment of which some are short-term policies and some are long-term. Although Vietnam enjoys a policy system which is considered relatively thourough, developing a dynamic, effective labour market remains challenging. In fact, like many other social policy systems, labour and

employment policies have many weaknesses that often directly obstruct the development of the labour market. Additionally, even though the majority of Vietnam's labor force are farmers, rural labour and informal employment have not received adequate support from the Law on Labour.

Shortage of labour skills is the biggest disadvantage of the labour force. This not only lessens the capacity of labour structure transformation but also affects the maximization of labour productivity. Many policies related to vocational training have been promulgated – especially the Law on Vocational Training – however, there have not been enough documents to provide details and guidelines for implementing all of the articles in this law.

Policies on vocational training and employment creation have been various, yet they have revealed certain overlaps in all stages of design, implementation and management — even in regarding the subject of beneficiaries. Moreover, Vietnam has been lacking a list of occupational standards to manage and improve output quality.

Project 1956 is expected to make changes in both the quantity and quality of Vietnam's labour force in general and of the rural labour force in particular. However, to achieve this goal, Vietnam has to implement many other policies on issues such as land possession, credit and education.

MAIN CONTENTS

Chapter 1. CURRENT SITUATION OF RURAL LABOUR FORCE AND EMPLOYMENT 1.1. Rural population of the working age

1.1.1. Rural population

According to the results of the LFS 2009, on 1 September 2009, the rural population was 60.63 million people – 70.4 per cent of the national population. In comparison with statistics from 1990, when the share of rural population accounted for 80.5 per cent, after nearly 20 years, the rural population of Vietnam declined 10.1 per cent. That is equal to an average decrease rate of 0.5 per cent per year. This reduction rate means that goals predicted in the Vietnam's Population Strategy 2001-2010, which projected that the rural population would account for 60-65 per cent in 2010, could not be achieved.

Regarding age structure, rural areas had a higher proportion of the population under the working age (9.9 per cent) than the country average (9.3 per cent) or that of urban areas (9.7 per cent). Having more than 90 per cent of the population under the working age and at the working age is a big pressure for labour and employment in the upcoming years, especially in rural areas where the population under the working age is more than one-fourth of total population.

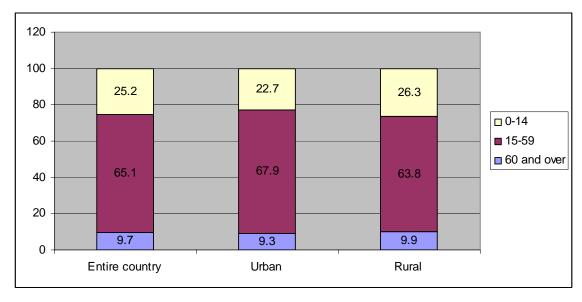


Figure 1: Age structure of the population between rural and urban areas in 2009 (%)

Source: LFS 2009, GSO

In 2009, due to the increase in the number of males in the total population, the structure of Vietnam's population had a relative balance between the share of males and females (49.5 per cent and 50.5 per cent respectively). This is true for both rural and urban areas.

Table 3: Population and labour in rural areas in 2009

Indicator	Area	Quantity	Rate (%)
Population	Urban	25 531 795	29.6
	Rural	60 632 736	70.4
Aged from 15 and over	Urban	19 730 470	30.6
	Rural	44 690 573	69.4

The Central Highlands had the youngest population in the country as the proportion of people under the age of 30 accounted for 61.3 per cent. The 0-14 age group alone occupied the largest share, 34.3 per cent, nationwide. Although the proportion of people under the age of 30 in the Northern Midlands and Mountains was lower than that in the Central Highlands, the population growth rate after two years of research was much faster. After two years, the proportion of the population under the age of 30 in this region increased from 48 per cent (2007) to 56 per cent (2009), in which the 0-14 age group increased from 23.5 per cent to 29.4 per cent.

At 29.8 per cent the Southeastern region has the largest proportion of the population at the young working age (15-29) and the fastest growth rate as well (two per cent after two years). In a completely opposite situation, the young population in the Red River Delta rapidly decreased (nearly ten per cent to reach 46.8 per cent in 2009) while the elderly population (over 60) increased at 13.1 per cent. This was the highest rate nationwide, almost five per cent after two years.

1.1.2. Rural population at the working age

The total population at the working age counted in the 2009 survey was 64.4 million. This was a 1.76 per cent increase from 2007. The population at the working age in rural areas was 44.69 million, which accounted for 73.5 per cent of total rural population. The working-age population in urban areas was 19.73 million people, which was 77.3 per cent and four percentage points higher than that in rural areas.

LFS 2009 data shows that the rural labour force is relatively young since the 15-29 age group occupies more than one-third of the total working-age population. In comparison with urban areas, the distribution trend of the working-age population by age group is relatively similar as the shares of 15-19 age group and the 60 and over age group in both areas is rather high¹².

Compared to the LFS 2007 data, the structure of the working-age population by age group in both rural and urban areas had no significant changes. The population proportion of group having the greatest mobility, the 15-19 age group, declined from 14.6 per cent in 2007 to 13.0 per cent in 2009.

¹² The proportion of the population aged 60 and over in rural areas is often higher than that in urban areas because some urban residents return to their hometowns in rural areas to live after retired.

80 78.8 78 77.3 75.7 76 75.1 Urban 73.7 74 ■ Rural 72.3 72 70 68 Female General Male

Figure 2: Working-age population between rural and urban areas in 2009 (%)

There are not many differences between males and females with respect to mobility among age groups in rural areas. In urban areas, however, the mobility was more apparent. The percentage of the 15-29 age group increased (especially the age of 29) while those in the 45-49 and 60 and over age groups decreased.

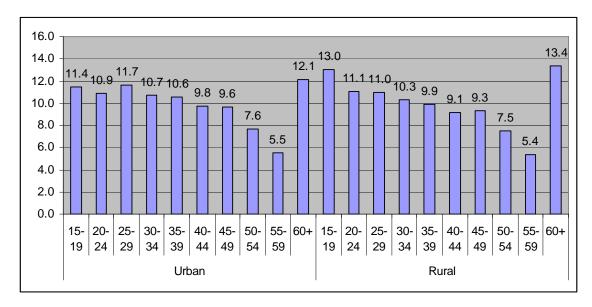


Figure 3: Distribution of working-age population by age group and by area, 2009 (%)

Source: LFS 2009, GSO

Regarding the structure of the rural working-age population by economic zone, we can see that the proportion of the young and middle-aged population in the Central Highlands is the highest in the whole country, 41.2 per cent for the 15-29 age group and 31.2 per cent for the 30-44 age group. On the contrary, the Red River Delta and the Mekong River Delta had the lowest shares of the 15-29 and 30-44 age groups. The Red River Delta had 30.6 per cent of its population from 15-

29 and 26 per cent from 30-44. The Mekong River Delta had 33.3 per cent from 15-29 and 31.1 per cent from 30-44.

The Central Highlands had the lowest proportion of the population, 8.1 per cent, in the 60 and over age group and the Red River Delta had the highest (17.0 per cent). The reason for this is that the Central Highlands is a region that attracts a large population, especially young migrants from other economic zones. The Red River Delta mostly attracts internal residents and is a migrant-sending area. In general, the economic development conditions of the provinces in this area are quite equivalent with the exception of Hanoi – the only place attracting people from other provinces.

Table 4: Structure of working-age population by economic zone between rural and urban areas in 2009 (%)

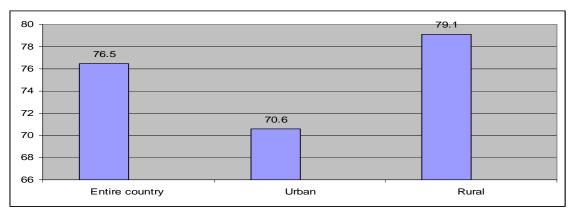
Area	Region	15-29	30-44	45-59	<i>60</i> +
Urban	Northern Midlands and Mountains	30.9	29.5	26.5	13.0
	Red River Delta	32.9	27.1	26.0	14.0
	North and South Central Coast	33.9	31.5	21.9	12.7
	Central Highlands	35.7	34.5	21.0	8.8
	Southeast	36.7	31.6	22.0	9.7
	Mekong River Delta	32.7	33.0	22.9	11.4
	Hanoi city	33.1	28.0	23.8	15.1
Rural	Northern Midlands and Mountains	37.7	30.9	19.9	11.5
	Red River Delta	30.6	26.0	26.3	17.0
	North and South Central Coast region	34.6	28.8	21.4	15.2
	Central Highlands	41.2	31.2	19.5	8.1
	Southeast	40.1	31.0	19.5	9.4
	Mekong River Delta	33.3	31.1	22.9	12.7
	General	35.1	29.4	22.1	13.4

Source: LFS 2009, GSO

1.2. Rural labour force

LFS 2009 data shows that rural labour force was 35.4 million. 79.1 per cent of the total rural population at the ages of 15 and over were a part of the workforce. Labour force participation rates in rural and urban areas were significantly uneven. Accordingly, the rate of labour force participation in urban areas in 2009 was 70.6 percent (8.5 per cent lower than that in rural areas). The national labour force in 2009 was 49.3 million people with 35.4 million in rural areas.

Figure 4: Labour force participation rate of population aged 15 and over in 2009 (%)



According to the LFS 2009 survey, the proportion of males participating in labour force accounted for 51.4 per cent while the share of females occupied 48.6 per cent. It is true for both rural and urban areas that the number of females participating in the labour force is less than that of males. In rural areas, more males participate in labour force than females in the young and middle-aged groups (under 44). However, the number of females is greater than that of males in the 45 and over age group. Rural women at these ages and over are considered aged people. They take on more responsibilities in family management and rarely have occupational mobility. Meanwhile, men still have many, though perhaps unstable, occupational options apart from doing agricultural work.

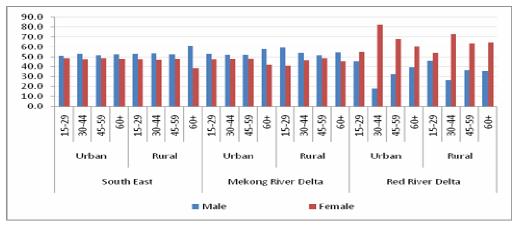
54.0 52.0 50.0 48.0 46.0 44.0 42.0 15-29 45-59 б0+ Total 15-29 30-44 45-59 60+ Total 30-44 Urban Rural ■ Male ■ Female

Figure 5: Structure of labour force by gender and age group between rural and urban areas (%)

Source: LFS 2009, GSO

Regarding the above trend by economic zone, the proportions of males in the labour force of the Southeast region and the Mekong River Delta are always higher than those of females at all age ranges. This is true for both rural and urban areas. Specifically, the biggest difference in the shares of male and female participation in labour force in the rural Southeast region is seen in the 60 and over age group (22.5 per cent apart). In the rural Mekong River Delta, the biggest difference is seen in the 15-29 age group (18.6 per cent apart). This may be due to differences in production modes of each region.

Figure 6: Structure of labour force by gender and age group of the Southeast, the Red River Delta and the Mekong Delta between rural and urban areas (%)



The Mekong River Delta is a region of highly concentrated large scale commodity production with a high rate of motorization and a large number of agricultural hired employees. Therefore, the number of young males participating in the labour force is greater than that of females thanks to their physical advantages. Meanwhile, the Southeast region is the industrialized center of the country so it attracts a large number of workers from other provinces, especially males whose ability to adapt to the pressure of work in industrial zones is better than females'.

The rural Red River Delta is the only region in the whole country where females account for a larger share of labour force structure than males. The greatest difference in rural areas exists in the age group of over 60 (13.6 per cent apart). For the rest, general trend is unclear and the differences in the participation level of males and females is not considerable.

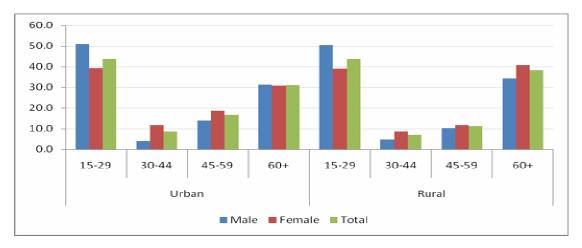
1.3. Economically inactive population in rural areas

According to LFS 2009 data, the proportion of economically inactive persons aged 15 and over has tended to decline in both rural and urban areas. However, the decrease in urban areas has been more rapid than that in rural areas (4.4 per cent in comparison with 1.4 per cent).

It is also relatively easy to understand why females account for a greater percentage of the economically inactive population because females participate in housework activities more than males. However, the proportion of economically inactive females in rural areas is lower than that in urban areas (60.5 per cent against 61.1 per cent).

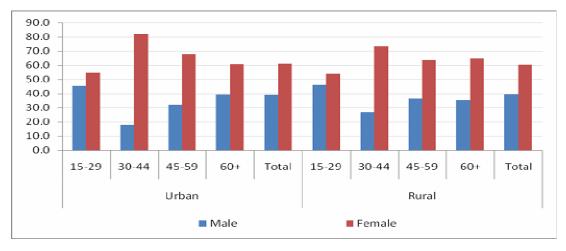
The leading group in the proportion of economically inactive people is the 15-19 age group. The group of 15-19 alone accounted for 28.2 per cent of the economically inactive population in urban areas and 31.2 per cent in rural areas. The second largest group is the 60 and over age group. This state is accurate for both rural and urban areas, as well as for both males and females. The reason causing this situation is that the 15-29 age group mostly consists of pupils and students, and those aged 60 and above are mostly the retired people or those who are losing working capacity. The smallest share of the economically inactive population belongs to the middle-aged group (30-44 years).

Figure 7: Distribution of the economically inactive population by age group, gender and area in 2009 (%)



Although the middle-aged group occupies the smallest share of the economically inactive population, it has the highest difference in proportion of economically inactive males and females. In rural areas, the gap between female and male rates is up to 46.7 per cent. In urban areas, the gap is even higher, up to 64.4 per cent. This is partly due to the increase in the reproductive-age of Vietnamese women. Also, men at these age ranges commonly have the best ability to make money, so their wives do not have to participate in economic activities.

Figure 8: Distribution of the economically inactive population by age group, gender and area in $2009 \, (\%)$

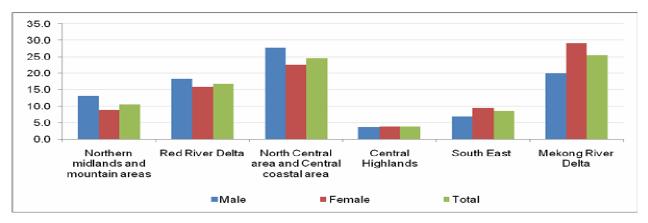


Source: LFS 2009, GSO

The proportion of the economically inactive population in the rural Mekong River Delta is up to 25.5 per cent, eight times higher than that in the Central Highlands (3.8 per cent). It is easy to understand why. The Central Highlands is the region with the highest percentage of working-age

persons, and the youngest population structure. Accordingly, in the Central Highlands, the proportion of the economically inactive population is also the lowest of the entire country. Besides, agriculture production in the rural areas of the Central Highlands regularly occurs year-round. This is a different seasonal identity to that in the Mekong River Delta. Moreover, the Mekong River Delta has the highest share of economically inactive female population in the whole country – that contributes to making its general level of economically inactive population the highest one in the country.

Figure 9: Rate of economically inactive population in rural areas by gender and economic zone in $2009 \, (\%)$



Source: LFS 2009, GSO

1.4. Rural labour with employment

The proportion of rural labourers with employment went down in 2009 compared to 2007. In 2009, the number of employed rural workers was 34.68 million, accounting for 98.08 per cent of the whole rural labour force. Therefore, in comparison with 2007, the rate of employed rural workers in 2009 decreased 0.52 per cent, showing that the natural growth rate of rural labour (approximately 0.5 million a year) is bigger than that of employment creation capacity and labour structure transformation in these areas.

Table 5: Rate of rural workers with employment by economic zone in 2009

AREA	REGION	2009
Rural		98.1
	Red River Delta	98.6
	Northern Midlands and Mountains	99.1
	North and South Central Coast region	98.0
	Central Highlands	99.3
	Southeast	98.1
	Mekong River Delta	96.8

Source: LFS 2009, GSO

Additionally, the impacts of economic-financial crisis in 2009 and the inefficiency of investment flows (the State budget, FDI, ODA) have limited the capacity of employment creation. Although the process of labour transformation has been occurring – gradually removing workers from agricultural fields to other non-agriculture fields – difficulties caused by the financial crisis in 2009 have had negative impacts on creating jobs for rural labour. According to the results gained from the research conducted by the Institute of Policy and Strategy of Agricultural and Rural Development (IPSARD), which examined impacts of the economic downturn on people's living conditions and the impacts of social security policies in four provinces (An Giang, Binh Thuan, Lang Son, and Nam Dinh), 21.7 per cent of migrating workers lost their jobs and had to return to their original residences. Besides, due to the economic downturn, about 10,000 people (two-thirds of rural labour working abroad on short-term contracts) had to return to the country before the date of their contract termination.

The proportion of employed rural labour is rather high in economic zones with a low speed of urbanization, such as the Northern Midlands and Mountains (99.1 per cent), and the Central Highlands (99.3 per cent). The proportion of employed rural labor is lower in areas with a high speed in urbanization, developed industrialization or dense population, such as the Red River Delta (98.6 per cent), the Southeast region (98.1 per cent), and the Mekong River Delta (96.8 per cent).

The proportions of employed male and female rural labourer are equal to each other. In 2009, there were about 17.81 million male employed workers, accounting for 98.1 per cent. The number of female employed workers in rural areas was 16.87 million (98.06 per cent). If we only look at the opportunities of working and finding jobs in general, the differential in working opportunities between males and females is not considerable in rural areas and it is considered quite an advanced indicator. However, this difference will increase and become more apparent in the following analysis when seen in terms of occupational types, ranges of income, etc.

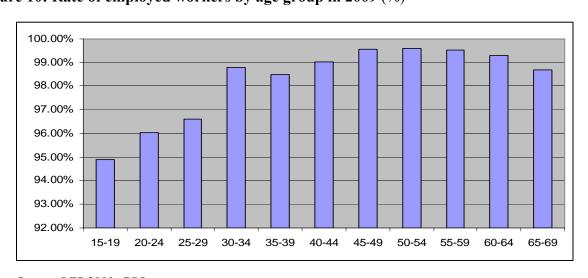


Figure 10: Rate of employed workers by age group in 2009 (%)

Source: LFS 2009, GSO

The rates of rural labour with employment are relatively high, the lowest rate belonged to the 15-19 age group, 94.89 per cent in 2009. The proportion for the 20-24 age group was 96.40 per cent. Rural labourers tend to work until an advanced age; therefore, the percentage of the population over 60 still working is very high. This fact represents and important characteristic of rural labour.

There are some recognized issues: most rural labourers are own account workers, and of course only a certain number the young are waged/salaried workers. Elderly labourers mainly work in agricultural sector. The number of elderly labourers occupies a relatively high rate and gives rise to two simultaneous policy issues: (i) elderly labourers do not want to withdraw from the labour force which puts pressures on employment creation for the young and on the capacity of increasing agriculture productivity as well and/or (ii) elderly labourers cannot withdraw from the labour force due to the real fact that most younger labourers are not interested in agricultural work any longer.

Is it possible to remove the elderly from the labour force when they have worked in this field for nearly their whole lives? In our opinion, a long-term approach must me taken because of the slow transformation in the existing labour structure, low occupation positions of rural labourers and inefficient social security policies which cause the elderly to keep working.

Transformation in Vietnam's labour structure from the agricultural sector to the non-agricultural sector in the last period has been optimistic. In about one decade, on average, the number of rural workers drops about 200 thousand per year, from 23.49 million in 2000 to about 22 million in 2009. However, structural transformation has remained low and down about 8.47 per cent from 2001 to 2009 (2001: 79.59 per cent; and 2009: 71.12 per cent). This revealed difficulties in solving employment issues and raising income for rural labour.

Table 6: Unemployment and employment in rural and urban areas in 2009

			2009	
		Urban	Rural	Nationwide
Employed	Person	13 328 711	34 686 186	48 014 897
	Rate	95.63%	98.08%	97.39
Unemployed	Person	608 408	678 608	1 287 016
	Rate	4.37%	1.92%	2.61%

Source: LFS 2009, GSO

The unemployment rate of rural labour is low, which is absolutely suitable to the current social situation of Vietnam's rural areas. However, the rate is likely to increase. In 2009, the number of unemployed rural workers was 768.6 thousand people, making up 1.92 per cent of the population. This rate was still lower than the general rate of Vietnam in 2009 (2.61 per cent) and much lower than that of urban areas (4.37 per cent). However, in comparison to the 2007 figure, the unemployment rate in rural areas in 2009 increased by 0.52 per cent.

Chapter 2. CHALLENGES TO RURAL LABOUR AND EMPLOYEMENT

2.1. Underemployment and low labour productivity are significant challenges in rural areas

Underemployment is a significant challenge in rural areas:

Many people are quite surprised at the low unemployment rate in Vietnam, but in fact, this is a normal phenomenon in developing countries. A similar correlation can be seen when comparing the unemployment rates between rural and urban areas. In developing countries or in rural areas, most labourers take part in the employment market under the informal mode or are own-account workers. In each household most of the members are own-account workers and work on their allocated land. These are their permanent jobs. Some members, mostly men and the young, may go to cities to seek extra jobs when free from agriculture work. Therefore, the unemployment rate is often low. However, underemployment has been an issue of concern in developing countries as well as rural areas¹³.

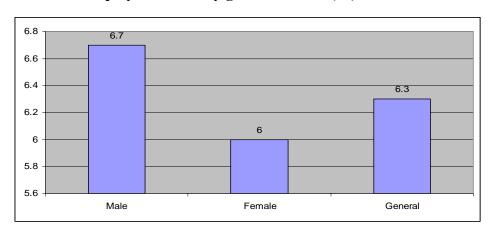


Figure 11: Rural underemployment rate by gender in 2009 (%)

Source: LFS 2009, GSO

Rural underemployment has been on the rise in recent years – the underemployment rate of males has risen more strongly than that of females. In 2009, 6.3 per cent of rural labour was underemployed, of which the rate of underemployed males was 6.7 per cent, and that of females was six per cent. This difference may be explained by looking at the context of the economic crisis. In such challenging economic times, women are likely to accept being unemployed while men still try to maintain their job though the job may not be adequate. This is also a signal indicating the emerging trend that more females than males are taking part in agricultural activities or housework. Male labourers are trying to withdraw from the agricultural sector and rural areas to look for other jobs which may bring them a higher income.

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¹³ UNDP (March 2010), Getting to Work – Research topic: Employment market and urbanization in Vietnam up to 2020: Lessons drawn from international experiences, March 2010. From 1990 to 2007, average annual employment increasing rate was 2.42%, only 0.1% higher than the average annual growth rate of labour force (2.3%)

In 2009, the underemployment rates of rural labour in the Mekong River Delta and the Southeast region were 9.9 per cent and 6.7 per cent, respectively. The underemployment rate of rural labour in the Red River Delta was 8.2 per cent. Accordingly, the Mekong River Delta has surpassed other regions to become the regions with the highest underemployment in the entire country.

Agricultural production in the Mekong River Delta is commodity production so it requires a large number of hired workers. During the period of 2007-2009, WTO integration bought various opportunities as well as challenges to Vietnamese agriculture. The relatively sharp changes in production led the Mekong River Delta region to experience "the highest rate" in both unemployment and underemployment. Meanwhile, in the Central Highlands, this rate was lower than 5.7 per cent. This partly shows the effectiveness of the Government's policies to this region. Obviously, the regional factor has a great effects on the characteristics of employment and production in each economic zone. The labour and employment problem in Vietnamese rural areas over the next ten years will have a regional similarities, but the measures for tackling the problem must be different.

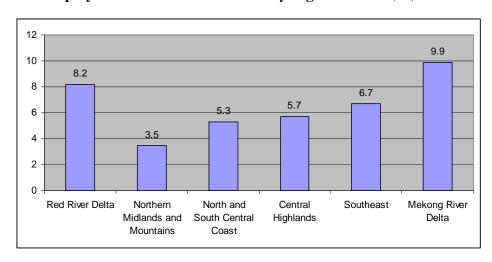


Figure 12: Underemployment rate of rural labour by region in 2009 (%)

Source: LFS 2009, GSO

Amongst the age groups, the 15-19 group is the one having the highest underemployment rate (8.4 per cent). The labour in the 15-19 is generally young, inexperienced, and lacking in professional/technical qualifications. As a result, they only participate in simple works and in agriculture. These efforts are "supplementary" to the main livelihood of their family. Understandably, the underemployment rate is quite large.

In general, there are not many differences in the underemployment rate among age groups and the rate tended to decrease gradually in the higher age groups. For workers aged 20 to 59, the underemployment rates were quite equal. This shows that the rural demand for work is common across the age groups. This result is different to that of urban areas and the general figure

nationwide. According to CIEM, "in 2008, the unemployment rate¹⁴ among workers aged under 30 was 9.3 per cent, against only 3.4 per cent for workers aged 30-39, 2.1 per cent for those 40-49, and 1.8 per cent for those over 50".¹⁵

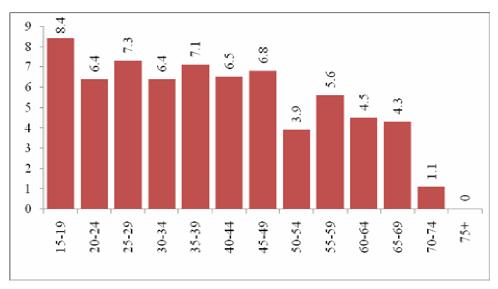


Figure 13: Underemployment rate by age group in 2009 (%)

Source: LFS 2009, GSO

Looking more closely at the occupational aspect, we can see that the more unskilled the workers are the higher their underemployment rate is. The highest underemployment rate belongs to unskilled workers (accounting for nine per cent), followed by agriculture, forestry and fisheries workers (4.9 per cent). Meanwhile, workers with professional/technical qualifications had a very low underemployment rate, only 0.6 per cent.

One easily recognizable thing is that despite the positive changes continuously occurring, rural labour still has not been able to escape from the nature of simplicity in their work. This characteristic is found not only in agricultural labour but also in many other fields. Labour power in the rural labour market is based more on muscle than "intelligence". Apparently, investment in employment development in rural areas will not be limited to machines, but also must increase the labour force's intelligence content - in other words, improving labour productivity and the value of labour commodity in rural areas. Addressing the problem of rural labour and employment cannot only focus on agricultural development; it must also relates to vocational training as well as the

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¹⁴ Under-employment rate = percentage of workers who would like to work more hours, or work less than 8 hours per day and are able to work more. UNDP (March 2010), *Getting to Work: Research topic: Employment market and urbanization in Vietnam up to 2020: Lessons drawn from international experiences*, page 45

¹⁵ UNDP (March 2010), Getting to Work: Research topic: Employment market and urbanization in Vietnam up to 2020: Lessons drawn from international experiences.

development of trade and services ¹⁶ in these areas. Enterprise systems, cooperatives, trade villages, manufacturing establishment owners, and others must be actively involved in the process.

That said, the development non-agricultural employment still relies upon the role of agriculture to ensure sustainable development for this area. If possible, a more detailed analyses on income and labour efficiency will explain the above findings more clearly. Unfortunately, the current statistics have not met every requirement so it is necessary to conduct further research to make suggestions to supplement the data in order to clarify problems and offer appropriate recommendations for national employment strategies in the next period.

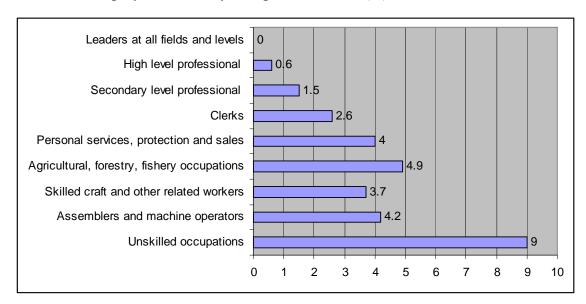


Figure 14: Underemployment rate by occupation in 2009 (%)

Source: LFS 2009, GSO

Unemployment is also shown clearly in the employment structure by real worked hours of rural labour. During seven working days of the week, the number of working hours of rural labour are mainly below 35 hours per week (26.0 per cent).

Table 7: Proportion of worked hours of the main job during the last 7 days 2009 (%)

Number of hours	2009			
	Urban	Rural		
1-9 hours	1.2	1.5		
10-19 hours	3.0	6.5		

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¹⁶ On January 6, 2010, the Prime Minister signed Decision No. 23/QD-TTG approving the Project on Development of Rural Trade for 2010-2015 and orientation to 2020. The project pays the most attention to developing market systems such as border markets, border gate markets, economic zone markets and wholesale agro-product markets as well as setting up measures to arrange, renovate and promote trading and service activities in rural areas.

20-29 hours	7.5	15.4
30-34 hours	3.7	7.6
35-39 hours	5.2	9.3
40-48 hours	38.4	27.8
49-59 hours	22.5	21.3
> 60 hours	18.50	10.6
Total	100.0	100.0

Source: LFS 2009, GSO

In 2009, rural workers working an average of 40-48 hours per week occupied the highest share, (27.8 per cent), followed by those working an average of 49-59 hours per week (21.3 per cent). The proportion of the group who worked more than 60 hours per week did not decline but increased by 4.5 per cent. This reflects the two concerns: (i) Working activities in rural areas have mainly occurred at a high intensity within a short period of time; therefore, the nature of working activities has been low intensity for a long time. In other words, labour productivity in rural areas is still low despite a plentiful labour force. (ii) The labour differentiation trend is getting clearer and clearer. Employment opportunity is focusing on fewer people. The majority of rural labour who live right in their local residences as well as who migrate to other locations are losing out on these opportunities.

To take full advantage of the time off from agricultural activities¹⁷, many rural labourers pour into the cities to find seasonal jobs such as construction workers, construction worker assistants, porters, etc. Therefore, they often work at a high intensity, for long hours, in poor working conditions, with substandard accommodation, and minimal hygiene.¹⁸ In addition, thanks to better transportation systems and vehicles, the trend of daytime migration is becoming more common. Labourers living in the city surroundings often come to the city to seek daily jobs while still maintaining their work at home. However, some of these workers do not return to rural areas even when the free time from agricultural activities ends.

The facts show that the occupation of farming is changing in the following ways: (i) Some farmers continue to remain purely agricultural workers, but the quantity of this type is gradual declining. (ii) Some farmers transfer their agricultural production to the model of large-scale commodity production, but the quantity of this type is very few. (iii) Some move to look for non-agricultural work when they are free from agricultural activities or transfer to other jobs by taking

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¹⁷ Apart from the seasons of the main crops, if rural people do not take part in other economic activities or extra production time, their time off from agricultural activities is very significant. Effective use of this time one challenge for managers.

¹⁸ See more studies relating to working conditions of rural workers who migrate to urban areas to find jobs.

part in vocational training programmes or in the rural labour force in urban areas. (iv) Some become part of the exporting labour source of the country.

Currently, farmers still do manual and seasonal work. When crop seasons come, they only take part in agricultural activities. When they are free from agricultural activities, they shift to other unskilled jobs, such as making traditional handicraft products (for the people in trade villages), participate in the labour markets in big cities, or become small traders who take part in product circulation from rural areas to urban areas (wholesaling, retailing vegetables, fruits and foods). Due to the simplicity and temporary nature of the jobs, their income is neither high nor stable. This reality creates a lack of sustainability and implicit instabilities in the employment of rural labourers in general and farmers in particular.

The quantity of underemployed farmers has been increasing while their quality has not improved. The increase of underemployment and unemployment exerts pressures on the socioeconomic development in this area. If the above situation is not addressed soon, it will be a barrier to the industrialization and modernization of agriculture and rural areas. It will also raise social problems in both rural and urban areas. Apparently, any employment strategy for the next 10 years will have to satisfactorily solve the problem of employment transformation and raising labour productivity in rural areas in general and the agricultural sector in particular.

Instead of considering urban areas as keys to solving rural employment problems, Vietnam needs to turn the rural areas into exciting labour-exchange markets with various employment opportunities available for everyone. This market will be unlike those in urban areas and must be developed based on the particular potentials, advantages and strategic orientation of the rural area. There are many opportunities for Vietnam to develop rural labour markets in the coming years; however, improving quality of rural labour needs to be implemented immediately.

Compared with the previous years, the number of agricultural labourers is on the decrease. The rural mentality and the over-dependence on agriculture has brought the rural labour market face to face with the threat of a lack of sustainable employment. This would cause tremendous challenges in the rural areas.

Rural labour productivity is low

Though a considerable number of rural labourers are experiencing underemployment, the rest have sufficient employment but still find it difficult to improve their income. The reason is likely because most rural workers are working in agriculture with low labour productivity.

The UNPD's report Getting to Work-Research topic: Labour Market, Employment and Urbanization in Viet Nam, Lessons from International Experiences (2010) affirms that labour productivity in Vietnam is very low by regional standards although it has been rising relatively quickly during the reform era. Figures provided by the report show that industry is the sector with the highest labour productivity, followed by services and finally agriculture.

During the period 1991 - 2000, the average rate of labour productivity growth in agriculture was only 2.57 per cent, much lower than that of industry (8.26 per cent). Between 2001 and 2007

the average rate of labour productivity growth in agriculture improved relatively to 4.16 per cent; however, it still remained low in general.

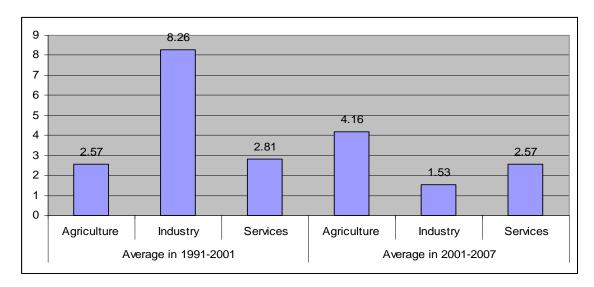


Figure 15: Labour productivity growth rate by economic sector (%)

Source: UNPD (March 2010), Getting to Work-Research topic: Labour Market, Employment and Urbanization in Viet Nam, Lessons from International Experiences, page 52

There are many reasons for being concerned about the low in current labour productivity in rural areas. Firstly, more than 70 per cent of the total workforce of the whole country is still concentrated in rural areas. Since most of these labourers work in agriculture, the sector with the lowest labour productivity, this adversely affects the labour productivity of the entire society. Secondly, labour productivity gains can be due to improvement within each sector (intrasectoral effect) or to the reallocation of labour from lower to higher productivity sectors (intersectoral effect). However, in the current context of rural labour, both intrasectoral and intersectoral effects have been happening slowly due to the poor quality of the rural labour force and the low rate of economic structural change among agriculture, industry and services.

In addition to underemployment, low labour productivity in rural areas has reduced income and affected the living standards of rural people. This is also a remarkable challenge for the employment strategy in this area in the future.

2.2. Rural labourers lack qualifications

Most rural workers have not been trained for any professional qualifications. According to the FLS 2009 data, unskilled workers in rural areas accounted for 81.9 per cent of the population. The share of technical workers without certificates/degrees made up 6.5 per cent. Only 8.4 per cent of the rural labour force had been trained in vocational training schools, whether secondary schools or vocational colleges. Workers with college and university degrees only represented 3.2 per cent of the population. Such poor labour quality will be a great obstacle to structural change, especially to the possibility of decreasing the number of rural workers in agricultural activities.

The professional/technical qualifications of females were lower than those of males. In 2009, 90 per cent of females had no professional or technical qualifications. For the remaining education/training levels males occupied a larger share than females except at the level of college degrees where the female proportion was higher than the male proportion. The proportion of technical workers without certificates/degrees was the highest in rural areas (6.5 per cent), while in urban areas, the percentage of the labour force at undergraduate/graduate levels was the highest (accounting for 13.4 per cent).

Table 8: Professional/technical qualification by gender in 2009 (%)

AREA	PROFESSIONAL QUALIFICATION	MALE	FEMALE	GENERAL
URBAN	Not any	53.2	64.6	58.7
	Technical worker without certificates	10.2	7.1	8.7
	Primary vocational school	8.4	2.3	5.4
	Secondary vocational school	4.9	1.3	3.2
	Professional secondary school	5.3	8.7	7.0
	Vocational college	0.8	0.3	0.6
	College	2.2	3.8	3.0
	Undergraduate/ Graduate	14.8	11.9	13.4
RURAL	Not any	77.5	86.5	81.9
	Technical worker without certificates	8.1	4.8	6.5
	Primary vocational school	4.9	1.5	3.2
	Secondary vocational school	2.8	0.6	1.7
	Professional secondary school	3.5	3.2	3.3
	Vocational college	0.3	0.1	0.2
	College	0.8	1.6	1.2
	Undergraduate/ Graduate	2.3	1.7	2.0

Source: LFS 2009

In rural areas, the proportion of the labour force without professional/technical qualifications is the smallest in the 15-29 age group. However, for each level of professional/technical qualifications, there are many differences amongst age groups. The share of workers with professional secondary school degrees increases in direct proportion to the age range. The 30-40 age group accounts for the largest share of undergraduate and graduate qualifications (14.7 per cent in urban areas and 2.6 per cent in rural areas).

Table 9: Professional/technical qualification by age group between rural and urban areas in $2009 \, (\%)$

AREA	PROFESSIONAL	15-29	30-44	45-59	60+	GENERAL
	QUALIFICATION					

Urban	Not any	55.4	58.6	60.8	71.4	58.7
	Technical worker without certificates	9.6	10.0	6.4	4.0	8.7
	Primary vocational school	4.5	5.9	5.9	4.7	5.4
	Secondary vocational school	3.1	3.0	3.6	3.0	3.2
	Professional secondary school	7.7	4.9	9.1	8.8	7.0
	Vocational college	1.0	0.4	0.4	0.1	0.6
	College	4.8	2.5	2.0	0.5	3.0
	Undergraduate/ Graduate	13.9	14.7	11.8	7.5	13.4
Rural	Not any	78.7	82.3	83.9	87.1	81.9
	Technical worker without certificates	7.8	7.1	5.0	2.3	6.5
	Primary vocational school	3.7	3.1	3.0	2.4	3.2
	Secondary vocational school	2.5	1.4	1.3	1.1	1.7
	Professional secondary school	3.7	2.1	4.0	5.9	3.3
	Vocational college	0.4	0.1	0.2		0.2
	College	1.3	1.2	1.1	0.6	1.2
	Undergraduate/ Graduate	2.0	2.6	1.5	0.7	2.0

Source: LFS 2009

The Red River Delta has the highest proportion of rural labour with professional/technical qualifications nationwide – this is in stark contrast to the data from the Mekong River Delta. The Northern Midlands and Mountains region has the overall highest proportion of urban workers with with trained professional/technical qualifications. In the Northern Midlands and Mountains region the share of urban labour with professional/technical qualifications is 53.4 per cent – undergraduate/graduate degrees in particular account for 14.4 per cent. However, in rural areas of this region, the proportion is the lowest nationwide. This shows that the implementation of Government's incentive policies on education, especially higher education for mountainous provinces, have been taking effect almost exclusively in urban areas.

Table 10: Professional/technical qualification by economic zone between rural and urban areas in 2009 (%)

Area	Professional/technic al qualification	Northern Midland and Mountains	Red River Delta	North and South Centra I Coast	Central Highland s	Southeas t	Mekong River Delta
Urban	Not any	46.4	51.2	56.9	67.7	70.0	73.3
	Technical worker	2.7	8.7	9.4	8.5	6.4	8.9

	without certificates						
	Primary vocational school	7.9	7.4	4.8	5.3	5.1	3.5
	Secondary vocational school	6.3	6.3	3.1	1.4	2.8	1.1
	Professional secondary school	15.1	8.2	8.6	7.5	5.9	5.3
	Vocational college	0.8	1.3	0.4	0.2	0.4	0.2
	College	6.3	4.2	3.5	1.9	2.6	1.7
	Undergraduate/ Graduate	14.4	12.8	13.2	7.6	6.7	6.0
Rural	Not any	88.9	71.3	81.2	86.6	80.9	87.4
	Technical worker without certificates	0.5	12.0	6.7	4.9	9.1	5.2
	Primary vocational school	2.8	5.6	3.0	1.5	3.1	2.0
	Secondary vocational school	1.2	4.1	1.5	0.9	1.2	0.5
	Professional secondary school	4.1	3.5	4.2	2.6	2.3	2.0
	Vocational college	0.1	0.5	0.3		0.1	0.1
	College	1.0	1.2	1.2	1.3	1.1	0.9
	Undergraduate/ Graduate	1.5	1.8	1.9	2.2	2.1	1.9

Source: LFS 2009

2.3. Social status of rural labour is low

Rural labour has low status because most of them are unskilled workers. The analysis of the occupational structure of rural labour in 2009 shows that the number of unskilled workers made up the largest proportion at 47.6 per cent of employed workers. Despite being an "agriculturally developed" country, the proportion of skilled workers in agriculture, forestry and fishery is relatively low, only representing 18.4 per cent. Agricultural mechanization used to be considered an important measure to change Vietnam's agriculture however, according to experts' evaluation, after ten years, this process has been too slow:

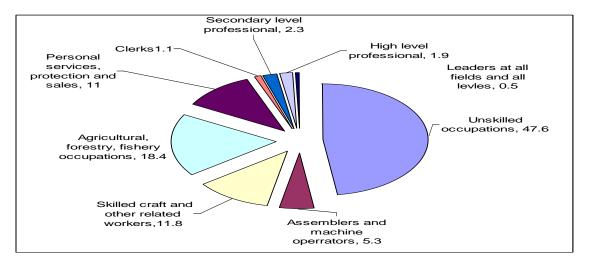
Regarding the rate of agricultural mechanization, rice accounts for 72% and other plants (sugar cane, pineapple, corn, soybeans and peanut) reach 65%. In terms of production steps, rice watering accounts for 85%, plucking rice off the ears is 84%, transport within agriculture sector and rural area reaches 66%, paddy drying in the summer-fall crop in the Mekong River Delta is 38.7%, harvesting with machines in the Mekong River Delta only reaches 15%, and rice husking reaches 95%. By 2020, the capital used for mechanization will have been VND 39.520 billion, of which, the capital from State's budget will have been VND 5.312 billion; credit VND 21.120 billion; capital mobilized from

the people and agriculture will have been VND 13.088 billion. Lack of capital is one of the factors that has slowed the agricultural mechanization process."¹⁹

The rate of waged workers such as artisans or technicians makes up 11.8 per cent; plant and machine operators and assemblers make up 5.3 per cent

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Figure 16: Occupation composition of rural labour in 2009 (%)



Source: LFS 2009, GSO

The comparison of occupation structure between rural and urban areas has shown a big gap among occupations. Specifically, groups of occupations demanding professional skills and high technological content mainly focus on urban areas while a large share of simple occupations are undertaken by rural labour. The proportion of unskilled workers in rural areas was 2.62 times higher than that in urban areas.

Table 11: Occupation composition of rural labour in 2009 (%)

Occupation structure (%)						
	Urban	Rural				
Leaders at all fields and levels	2.3	0.5				
High level professional	11.7	1.9				
Secondary level professional	7.6	2.3				
Clerks	3.0	1.1				
Personal services, protection and sales	27.5	11.0				
Agricultural, forestry, fishery skilled workers	5.4	18.4				
Skilled craft and other related workers	14.3	11.8				

¹⁹ Thanh Phong, *Agricultural Mechanization: Too slow!*, http://www.nongnghiep.vn/NongnghiepVN/vi-VN/61/158/1/15/52756/Default.aspx

Assemblers and machine operators	10.2	5.3
Unskilled occupations	18.1	47.6
Others	-	-

Source: LFS 2009, GSO

There is a difference in occupational structure between males and females. In 2009, the proportion of females undertaking occupations related to personal services, protection and sale was higher than that of males (14.3 per cent versus 7.8 per cent). Also, more males take part in technical work than females. For example, males accounted for 19.9% of workers in skilled agricultural occupations while females only occupied 16.8 per cent. The share of skilled craftsmen was 16.1 per cent, as compared to 7.3 per cent for crafts-women. The proportion of machine operators and assemblers was 6.9 per cent for males and 7.3 per cent for females.

More females participate in simple work than males: 52.0 per cent for females and 43.5 per cent for males. In rural areas, most of the agricultural occupations attract females' participation. The possibility of withdrawing from agriculture work is greater for males than that for females due to many reasons, one of which is the ease with which men seek new jobs and/or their engagement with their family is not so tight.

Unskilled occupations Assemblers and machine operators Skilled craft and other related workers Agricultural, forestry, fishery skilled. Personal services, protection and sales ■ Female ■ Male Secondary level professional High level professional Leaders at all fields and levels 0% 10% 20% 3.0% 40% 50% 60%

Figure 17: Occupation composition by gender in 2009 (%)

Source: LFS 2009,GSO

The difference in the occupational structure of rural labour by of ethnic origin is seen clearly in research statistics. The group of Kinh people occupies a much higher proportion than other ethnic minorities in occupations demanding professional/technical qualification and groups of salaried jobs. In 2009, the group of skilled agricultural workers amongst the Kinh people and other ethnic groups were 19.5 per cent and 14.0 per cent respectively (a differentiation of 5.5 per cent)

The proportion of unskilled workers amongst the Kinh people was 40.6 per cent. Meanwhile, in other ethnic minorities in 2009, the level of unskilled workers reached 75.6 per cent. Policies on employment creation and employment structure transformation in general have taken effect. However, the opportunities for ethnic minorities to approach these policies are still limited. The key to the matter is found in the strategy of educating and training. Hence, occupations are required not only to satisfy economic criteria but also meet cultural norms and be suitable to the awareness of ethnic minorities.

Table 12: Occupation composition by occupation and ethnic group in 2009 (%)

Occupation (%)	200	9
	Kinh	Others
Leaders at all fields and levels	0.4	0.6
High level professionals	2.3	0.6
Secondary level professionals	2.5	1.6
Clerks	1.2	0.7
Personal services, protection and sales.	12.9	3.3
Skilled agricultural, forestry and fishery workers	19.5	14.0
Skilled craft and related workers	14.2	2.5
Assemblers and machine operators	6.4	1.1
Unskilled occupations	40.6	75.6

Source: LFS 2009, GSO

The Central Highlands and the Northern Midlands and Mountains region have the highest proportion of unskilled workers nationwide, accounting for 73.8 per cent and 76.8 per cent respectively. The North and South Central Coast region have the smallest share of unskilled workers nationwide, only making up 34.3 per cent, which is even lower than that of the Southeast area which has 39.3 per cent. In the delta areas, the Red River Delta has a higher rate of unskilled workers than the Mekong River Delta, 46.2 per cent and 42.5 per cent, respectively. It may be because the Mekong River Delta has a higher rate of mechanization in agriculturural production than the Red River Delta. Meanwhile, in the Red River Delta, the characteristics of a small-scale production and a strong development of craft based trade villages also contributes to the increase in the rate of unskilled workers in the occupational structure.

Table 13: Occupation composition by economic zone in 2009 (%)

OCCUPATION (%)	ECONOMIC ZONE					
	Red	North	North	Central	Southeast	Mekong
	River	Mountain	Central	Highlands	region	River
	Delta	ous region	and South			Delta

			Central Coast region			
Leaders at all fields and levels	0.1	0.8	0.6	0.3	0.2	0.3
High level professionals	1.8	1.4	1.7	1.7	2.2	2.0
Secondary level professionals	2.2	2.7	2.6	2.4	2.2	1.4
Clerks	1.2	0.5	1.3	0.5	1.4	1.2
Personal services, protection and sales.	12.9	6.7	8.4	4.7	14.2	13.0
Skilled agricultural, forestry and fishery workers	6.2	6.7	37.3	8.2	16.1	26.1
Skilled craft and related workers	21.2	5.9	10.2	4.3	13.4	9.4
Assemblers and machine operators	8.2	1.6	3.7	1.2	10.9	4.0
Unskilled occupations	46.2	73.8	34.3	76.8	39.3	42.5

Source: LFS 2009

Own-account labourers accounted for 49.0 per cent of rural labour in 2009. The significant development of industrial zones has also led a certain number of own-account workers to become salaried workers. 3.99 per cent of rural labour owned manufacturing establishments and businesses while those who were own-account workers accounted for 48.9 per cent. More evidence is needed to analyze the link between the increase in the rate of manufacturing establishment and business owners and the reduction in the share of own-account workers in rural areas. However, each increase of 1 per cent in the number of enterprises owners per year is coupled with a 0.5 per cent reduction of the number of own-account workers.

This shows the important role of enterprise owners in rural areas. Employment policies and strategies need to pay more attention to enterprise development. Rural enterprise could become the leading unit to create local jobs and improved employment status as own-account workers become salaried workers²⁰

Waged/salaried workers in 2009 accounted for 26.5 per cent of the total. The annual average growth rate is only about 1.45 per cent, which is considered to be rather low. This shows that economic models ensuring sources of income from salaries for rural labour are lacking and ineffective.

In rural areas in 2009, the proportion of workers who were members of co-operatives accounted for only 0.13 per cent of the total proportion of the professional position structure. This

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²⁰ This is also one of important policy implications of ILO in report *Challenges to youth employment in Vietnam 2003*.

reduction raises the question if whether the current model of the co-operative is effective or not - at least in attracting labour and creating jobs? The lack of ability of co-operatives to attract labour and create jobs is a contrast to the role of enterprise owners in rural areas while the ability to access and receive support from policies is better for cooperatives.

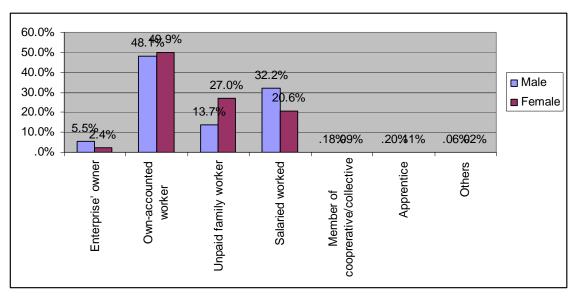
Table 14: Rural labour's occupation position in 2009 (person, %)

		2009	
	AI	REA	Nationwide
	Urban	Rural	
Enterprise owner	6.83	3.99	4.78
Own-account worker	33.47	48.97	44.66
Unpaid family worker	8.16	20.18	16.84
Salaried worker	51.17	26.54	33.38
Member of cooperative/collective	.07	.13	.12
Apprentice	.28	.16	.19
Others	.01	.04	.03
Total	100.0	100.0	100.0

Source: LFS 2009, GSO

Males still "occupy" better occupational positions while females often have lower positions. This results from a series of "outstanding" conditions of males as compared to females in terms of occupation. In 2009, the proportion of males undertaking the positions as enterprise owners and salaried employees (5.5 per cent and 32.2 per cent, respectively) were higher than those of females (2.4 per cent and 20.6 per cent). In contrast, the shares of females were higher than those of males in the positions as unpaid family workers and own-account workers. It can be seen that structural employment change has brought more opportunities for males in changing jobs as well as work positions. Females still take part in jobs related to agriculture production (planting and raising animals) in the family.

Figure 18: Difference in occupation position by gender in rural areas in 2009 (%)



Source: LFS 2009

Educational attainment and professional/technical qualification is a decisive factor to the occupational status of workers. The proportion of salaried workers increases in the same direction with the proportion of their professional/technical qualifications. Only 19.9 per cent of salaried workers do not have professional/technical qualifications. For those who have received undergraduate and graduate degrees the salaried workers account for 81.1 per cent.

Obviously, policies on educating and training will be the most important factors in changing the occupational status of rural labour. Most own-account and unpaid family workers are commonly unskilled ones who do not have any professional/technical qualification. They accounted for 53.1 per cent and 23.2 per cent respectively of the rural labour force in 2009. This tendency is in reverse to labour's professional qualification. In other words, the percentage of own-account and unpaid family workers declines when labour's professional/technical qualifications improve.

Table 15: Occupation position by professional qualification of rural labour in 2009 (%)

POSITION			PROFESSI(ONAL QUAI	LIFICAT	ION		
	Not any	Technical worker without certificate	Primary vocational school	Secondary vocational school	Vocati onal colleg e	Colleg e	Under gradua te/ Gradu ate	Total
Employer	3.6	8.2	7.2	4.1	4.2	1.6	2.1	4.0
Own-account worker	53.1	35.1	38.8	33.3	30.4	29.0	13.6	49.0
Unpaid family worker	23.2	7.8	6.4	7.4	8.9	4.9	2.3	20.2
Salaried worker	19.9	47.9	47.3	53.3	56.4	64.6	81.1	26.5
Member of cooperative/collective	.1	.5	.4	.5	.0	.0	.0	.1

Apprentice	.1	.5	.0	1.3	.0	.0	.9	.2
Others	.1	.0	.0	.0	.0	.0	.0	.0
Total	100	100	100	100	100	100	100	100

Source: LFS 2009

In the groups of manufacturing establishment/business owners, professional/technical qualification is not a factor determining their positions. According to statistics, up to 8.2 per cent of such enterprise owners are technical workers without certificates (if adding the groups of workers without professional/technical qualification and technical workers without certificate, the rate is 11.8 per cent). Meanwhile, the proportion of manufacturing establishment/business owners with undergraduate or graduate degrees only accounts for 2.1 per cent.

Therefore, the existence of these enterprise owners in rural areas requires a different explanation. Most of these enterprise owners have land, production materials, may hold or not hold any professional qualifications, but have not experienced official schooling. However, they can effectively manage their own production activities, expand their business and hire employees.

Rural workers who have high technical qualifications and degrees are not quite interested in this type of jobs. They seek for career opportunities in big cities. On the other hand, this figure also shows that the capacity of absorbing qualified human resource in the rural area is quite restricted. Meanwhile, in rural areas, employers are often skilled workers or those who used to participate in primary vocational training, secondary vocational training or vocational colleges. This rate may further increase sharply if vocational programmes for rural labour can take real effects and the supporting policies (loan, market development and technology dissemination) can reach these workers.

2.4. Informal employment

In 2009, rural areas had 8.02 million employees without labour contracts, 49.2 per cent of total labour force. This rate was higher than the average of the whole country (40.3 per cent). It was also higher than the rate in urban areas (22.3 per cent). The number of employees without labour contracts (including those who have oral agreements) accounts for a large share of the types of labour contracts used (73.5 per cent). This means that only about 26.2 per cent of rural workers were signed labour contract (0.3 per cent for other cases).

The comparison of used labour contract forms between urban and rural areas shows significant differences. Urban employees holding labour contracts accounted for 58.3 per cent, it was 32.1 per cent higher than that in rural areas.

In general, such rate of rural labour with labour contracts is rather low. Signing labour contracts is an important basis to solve problems related to social welfare policies for rural labour such as medical insurance, social insurance, workers' union, etc.

60.0% 49.2% 50.0% 40.0% 34.9% Urban 30.0% 24.3% Rural 22.39 19.49 20.0% 15.6% 12.0% 9.6% 7.8% 10.0% .6% .1%.3% .0% Unlimited Without Limited Limited Oral Others labour labour labour agreement labour contract contract for contract for 1 contract 1-3 years year

Figure 19: Types of labour contracts used by region in 2009 (%)

Source: LFS 2009, GSO

There are signals indicating difference in gender with regard to types of labour contracts. In 2009, 60.4 per cent of females in rural areas did not have labour contracts while the share of males was only 38.2 per cent. Although data gained from the LFS does not provide enough evidence to confirm clearly the gender inequality in access to labour contracts, it points to the need for more serious attention to this matter when making and implementing policies on rural employment for the period 2011-2020.

Rural labourers nowadays still find it difficult to access social welfare policies created for them. The Labour Code requires that the enterprises employing labour have to set up labour book, pay book, social insurance and comply with other related regulations. However, in reality, this is not so. Rural labourers face increased hardship when they cannot fully enjoy their social welfare as regulated.

The rate of surveyed rural workers who have social insurance is very low, only 9.7 per cent in 2009. Similarly, the rate of rural employees who sign the pay book and are paid for holidays is quite low in comparison with that of urban employees.

Table 16: Rate of rural labour accessing to social welfare in 2009 (%)

2009

Nationwide

Urban

Rural

Having social assurance	15.6	30.9	9.7
Sign wage and salary book	58.8	71.9	49.1
Being paid for holidays and festivals, etc.	46.6	59.9	36.8

Source: LFS 2009, GSO

Income of rural labour is low

According to the LFS 2009, the weekly average income of rural labour was 379,000 VND. Men made 401,800 VND per week and females made 313,600 VND per week. If there are on average four working weeks in a month, the the average monthly income of rural labourers in 2009 was 1,516,000 VND.

In 2009, rural female workers had a higher presence than males in income groups making less than 349,000 VND per week. Of the five groups of weekly income (see figure 20), females accounted for 25.9 per cent of the first group and males accounted for 15.9 per cent. The difference in incomes between males and females continues to be seen in the second and third income groups. In the third income group, 234,000-349,000 VND per week, the rate of females accounted for 17.4 per cent, and that of males accounted for 16.4 per cent.

Table 17: Some indicators on income in 2009 (thousand VND)

	2009 (VND/Week)
Nationwide	452.2
Of which:	
+ Urban	617.3
+ Rural	379.0
Of which:	
+ Male	401.8
+ Female	313.6

Source: LFS 2009, GSO

In the two high income groups (group 4 and 5), the proportion of males is higher than that of females. Specifically, in group 4, males accounted for 21.7 per cent while females only accounted for 17.3 per cent. In the highest income group, group 5, the difference between males and females also increased (29.2 per cent and 15.6 per cent, respectively). This result was a consequence of the

fact that females are not only more restricted than males in their access to jobs but also to enhanced working conditions, incomes and opportunities for promotion.

The difference in income between the Kinh people and other ethnic minorities mirrors the pattern between males and females. There are more Kinh people in high income groups than in low income groups. Also, ethnic minority workers make up a large proportion of the low-income groups and fewer of them belong to the high-income group.

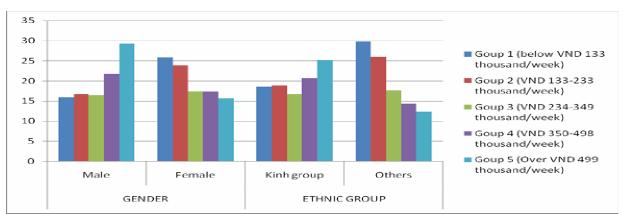


Figure 20: Income of rural labour by gender and ethnic group in 2009 (%)

Source: LFS 2009, GSO

The distribution across income groups of professional/technical qualifications of labour also reveals that labourers having professional/technical qualifications may receive higher incomes than those who do not.

In the lowest income group included 23.1 per cent with no technical skills and 3.9 per cent with undergraduate and graduate degrees. It means that only 3.9 per cent of labourers who have undergraduate or graduate degrees belong to the lowest income group. In reverse, only 17.5 per cent of labourers who do not have technical skills belong to group 5; whereas, 72.6 per cent of those having undergraduate or graduate belong to group 5.

Table 18: Income of rural labour by professional qualification in 2009 (%)

	Not any	Technical worker without certificate	Primary vocational school	Secondary vocational school	Professional secondary school	Vocational College	College	Undergra duate/ Graduate
Group 1 (Under VND 133 thousand/week)	23.1	9.6	12.4	6.8	15.4	16.9	4.2	3.9
Group 2 (VND 133-233	22.7	11.4	8.7	10.1	13.9	11.3	3.6	1.7

thousand/week)								
Group 3 (VND 234- 349/week)	17.9	16.3	12.7	17.2	11.3	19.4	8.5	3.8
Group 4 (VND 350-498 thousand/week)	18.8	26.8	18.8	24.7	27.2	12.2	16.2	18.0
Group 5 (Over VND 498 thousand/week)	17.5	36.0	47.4	41.1	32.1	40.2	67.5	72.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: LFS 2009, GSO

The percentage of labour in the first income group is highest in the Red River Delta (30.3 per cent), followed by the Northern mountains and Midland region (29.0 per cent). The highest rates of labour in the fifth income group belong to the Southeast region and the Mekong River Delta, 40.6% per cent and 24.2 per cent, respectively. This stratification of income depends on the natural conditions and characteristics of commodity production of each region. Most rural workers working in agriculture in the Southeast area and the Mekong River Delta have beneficial conditions to develop their commodity production mode on a large scale while in the Red River Delta and the Northern and Central Mountains and Midlands, land is limited, the population is large, and agriculture activities are small scale.

0.00% 10.00% 20.00% 30.00% 40.00% 50.00% Noth mountainous region Group 1 (below VND 133 thousand/week) Red River Delta ■ Group 2 (VND 133-233 thousand/week) North Central and South Central ■ Group 3 (VND 234-349) Coast thousand/week) Group 4 (VND 350-498) Central Highlands thousand/week) Group 5 (Over VND 499 Southeast region thousand/week) Mekong River Delta

Figure 21: Income of rural labour by economic zone in 2009 (%)

Source: LFS 2009

From the end of 2008 and in the first months of 2009, due to the negative impact of the global financial crises on Vietnam, a lot of employees lost their jobs. In 2009, about 133,262 employees lost their jobs nationwide – the figure after the first six months of the year alone

accounted for 80.5 per cent. In the rural areas, 40,348 workers in craft villages lost their jobs and over 100,000 people were underemployed.²¹.

2.5. Employment creation in rural areas meets many challenges

From 2006 till now jobs have been created for 6.5 million people nationwide. This fulfils 81.2 per cent of plan for the whole period of 2006-2010²² and has contributed to the reduction in the unemployment rate in urban areas – the rate in 2008 was 4.65 per cent, exceeding the target of less than five per cent in 2010. Over 90 per cent of jobs were created in non-state economic sectors. Over 70 per cent were in industrial and service sectors and over 60 per cent were in provinces and cities in the three major economic zones.

Nowadays, the labour supply continues to increase annually with the rate of population growth at 1.14 per cent per year. With the population increasing at this rate, about 1.6 million people per year look for jobs. Between 2000 and 2009 the demand for jobs of rural labourers as increased on average by 550,000-650,000 people per year. The loss of agricultural land has "endangered" the capacity for creating jobs in rural areas. On average, 72,000 hectares are lost each year to urbanization, industrialization, and the development of industrial zones. The establishment and development of industrial zones, urban zones, and infrastructure upgrading also helped create jobs for about 4.95 million people.²³

By January 1, 2009, the total number of enterprises operating in the agriculture, forestry, and fisheries sector was 7,266. This accounted for only 4.2 per cent of total number of enterprises. The employment creation capacity in this sector is very low, making up only 4.9 per cent of the total labour force. 1.2 per cent of total working capital, 1.9 per cent of value of fixed assets, and 0.8 per cent of revenue. Most enterprises operating in agriculture, forestry, and fisheries sector are supersmall enterprises (below ten employees) or small and medium enterprises (10-300 employees). These enterprises represent up to 96.9 per cent of the total enterprises in rural areas. An existing paradox in rural areas is that scale of enterprises operating in the dominant sector (agriculture, forestry, and fisheries) is very small. Furthermore, the number of enterprises located in rural areas also makes up only 30 per cent of total enterprises even though a large proportion of labourers live in rural areas²⁴.

50

²¹ MOLISA, Report on the Implementation of National Target Programme on Employment in 2009 and 2006-2010 period.

MOLISA, Report on the Implementation of National Target Programme on Employment in 2009 and 2006-2010 period.

²³ 2006: 1.65 million people, 2007: 1.68 million people, 2008: 1.615 million people

²⁴ GSO. Vietnam enterprises in the first nine years of 21st century, page 3.

Table 19: Employment growth rate in Vietnam

	1991	1995	2000	2005	2006	2007
Job (million)	30.1	30.3	37.6	42.5	43.3	44.2
		1991-95	1996-00	2001-05	2006	2007
Average employment increasing rate per year (%)		2.35	2.63	2.49	1.9	1.9

Source: UNDP (March 2010), Getting to Work – research topic: Labour Market, Employment and Urbanization in Viet Nam: Lessons from International Experience, page 45.

Every year in rural areas only about 400,000 new jobs are created, of which 85 per cent belong to the agricultural sector. 25

Employment growth in agriculture has been low: on average each 1% rise in output has generated only a 0.17% increase in jobs, and since the burst of early doi moi agricultural growth in the 1990s, the elasticity has been zero or negative, meaning that agriculture is rapidly becoming less labour-intensive. In 2000-2008, while 7.5 million jobs have been created overall, agriculture's contribution has been negative (-0.6 m jobs, -8% of total job creation).²⁶

Table 20: Vietnam's employment growth rate by sector, 2000-2008²⁷

	Proportion out of labour	Proportion out of employment	Number of newly- created employment from 2000	Contribution on employment growth
	2008 (million)	2008 (%)	Million	%
Employment	44.9	100	7.3	100
Agriculture	23.6	52,6	-0,6	-8.2
Manufacturing	6.3	14	2.8	38.3
Mining	0.4	0.9	0.1	1.4
Service	14.6	32.5	5	68.5

Source: ADB

The challenges to labour and employment in rural areas are rooted in the gap between supply and demand. This is common in labour markets. Rural labour supply is still very abundant while the

²⁵ Bui Quang Dung et al, Some Issues on Rural Development 2009: Rural Labour and Employment.

²⁶ UNDP (March 2010), Getting to Work – research topic: Labour Market, Employment and Urbanization in Viet Nam: Lessons from International Experiences, page 46.

²⁷ UNDP (March 2010), Getting to Work – research topic: Labour Market, Employment and Urbanization in Viet Nam: Lessons from International Experiences. Note: The definition of employment by the ABD may be different to the definition used in the report.

demand for such labour has not changed much since agriculture is gradually losing the capacity to generate new employment.

The changes affecting employment creation in agricultural sector seem to be happening in a negative direction (shrinking agriculture production land), while the transformation in agricultural production identities continues without any breakthroughs.

Although job opportunities continue coming from the industrial and service sectors, rural labourers themselves still cannot adapt to this change. Shifting too fast into these new sectors could result in social shock on a large scale. This fact has been proven worldwide. The pledges of investors often do not bring about the results that local authorities and residents in many localities expect when they shift from agricultural to industrial and export processing zones.

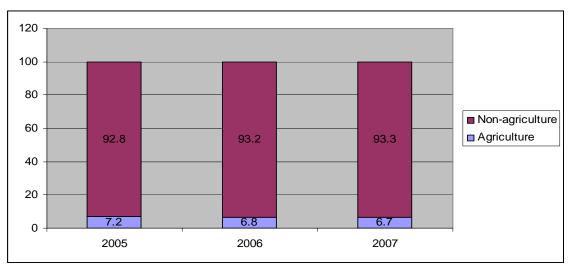
2.6. Investment in agriculture and rural areas is low

Investment in agriculture and rural areas plays a socio-economically significant role. In terms of labour and employment in this area, attracting investment is essential in order to create more jobs; promote economic structural change, improve working conditions, and heighten labour productivity. However, the current growth rate of investment attraction in rural areas in recent years has been rather low and the capital structure has not changed markedly.

In contemporary Vietnamese rural areas, more than 60 per cent of the total population lives on agricultural production. These areas annually contribute more than 20 per cent to the GDP. However, investment levels are low, less than 10 per cent of total social investment capital is invested in these areas. Investment capital in rural areas is predominantly concentrated in agriculture and irrigation (occupying more than 80 per cent). Investment in social and civil infrastructure accounts for less than 5 per cent.

From 2005 to 2007, although the amount of investment increased steadily, the proportion of investment in agriculture in total tended to decline. In 2007, investment in agriculture, forestry and fisheries from the State budget reached 13.845 billion VND, a 9.6 per cent increase compared to 2006 and a 19.5 per cent increase compared to 2005. However, investment density in this area has been decreasing. In 2007, investment in this area occupied only 6.7 per cent, a decrease of -0.1 per cent compared to 2006 and -0.5 per cent compared to 2005.

Figure 22: Distribution of investment from the State budget by sector, 2005-2007 (%)



Source: GSO, 2007

Agricultural and rural development is one of fields that Vietnam gives the top priority in attracting and using ODA. Committed ODA capital in this field in the period 1993-2008 reached the total value of 5.5 billion USD and accounted for 15.66 per cent of theoverall structure of ODA capital.

Agriculture and rural development combined with poverty reduction 13.11% 15.66% ■ Energy and Industries 3.32% □ Transportation, 8.90% Telecommunication 21.78% ■ Water supply and urban development ■ Health care, Education and Training 28.06% ■ Environment, Science and Technology

Figure 23: Committed, signed and disbursed ODA in the period 1993 – 2008 (million USD)

Source: Ministry of Planning and Investment

In 2008, committed ODA capital was 5.4 billion USD. In 2009, at the Consultation Conference for Vietnam's donors, the amount of sponsorship was announced to be five billion USD – a decrease of 8.0 per cent compared to the committed amount in 2008.

Among ODA projects for agricultural and rural development (combined with famine eradication and poverty alleviation) there have been many large-scale initiatives such as: projects on poverty alleviation in the Northern Mountainous region; community-based projects on rural infrastructure development; projects on livelihood development in the Central region; rural water supply programmes; rural transportation programmes; irrigation programmes in the Mekong River Delta; and many others. Such projects have been contributing to the development of rural areas and

have been notably improving the living conditions of populations in isolated areas and ethnic minorities. The projects have been especially effective in providing access to public services in the fields of health care and education.

In addition to ODA capital, there are more than 600 international NGOs operating in Vietnam with annual sponsorship of up to 200 million USD. These NGOs assist in various fields directly related to people's lives in rural areas.

During the period from 1993 until the end of October 2008 the total amount of disbursed ODA capital reached 22.065 billion USD. This was 52 per cent of the total amount of committed ODA and 62.65 per cent of the total signed ODA. Over the years, the speed of ODA capital disbursement has improved; however, it still has not reached the goals proposed in the five year socioeconomic development plan and the disbursement rate has been lower than the world average.

In recent years, FDI capital has been making a great contribution to Vietnam's GDP. FDI has increased the value of industrial production and export turn-over. With these achievements, FDI has been become a part of the Vietnamese economy. It is a supplement to investment resources for development and enables transformation of the economic structure.

2008 marked a record for FDI attraction in Vietnam. By 12 December 2008, there had been 1,173 newly registered FDI projects with the total amount of capital reaching 60.3 billion USD – 3.3 times greater compared to that of 2007 (21.35 billion USD). According to the Department of Foreign Investment: Ministry of Planning and Investment, in 2008, FDI enterprises contributed 1.982 billion USD to the State budget (a 25.8% increase compared to 2007). This created an export turnover of 24.465 billion USD and occupied 40 total national export turnovers. In the same year, the FDI sector also created more than 200 thousand new jobs by increasing the number of employees working in FDI projects to 1.467 million people. This was an important contribution to solving employment issue.

Figure 24: Distribution of FDI capital by sector in 2007

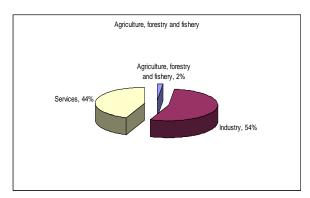
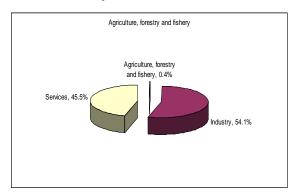


Figure 25: Distribution of FDI capital by sector in 2008



Source: Department of Foreign Investment, Ministry of Planning and Investment

Although, many incentives have been offered to FDI projects in agriculture, forestry and fisheries, the high risk faced when investing in this sector has led to a limited investment attraction. In 2008, 45 projects were newly licensed in this area with 252.05 million USD of total capital. These projects occupied only 3.84 per cent of total projects and 0.42 per cent of total registered capital.

From 1988 to 2008²⁸, the agriculture, forestry and fisheries sector attracted only 976 FDI projects with the total capital of 4.79 billion USD. These accounted for 9.95 per cent of the total number of projects and 3.2 per cent of total amount of registered FDI capital. The agriculture and forestry sector alone had 838 projects with 4.33 billion USD of registered capital. The fisheries sector had 138 projects with about 470.01 million USD.

Overall, from 1988 until 2007 agro-products and food processing projects occupied the largest proportion (53.71 per cent) of total registered capital in the entire sector. Projects running effectively included: sugar-cane, sugar and rice processing; wheat flour production; cassava processing; and vegetable cultivation and processing. Forest planting and forest product processing projects occupied 24.6 per cent of the total registered capital of the sector. Breeding and livestock feed processing, occupied 12.7 per cent followed by cultivation which accounted for only 9 per cent of total projects.

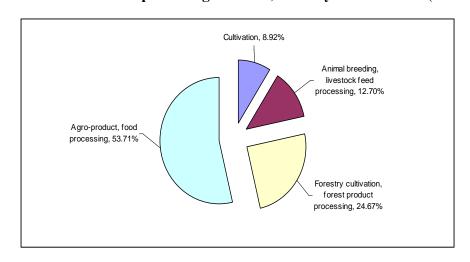


Figure 26: Distribution of FDI capital in agriculture, forestry and fisheries (1988-2007)

Source: Bureau of Foreign Investment, Ministry of Planning and Investment

FDI projects in the agriculture, forestry and fisheries sector are concentrated mostly in the South regions. The Southeastern region occupies 54 per cent of the total registered capital of the whole sector, the Mekong River Delta has 13 per cent, and the South Central Coast has 15 per cent.

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²⁸ The Department of Foreign Investment: figures counted by December 19, 2008, and counted for valid projects only.

The North and the Central regions occupy a small amount of investment capital, even the Red River Delta only has five per cent of total registered capital of the whole country.

So far, there have been more than 50 nations and territories who have directly invested in agriculture, forestry and fisheries in Vietnam. Of these investors, Asian countries account for 60 per cent of total licensed capital in agriculture (Taiwan, China alone occupies 28 per cent). EU countries significantly investing in Vietnam include France (eight per cent) and the British Virgin Islands (11 per cent). Some countries with highly developed agriculture (the US, Canada, Australia) have not actually invested in Vietnam's agriculture.

FDI capital has a very significant role, especially in situations where the State budget is limited and the ODA capital resource decreasing (as in recent years). However, since the FDI capital resource has been continuing the trend of concentrating on some certain locations, especially big cities like Ho Chi Minh City, Hanoi, Binh Duong, and Dong Nai, the possibility of having a direct and positive impact on the socio-economic conditions of rural areas suffering difficulties is not considerable. At the same time, adverse and direct effects on rural residents surrounding urban areas can be seen as the loss of agricultural land and environmental issues are very tremendous²⁹.

In addition to high-risk and low profitability, attracting investment in agriculture and rural areas has been happening at a sluggish speed due to limitations in the investment environment. These limitations mainly relate to the quality of human resources, infrastructure, manufacturing premises and materials.

To better improve the investment environment in agriculture and rural areas, in May 2010 the Government put into effect Decree No.61/2010/ND-CP on Incentive Policies for Enterprises Investing in Agriculture and Rural Areas. This decree clearly stipulates preferential policies on land attainment, investment support, and special investment incentive fields. Investment incentives include human resource training, developing markets, consultation services, scientific and technological support, and assistance with transportation fees.

With respect to land-use incentive, an investor with an agricultural project eligible for special investment incentives using land allocated by the State is entitled to exemption from land use levies for this project. Investor with agricultural projects eligible for other investment incentives are entitled to a 70 per cent reduction of the land use levies payable into the state budget for these investment projects. Investors with an agricultural projects eligible for investment promotion using land allocated by the State are entitled to a 50 per cent reduction of land use levy payable into the state budget for these investment projects.

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²⁹ AgroInfo (2008). Research on Effects of Carrying out WTO Commitments on Some Primary Socio-Economic Issues and Rural environment.

Regarding support in human resource training, investors with special investment projects in agriculture may be supported at different levels depending on the size of their projects (super small, small, medium). Alternatively, they may be supported for 50 per cent of the total cost of domestic vocational training based on existing regulations. At maximum, each labourer may take part in a vocational training course once a year with the training duration not over six months.

Investors with agricultural projects eligible for special investment incentives are also supported in market development as they are entitled to state budget support equal to part of their advertising fees and attendance for domestic exhibitions. The State budget support is equal to 50-70 per cent of the total fees.

Also, investors with agricultural projects eligible for special investment incentives are entitled to state budget support equal to part of the freight transportation for the products of these projects. The incentive applies to transportation of products for domestic sale from the place of production to the place of sale, provided the distance between these places is 100 km or longer. State budget supports can equal 50 per cent of the actual freight but must not exceed 500,000,000 VND per enterprise per year and may be allocated only for investment projects with adequate valid documents and bills of lading.

The poor ability to attract investment resources has reduced the strength of socio-economic development in agriculture and rural areas. This has corollaries in the areas of labour and employment. There has been no specialized research clarifying this issue; however, the capacity to transform the economic and labour structures in agriculture and rural areas may be slowed due to this fact. Labourers have fewer opportunities to change their occupations, improve their skills or increasing their income.

2.7. Migration and its corollaries to rural employment

Firstly, it's necessary to highlight that there is a systematic shortage existing in research on migration in Vietnam. The impacts of migration are ignored or cursorily evaluated, especially out-migration flow in rural areas. Recently, the best usable migration data is the Survey on Migration in Vietnam conducted in 2004 by the GSO. The 2009 Population and Housing Census also collected information on internal migration. However, it should be noted that the data gained from this census is not data on actual migration but only data on migration across governmentally determined administrative boundaries³⁰. Other related studies have also mentioned this issue somewhat, but

internal migration. A person is considered a migrant if his/her current permanent residence at the time of survey and that of 5 years prior to the survey are not in the same administrative unit at commune level.

The 2009 Census collected information on migration through questions about place of usual residence in the 5 years prior to the survey for people aged 5 and above. The main purspose of this Census is collecting information on

figures provided by these studies are generally old and not suited to this report's goal of clarifying impacts of migration on rural areas.

Regarding the current situation of migration, data from the 1999 Population and Housing Census showed that the movements of inter-provincial migration and migration from rural to urban areas occupied a large proportion of the total number of migrants. During the period of 2004-2009, the number of migrants increased by more than 2.2 million people compared to the period of 1994-1999 – the number of migrants increased dramatically with migration distance. This represents the interrelationship between migration and economic development. From 2004 to 2009 a large increase was seen in the number of industrial and processing zones built in numerous locations throughout the country. These production facilities required skilled labour. At the same time, people were moving in large numbers to cities and urban areas to find employment in order to earn a living. This phenomenon is regularly found in developing countries.

The 2009 data also reveals that the migration intensity of the period 2004-2009 was always greater than that in the period 1994-1999. Inter-regional migration had the highest growth rate, from 19 people per thousand up to 30 people per thousand. Inter-provincial migration also had a relatively high growth rate, from 29 people per thousand to 43 people per thousand.

Of all migration forms, inter-regional migration plays a specially significant role. It directly affects not only population growth and labour structure transformation, but also socio-economic and political issues in both migrant-sending and migrant-receiving areas. Clearly identifying net in-migration and net out-migration regions is important for the implementation of policies on migration and as a basis for planning population and employment strategies in the next period.

The 2009 Population and Housing Census shows that there are only two in-migration regions; the four remaining regions are out-migration regions. The Central Highlands and the Southeast have continued to attract migrants. However, the intensity of migration to the Southeast and the Central Highlands has reversed. The net migration rate into the Central Highlands has dropped considerably, from 76 to nine per thousand inhabitants, while in the Southeast it has increased 2.5 times, from 49 to 117 per thousand inhabitants. The Southeast, which includes Ho Chi Minh City, is the core of the economic "engine", an attractive destination area for workers throughout the country. It is important to note, however, a substantial number of migrants to the Southeast migrate to pursue their studies or obtain training to improve their qualifications.

The reasons for migration to the Central Highlands appear to be quite different. The population density in the Central Highlands is still low, and arable land is still abundant. This region attracts rural migrants from the Northern provinces who come in search of land to cultivate in order to produce agricultural cash crops for export such as coffee, rubber and tea.

As for the remaining 4 out-migration regions, three have seen increases in levels of net out-migration rates (in absolute value) over the decade between the censuses. The Mekong River Delta net migration rate has quadrupled in absolute value going from -ten to -42 per thousand inhabitants. This is followed by the North and South Central Coasts (almost doubling in absolute value from -19 to -38 per thousand inhabitants), the Northern Midlands and Mountains (almost doubling in absolute value from -ten to -18 per thousand inhabitants). Only the Red River Delta has seen a decline in absolute value of net migration rates (from -11 to -two per thousand inhabitants). The Red River Delta contains the capital city of Hanoi and has also been attracting a large number of migrants over the past ten years.³¹

The report on Rural Labour Market and Migration (ADB, March 2007) analyzed the impacts of rural labour migration on the reallocation of the household labour force. Accordingly, migration from rural areas to urban areas has not directly affected agricultural labour demand because agricultural work has been undertaken by those who remain behind. The research also drew a similar conclusion with non-agricultural labour demand as they believed that the people who remained behind in households had to work more to compensate for the migrants who left.

Migration from rural to urban areas has become more common but is not recorded in official documents. This workforce is mostly seasonal labour working in informal sectors. In general, this labour force has importantly satisfied the demand of manual and unskilled occupations in urban areas. However, most of them have been "excluded" from essential legal support as well as social welfare policies. Nguyen Huyen Le's research³² addressed some risks faced by these labourers. The risks include: (i) Being exploited and deceived; (ii) Facing difficulties with accommodations; (iii) Risks of drug addiction, prostitution, gambling or mortal diseases like HIV/AIDS; (iv) Health risks; (v) Difficulties in accessing and using basic social services.

The UNDP's report on *Internal migration and Socio-economic Development in Vietnam: A Call to Action* (July 2010) emphasizes that,

Often, excluded migrants are especially in need of public services because of increased economic and social vulnerabilities linked to their internal migration. For example, many unregistered migrants work in the informal sector and live in unhygienic and unsafe housing, making them more susceptible to health risks. Despite this vulnerability they have little income to pay for out-of-pocket health services.

The UNDP calls for reform of the household registration system in order to remove institutional barriers to migrants' access to basic services. Migrants who are not registered are not eligible for poverty reduction and welfare programmes at their destination area.

³¹ GSO (2010): Population and Housing Census 2009, Migration and Urbanization, page 75-78

³² Nguyen Huyen Le, Institute of Labour and Social Affairs, Risks to Migrating Workers and Some Recommendations.

Looking at the situation from many different angles, migration currently has many positive impacts on the socio-economic development of the migrants' departure areas. Households whose members are migrants benefit through the receipt of remittances. However, opportunities for internal migration have greatly contributed to challenges for these families as well.

The departure of a family member who migrates affects those remaining behind in many ways. Dependents that are left behind may be disadvantaged by the absence of a caregiver, though they also may benefit from increased income or gifts that migrants send home. Both of these impacts have been found in studies of the elderly and of children left behind in Vietnam and other countries. Whilst some elderly dependents feel lonelier as a result of the departure of migrant family members, they also feel more satisfied because of the additional financial support they receive³³. For children, the absence of one or both parents can be linked to adverse impacts on health and school performance.

Another social impact of migration that should be leveraged is the opportunity for women's empowerment. Research suggests that internal migration can contribute to gender equality through the redistribution of household responsibilities between men and women while one spouse is away. For example when a male spouse migrates, the female spouse may take on more of the productive workload and financial control of the household, which may lead to more equal gender relations within the household.³⁴

Migration is a natural phenomenon which goes hand-in-hand with socio-economic development. Obviously, migration should not be seen as an impediment to development. However, neither is it a panacea for poverty or income inequality. It is noticeable that migration offers both opportunities for development as well as challenges. Internal migration can contribute to economic growth, both on a national scale as well as at the household level. Therefore, to solve problems in the areas of labour and employment, we need to examine the impact of migration on both communities in destination areas and areas of origin as well.

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³³ Institution of Sociology, *Study on the Impact of Migration on Left Behind Families*.

³⁴ ADB (March 2007): Rural Labour Market and Migration, page 13

Chapter 3: SKILLS, LABOUR PRODUCTIVITY AND EMPLOYMENT CREATION FOR RURAL LABOUR

3.1. Skills and labour productivity of agricultural labour

According to the GSO,³⁵ by 2009, unskilled labour still accounted for 40.3 per cent of the total working labour force while 18.5 per cent of the labour force worked in the agriculture, forestry and fisheries sector. These figures demonstrate the weaknesses in the existing rural labour market in Vietnam.

The unskilled nature of rural labour may be seen in many characteristics, such as: (i) vocational training duration, (ii) type of work, (iii) skill requirements, and (iv) income. For example, most agricultural workers are working based on experience and tradition instead of scientific and technological knowledge. In many provinces in the Southeastern region, a high-quality rice production model is being experimentally established. This model requires farmers to be equipped with higher labour skills than their current ones. However, this model of production is limited to a pretty small number and certainly has not been applied nationwide yet. Consequently, this is only one of solutions needed in order to improve farmers' skills.

3.1.1. Labour skills of agricultural workers

In rural areas, agriculture may be regarded as an occupation "descended from upper to lower generations." From generation to generation, most rural workers work by the sheer force of habit, using life experience and simple labour skills. These factors are contributing to the decline in labour productivity in the agricultural sector. To improve the living conditions and income for farmers, vocational training is considered a solution. A solution, albeit, that attracts many arguments about its feasibility and effectiveness.

Table 21: Understanding and fluency of farmers in agricultural production (%)

	Un	derstanding			Fluency			
Activities	Understand	Slightly	Don't					
Activities	well	understand	know	Fluent	Relatively	Not		
					fluent	fluent		
Cultivation techniques	68.5	30.4	1.2	67.2	28.2	4.6		
Livestock and poultry	36.4	19.7	43.9	28.0	21.4	50.6		
breeding techniques								
Fishing techniques	51.0	43.3	5.7	40.9	43.2	15.9		
Aquaculture techniques	6.4	28.3	65.3	5.5	15.5	79.0		
Mastering farming schedule	15.4	30.0	54.6	11.0	17.6	71.4		
Harvesting crops (not include	58.4	38.9	2.7	49.1	43.6	7.2		
fishing)								

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³⁵ GSO (2009), Population and Housing Census 2009, p106

Post-harvested preservation	59.1	38.6	2.4	50.8	42.4	6.8
techniques						
Market knowledge 36	23.9	47.1	29.1			

Source:???

The majority of farmers questioned claim that they have quite a good understanding of agricultural activities. However, their understanding mostly concentrates on techniques of cultivation and production which are strongly experiential. To enhance labour productivity in agriculture and improve farmers' incomes, large scale agricultural commodity production models and high quality agricultural goods are important.

In Vietnam, liberalizing agricultural markets induced many subsistence farmers to become more market oriented. Two-thirds of smallholders previously engaged primarily in subsistence farming entered the market. Their poverty rates fell drastically, and their incomes almost doubled, while the production of high-value and industrial crops rose. Agricultural sales increased more for households with larger land endowments and those closer to markets or with non-farm industries in their communities. Households engaged in subsistence farming that did not enter the market were more likely to diversify their income sources outside of agriculture, with poverty rates in those groups falling as well.³⁷

In addition to knowledge, workers require fluency to build labour skills. In other words, knowledge relates to theoretical aspects while fluency relates to the practical ones which are the determining factor of labour skills. Results from the evaluation on fluency in specific agriculturural activities may identify skills of recent rural labour.

Vietnam has no standardized tool set to assess professional skills of many occupations, especially occupations related to agricultural sector. If relying on farmers' self-evaluation, their skills are quite good. However, it's difficult to ensure that there are no disadvantages to the labour skills of farmers, especially when they are farming experientially. This fact may explain the paradox in which local experts in the Southeast see post-harvest preservation as the weakest step in the production process although nearly 60 per cent of questioned farmers believe that they understand post-harvest techniques and 50 per cent are fluent in this step.

Preservation after harvesting is the weakest phase in current rice production process. Traditions in production of people in the Mekong Delta and that of people in Red River Delta are quite different, so keeping rice after harvesting is unusual in the Mekong Delta because we often sell rice right in the fields. We do not know whether the price is high or low, but rarely do we preserve rice at home. Recently, some large farms have been considering rice preservation, and they can keep rice for quite long time though their process is mostly manual. In general, this step is the weakest one in harvesting, it takes place after the sun-drying or desiccation step, but in fact, there are not enough grounds to dry rice while desiccation is even more complex because it requires a big investment in machines and equipment. Actually, to invest in the desiccation process is a considerable issue because if you buy a set of machines for family use only, it is impossible; however, if you invest and offer services to other farmers, it is more ineffective since one year you can use the machines for several days, not to mention

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³⁶ Regarding knowledge about the market (evaluate understanding level only, not fluency).

³⁷ WB, World Development Report (2008), Agriculture for Development, page 112

the fact that shining days, there are no customers but in rainy day, people flood into your farm and your machines will be overloaded.³⁸

80 70.7 60 51.9 43.5 40 37.9 23.1 20 0 **NGOs** Mass media Agricultural Friends, Factual Descent from Association Enterprises neighbours experts experience generation to and local generation government officiers

Figure 27: Sources of agriculture production information (%)

Source:???

Currently, there are various sources providing information for agricultural workers to use in their farming; however, for most of interviewees, their agricultural production has remained experience-based (70.7 per cent). The role of agricultural experts has been increasing but is still not outstanding in comparison to experience transferred from generation to generation or from friends and neighbors (55.4 per cent in comparison to 51.9 per cent and 43.5 per cent).

Over the past five years, the cultivation skills of almost all surveyed rural workers have got better (82.6 per cent). The cultivation skills of 14.4 per cent have remained unchanged and 3.0 per cent have got worse. Similarly, in the area of breeding, skills of farmers have also improved in comparison to the five previous years (71.8 per cent). With respect to breeding skills 21.5 per cent remain unchanged and 6.7 per cent have got worse.

To enhance labour productivity in the agriculture sector, the role of mechanization is very important. However, the current mechanization level in agricultural production in Vietnam has been limited. The scale of mechanization is small and differentiated among different kinds of plants and production steps. Besides, mechanization in agricultural production goes along with the development of agricultural commodity production on a large scale.

Of the nine surveyed provinces, the level of mechanization in Dong Thap and Vinh Long had the biggest difference from the rest of the provinces.

Table 22: Mechanization level in cultivation in 9 provinces (%)

Province	Mostly	Partly machinery	Totally manual	Not suitable ³⁹
	machinery using	using		

³⁸ Official, Department of Agriculture and Rural Development, Dong Thap province.

³⁹ For households who do not take part in cultivation.

Ha Nam	11.7	85.5	2.8	0.0
Vinh Phuc	1.7	77.2	21.1	0.0
Yen Bai	5.6	67.4	27.0	0.0
Quang Binh	18.3	34.4	36.1	11.1
Quang Tri	0.6	77.2	21.7	0.6
Quang Ngai	8.3	72.2	18.9	0.6
Binh Duong	1.1	14.4	50.0	34.4
Dong Thap	38.0	52.5	9.5	0.0
Vinh Long	39.3	49.4	11.2	0.0

Source:???

In the cultivation process, there are many steps can be done by machines such as transplanting, irrigating, harvesting and drying. In the Mekong River Delta, machinery may be used for almost all steps while in the Northern and Central provinces, it's not easy to use machines – especially the harvesters. In some provinces in the Red River Delta, machines have been applied to agricultural production but their effectiveness is not sufficient due to the scattering of the land, out-of-date production customs and separated intra-field transportation system. Binh Dinh'sstrength is that agriculture in rural areas does not focus on rice production but rubber tree cultivation. Thus, occupational activities related to rubber trees, especially the step of latex exploiting, are mostly done manually.

In many rural areas the number of hired workers has been more and more plentiful. Unlike the Southeastern region, employed work in the Red River Delta is trivial and unprofessional. Well-off families may remain in agricultural production but they hire others to do most steps. Hence, costs of agricultural production may be higher than gained profit. This process contains many risks as families employing hired labour do not master the needed labour skills to do the work themselves. This leads to low labour productivity and high production costs. The income of households employing agricultural workers in the Red River Delta is gained from many different sources such as salary and income from non-agricultural occupations. Some families having migrating members. When crop seasons come, migrants often come back home to assist with in agricultural work.

According to an officual from Ha Nam province, "because the area of agricultural land is very limited, about 432 m² per capita, rural workers flood into Hanoi to find other jobs, and when the harvests come, they ask only for one week off to turn back to their hometowns to harvest a crop or two weeks if they have to transplant also. Hence, each year, they only need two breaks, each lasts about 15 days." Due to the seasonality of agricultural production, hiring workers in the booming crops is quite difficult though the hiring price has doubled each of the past two to three years. An official from the Department of Agriculture and Rural Development in Ha Nam province said:

In reality, some surveys conducted in rural areas say that labour force is excessive, but this statement is not true. In some localities, labour force is mostly females or the old. Totally, labour force in such localities is considerable but in fact there are no one except for the old and women because the young has moved to cities and just come back in Tet holidays. Sometimes, it's impossible to hire workers in transplanting or harvesting time

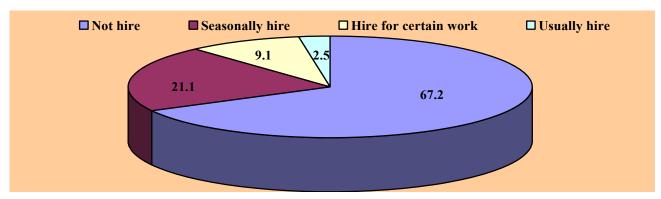


Figure 28: Hiring workers in agricultural production (%)

Source:???

Most activities in agricultural production are undertaken as a form of self-employment by the households. The proportion of households that seasonally hire labour is 21.1 per cent. Looking at this issue by the region, the Southern provinces have the highest proportions of seasonal hiring (33.1 per cent); the Central provinces are second (17.8 per cent); and the Northern provinces have the lowest proportion (12.4 per cent).

Looking at this issue by province, Vinh Long takes the leading position with the rate of 43.1 per cent, the second is Dong Thap (36.3 per cent), while the proportions in Binh Duong, Quang Ngai, Quang Tri are quite equivalent (about 20 per cent). Yen Bai is the province having the lowest rate of seasonal hiring (7.8 per cent).

According to one official in theDong Thap Department of Agriculture and Rural Development: "Hiring agricultural labour is very popular not only in Dong Thap, but also in the whole region of the Mekong River Delta. Households having little production land but much manual labour often become seasonal hired workers for other localities. In this province, they hire labour in many steps from transplanting, taking care of rice paddies, spraying insecticide, etc...to harvesting."

Agricultural occupational training for farmers has been identified as an important solution to improving labour productivity in agriculture. However, it is necessary to notice that this model should be flexibly applied in each locality, taking seasonality and learners' mentality into account.

Project 1956 sets up the goal to train 1 million rural workers each year. One third of this million should be trained for agricultural vocations. According to experts, this is a challenging figure. Firstly, it is hard to change production habits and customs which have rooted and been transferred from generation to generation for a very long time. Also, it is not easy to find suitable occupations for farmers. In addition, demand for being trained in agricultural occupations may not be able to compete non-agricultural occupations. Many training classes related to agriculture have been organized in provinces, but few people enrolled. If farmers did enroll there were just a few so the classes did not meet the requirement and couldn't be opened.

3.1.2. Labour productivity of agricultural workers

Labour skill is one of the important factors affecting labour productivity. The commodity value of the labour force in the agricultural sector is always priced lower than other labour commodities. Thus, to improve labour productivity in the field of agriculture, improving labour skill is one of many required tasks.

In addition to labour skill improvement, the acceleration of rural labour market development necessitates intensification of the circulation process. Labour transformation is essential because the labour productivity in agriculture will remain low if too much labour keeps concentrating in this sector. In fact, although the rate of unemployment of agricultural workers is low, the rate of underemployment is considerable. On the other hand, the long duration of free time from agricultural production leads to a state that is not unemployment per se but has similar socioeconomic impacts as unemployment. An official from the Quang Binh Department of Agriculture and Rural Development noted:

Farmers in Quang Binh have 3 months without working, their free time from agricultural work is plentiful because at this time of the year, the rivers are in flood, so the water cover everywhere, and the farmers can do nothing. Particularly, Quang Binh has carried out winter cultivation for 5 years, but the program still has not worked. Creating employment for Quang Binh farmers is very necessary, trying to make each village have one trade, but it's really hard to implement.

From 2000-2009, social labour productivity by economic sector in Vietnam increased three times – from 11.7 million VND per capita to 34.7 million VND per capita. The growth pace in the agriculture and forestry sector was 3.1 times – from four million VND per capita to 12.4 million VND per capita – and the figure in fishery sector was from 15.1 million VND per capita to 35 million VND per capita. Looking at all 18 economic sectors, social labour productivity in the agriculture and forestry sector takes second place from the bottom. When combined with the fishery sector, the rank just is seventh.

There are differences in social labour productivity by economic sectors among provinces. Accordingly, in provinces where agriculture still plays an important role, such as Dong Thap and Ha Nam, the social labour productivity is rather high: 67.13 million VND per capita and 58.5 million VND per capita respectively. However, 80 per cent of the productivity mentioned above is contributed by fishery sector while the number of workers working in this sector is minor with respect to the total rural labour force. In other words, social labour productivity in agriculture and forestry sector is very low due to the concentration of a large amount of labour in these areas.

Table 23: Social labour productivity by economic sectors, 2009 (VND million per capital)

	2005	2006	2007	2008	2009
Agriculture and Forestry	6.2	7.0	8.2	12.0	12.4
Fishery	22.1	24.3	27.6	33.5	35.0
Mining	259.0	265.5	274.6	328.7	346.2

Manufacturing	32.8	36.1	39.8	46.3	48.6
Electricity, gas and water supply	190.0	190.2	197.8	203.0	223.1
Construction	26.5	29.8	34.3	38.6	40.9
Trading	25.2	27.9	31.4	41.3	46.4
Tổng	19.6	22.2	25.3	32.0	34.7

Source: The calculation of social labour productivity is based on 18 different economic sectors, see more details at: http://www.gso.gov.vn/default.aspx?tabid=387&idmid=3&ItemID=9851

The low social labour productivity in the agriculture sector can be attributed to two basic factors. Firstly, the price of non-agricultural commodities increases more quickly than that of agricultural goods. Secondly, non-agricultural sectors attract more investment, so the pace of labour productivity growth in these sectors is also higher. In addition, that the social labour productivity in agriculture is low also reveals a fact that Vietnamese agriculture has been developing based on human force as the main resource while scientific and technological factors have been given limited attention, especially in regions outside the Mekong Delta.

Models of successful farmers are not scarce, but, the possibility of getting rich by doing agriculture cannot happen if farmers do not have important conditions such as capital, output market, land concentration, and scientific technological knowledge. Investment in agriculture may also be considered a kind of risky investment since this sector depends closely on natural forces.

In agricultural production, cultivation and breeding used to be considered two sides of one issue. In other words, there was a time when the model of household-based production was regularly represented by the formula: cultivation plus breeding. However, the scale of household-based breeding farms has been narrowed due to many different reasons although the transformation from cultivation to breeding has been encouraged since breeding itself is more profitable than cultivation.

The rapid decline in the scale of household-based breeding farms is related not only to the input costs, diseases, and output price, but also to the matter of rural labour. Unlike cultivation, breeding takes place year-round so it requires an available labour force to maintain the work (28.3 per cent compared to 90.2 per cent).

Results from the survey in nine provinces show that only 55 per cent of households are maintaining breeding as their main livelihood while 95.4 per cent of households are keeping cultivation as their main livelihood. The proportion of breeding at the household scale is highest in the Central region (72.6 per cent) and lowest in the South (32.4 per cent). Regarding cultivation, there have not been many changes in household cultivation. Up to 61.6 per cent of surveyed households have kept a steady production scale, 10.8 per cent have decreased their production scale and 27.6 per cent have extended their production scale. The Southern provinces have the highest proportion of households who extended their production scale (34.1 per cent). In the Northern

provinces the rate of scale decrease, compared to the previous 5 years, was higher than the remaining 2 regions (16.0 per cent).

In general, labour productivity in cultivation has increased compared to the five previous years (56.1 per cent). The rate of increase in the Central region is 62.2 per cent while the rate in both the South and the North is just over 50 per cent. That the increase in labour productivity goes along with the improvement in food price has been leading to growth in agricultural production profit (46.3 per cent). However, 25.2 per cent of surveyed households claim that profit from cultivation has declined when compared to that of five years ago. They claim that despite the improvement in food price because the factual cost of input materials and has risen so much the profit has decreased. Profit differences by region are quite remarkable. In the North, the proportion of households who claim that the profit increased (in comparison to that of the 5 previous years) is equivalent to proportion who claim that profit decreased (37.4 per cent and 37.8 per cent) – the rates in the Central region are 53.8 per cent and 21.8 percent, and 48.2 per cent and 15.1 per cent in the South.

Table 24: Monthly average income per capita by real price in income source in provinces, 2008 (VND thousand)

Province	Total	Salary/wage	Income from agriculture, forestry and fisheries	Income from non- agriculture, forestry and fisheries	Other
Yen Bai	636	198	249	92	97
Vinh Phuc	872	276	241	230	125
Ha Nam	740	202	239	153	146
Quang Binh	645	194	207	82	161
Quang Tri	660	211	200	142	107
Quang Ngai	659	226	163	151	119
Binh Duong	1929	746	323	521	339
Đong Thap	890	211	399	189	90
Vinh Long	899	251	327	177	143

Source: GSO, Statistical Yearbook of Vietnam 2009

Although the average income per capita gained from agricultural is not high, it is the largest contributing source to the provincial total income in five out of nine surveyed provinces (Yen Bai, Ha Nam, Quang Binh, Dong Thap, Vinh Long). This result reveals that agriculture is not only the major livelihood of millions of workers, but also a resource for economic development in many

localities. So, growth in labour productivity is synonymous with the possibility of significantly improving agricultural income.

According to the LFS 2009, the average income per capita/week of rural labour is 379 thousand VND – about 1.5 million VND per month. This figure seems to be pretty ideal if compared to the recent average income per capita of rural labour in many provinces. In fact, the average income of rural labour in many provinces has been much lower than the figures above. In 2008, the average income per capita of rural labour in Quang Tri just reached 612,9000 VND per month, in Quang Binh was 635,000 VND per month, while in Vinh Long, though average income per capita was higher, it only reached 930,300 VND per month and by 2009 the figure increased to 1,135,000 million VND per month.

That the income of rural labour in general and agricultural workers in particular is low correlates with four issues: (i) poor labour skills, (ii) low labour productivity, (iii) low labour labour commodity value, and (iv) high risk production. In the value chain of agriculture, most risks and loss are given to farmers. According to an official from the Department of Agriculture and Rural Development in Dong Thap province:

Previously, they bought unhusked paddy, but now they only buy rice. Actually, in business, the longer you keep goods, the higher level of risk you experience. For example, if I trade rice, I only buy and keep goods for several months and then I sell to others, but if I trade unhusked paddy, I have to keep my goods for a long time, so I do not know how price changes. Therefore, traders now only buy rice, polishing them up and exporting. By doing it this way, they shove the risk to farmers.

Research on rural areas globally identify three basic pathways for poor households in rural areas to get rid of poverty: agricultural economy, labour and migration. The three ways above at times seem in conflict with each other but in fact together they effectively enhance poverty alleviation in large areas.

In Vietnam, agriculture is considered the economy for the whole population since almost all of the labour force is concentrated in this sector. However, to get rid of poverty, people cannot rely on normal production activities or limited land conditions. Households that successfully get rid of poverty are mostly those who have accelerated the agricultural economy by intensive farming, multicropping, and applying technological advances.

Excessive labour may choose either to migrate to cities or to take part in the local non-agricultural economy. Incomes from the migration and non-agricultural activities not only diversify income sources for households, but also alleviate the risk that comes from the dependence on agricultural livelihood.

Diversifing income source for households is one solution for people to get rid of poverty and for agricultural producers to reduce risk. However, in rural areas, income diversification has not been an easy process, especially when all related factors such as economic structure, labour productivity, and attachment to the market are at low levels of development. Income diversification,

participation in non-agricultural economic activities and migration have a closely supportive relation in creating stability for the rural household economy.

Table 25: Income sources of rural households (%)

Income source	Frequency	Rate
Agriculture/Forestry/ Fishery	1620	100.0
Industry/construction	86	5.3
Business/ Trading	219	13.5
Salary/ waged worker	608	37.5
Administration, officer	79	4.9
Retired pension, social allowance	89	5.5

Source:???

Agriculture is the main income source for all households in general and for the majority of rural households in particular (87.6 per cent). In addition to income gained from agricultural production, 37.5 per cent surveyed households get money from paid work such as a salary or wage for workers. The above figure shows that although there has been income diversification in rural areas, the proportion of households having two income sources is not very high, households having three income sources or more are very few. Moreover, the two main and common sources of income, agricultural production and hired work, are low and unstable income sources. Stable income sources such as salary or high income source like business, trading, industry, or construction occupy a very modest proportion of the main income sources for most households.

Of the many challenges to agricultural production in rural areas nowadays, capital disadvantages and difficulties related to the weather and diseases are the biggest ones (62.7 per cent and 60.1 per cent). The Central provinces have the leading figure in both difficulties (73.1 per cent and 71.3 per cent). The Southern provinces are facing the biggest difficulties with human resources and market although the rates are not too high (28.7 per cent and 11.9 per cent). According to an official of the Department of Agriculture and Rural Development:

At rice harvesting time, delegations of Khmer people come to my province, Vinh Long, Tra Vinh and so on. People call them "hired Khmer people", they come everywhere rice is being harvested. Therefore, at that time the hiring price is cheap. However, recently, not only Kinh but also Khmer people have been moving to cities.

Low income for rural labour in general and agricultural labour in particular is one of the key factors leading to the reduction of agricultural production, even to the "field abandonment" happening in many rural areas. According to an official from the Vinh Phuc Department of Agriculture and Rural Development:

Communes cultivating corn, such as Dao Thinh, have abandoned their fields due to income pressure. Recently, when evaluating rice productivity, I realized that farmers in many places have abandoned their fields, they are not taking care of them any more. When asked, they answered that the payment gained from 2 days as a builder's assistant was equal to income of the entire crop season.

This is only one of the types of "field abandonment" happening in many rural areas. Unlike the Mekong River Delta, where rice is cultivated in both crop seasons, the Red River Delta often has an extra winter crop season (apart from the 2main crop seasons for cultivating rice) for cultivating vegetable like pumpkins, soya, and peanuts. Therefore, if abandoning production, farmers often ignore the winter crop season (considered an extra crop because of its short duration), and this form of abandonment is called "ungoing fields."

When households have better and more stable income sources, or not enough labour, they normally giving up agricultural production. Their agricultural land is left uncultivated, worked by hired labourers, or even sold. Some may continue to cultivate but narrow their land (using only the best areas) and turn back to the self-sufficient model, cultivating just enough rice for their daily meals. These households regularly employ workers, so it may be considered a kind of "field abandonment."

This phenomenon itself has contrasting impacts. On one hand, it is an opportunity for people who want to attach to agriculture – expanding their production to develop towards a commodity production mode through land concentration. However, on other hand, since that labour transformation is happening in a horizontal direction (moving to sectors with low and unstable income); it is becoming a social issue of concern. In the words of and officer of the Dong Thap Department of Agriculture and Rural Development:

Underemployed households become hired agricultural labour, some people even become hired right in their own land. To transfer to other occupations is quite hard, people having too little land are mostly poor, lacking knowledge. In fact, they cannot do well the most simple work, rice cultivating, so it is impossible for them to do highly technical work. The only chance is to train their children.

Moreover, if this transformation continues to "widely" occur, as analyzed above, it naturally leads to difficulties in implementing the targets of "rural – agriculture – farmers" strategy. Results from the survey in nine provinces reveal that the tendency to stop production, even give up agricultural production altogether is happening in animal breeding (47.5 per cent) and cultivation (39.5per cent.).

An officer of the Associaton of Farmers in Vinh Long province said:

If they had opportunities to change their occupation, they would quit doing agricultural production because income from this work is lower than the others. It is supposed that, after trained, they could work in a factory and earn at least 900 thousand VND, 1 million VND or more. Whereas, farmers earn nothing except for 2 seasons of rice, and they cannot improve their income since they have no extra work

Table 26: Number of family member in working-age and people fully participate in agricultural production activities (%)

Number of family	Number of people fully
member in working-age	participating in agricultural
	production activities

1 member	3.6	17.5
2 members	36.6	63.8
3 members	21.0	10.2
4 members	21.2	5.7
5-over 5 members	17.6	0.8

Source: ????

Obviously, there has been a strong labour movement from the agriculture sector to other sectors. The number of people fully participating in agricultural production in rural areas tends to decrease in families with more members. Each family mostly has one or two members involved in agricultural production (81.3 per cent). However, if labour transformation is not ensured by non-agricultural employment in localities, this turns into indispensable labour migration. Though labour migration has been demonstrated to offer positive effects both on migrant-sending communities and migrants themselves, it is necessary to notice that targets in rural development, will face many obstacles due to the shortage of a young labour force in many rural areas.

Figure 29: Distribution of age groups fully participating in agricultural production (%)

Source:????

Thus, it can be assumed that one of current characteristics of agriculture and rural areas is the "aging" trend. To deal with this situation, when implementing vocational training policies for rural labour, especially Project 1956, many provinces courageously classify trainees into different groups. Accordingly, workers under 35 will takes non-agricultural occupational training courses and workers at over 35 will be given priority for training in agriculturally related occupations.

It may be considered an adequate solution to the reality in many localities since, on the one hand, it can satisfy the demand of the people and , on the other hand, it also ensures that all goals and criteria set up for vocational training and employment creation will be achieved.

According to an official from the Dong Thap Department of Agriculture and Ruaral Dvelopment:

We also train workers at 40, even 50 because we want to deal with the abundance of their spare time, however, when recruiting workers, most enterprises do not recruit them, so many workers still are unemployed after trained. In general, such workers participate in training courses to reduce their free time, they do not move to other occupations.

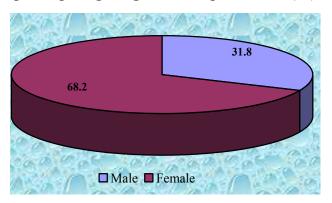
In addition to the trend of aging, agriculture in Vietnam, particularly in the Southern and Central provinces, has to face the difficult trend described as feminizing. In many rural areas, females take responsibilities for almost all agricultural work due to the fact that males have moved to find other non-agricultural work. An official from the Quang Binh Department of Agriculture and Rural Development stated:

In some areas in Quang Binh, females become main labour in agriculture. For instance, in Quang Trach, Bo Trach, Le Thuy, or in some craft industries like bamboo processing, palm-leaf conical hat making, most of workers are female. Currently, few workers are totally unemployed, but underemployed workers are many

Figure 30: Gender of the first member participating in agricultural production (%)

33.5 66.5 Male □ Female

Figure 31: Gender of the second member participating in agricultural production (%)



Source: ???

Of the surveyed locations, this trend has been blurry because of the existence of provinces in the Mekong River Delta (where agriculture is taking place under the mode of large scale commodity production so it requires more males) and some villages in the Central coastal region. While facing many risks in agricultural production, rural women also have to overcome family burdens, and even communal difficulties left behind by men. Moreover, unlike women working in salaried sectors, women working in agricultural production are not benefited from social insurance, health insurance system when they are pregnant or giving birth.

According to the ILO, labour in agriculture takes the third place with respect to the level of occupational danger. It ranks just after mining and construction. Workers directly working in agriculture often have to face with occupational risks related to working conditions such as contacting chemicals in pesticide, diseases, and dangerous machines and equipment. Additionally, safety precautions are inefficient and their knowledge about diseases and sanitation is poor. Those working in agriculture also have to deal with the situation of working without any legal support. Currently, in the world, the issue of improving working condition for rural workers has been given

much attention by many countries. In Vietnam, programmes on agriculture and rural development have been paying more attention to this issue.

About ten years ago, in many provinces in the Mekong Delta region, during the harvests, delegations of people moved from province to province to earn money by being hired to harvest a crop. However, in recent years, this flow has disappeared. It is not because of the end in demand of hiring manual labour nor is it due to the replacement of manual labour by harvesters. It is mainly because there are more and more labourers moving away from the agricultural sector.

Labour mobility from agriculture to non-agriculture or migration has demonstrated the ability to reduce difficulty and riskiness for agricultural production households. However, the association of the two issues with improvement of productivity and yield is more complicated. "The (temporary) absence of household members reduces the agricultural labor supply. Agricultural productivity can therefore fall in the short run but rise in the long run as households with migrants shift to less labor intensive, but possibly equally profitable, crops or livestock"⁴⁰.

Due to the concentration of labour in the agricultural sector, policies on rural development in many countries all focus on labour transformation by withdrawing young labour from the agricultural sector and accelerating the development of the non-agricultural economy in rural areas. Currently, Vietnam's policies are heading towards this direction. However, the following questions must be addressed:

- How do we withdraw labour from agricultural production and prepare for this process?
- What is the capacity of the non-agricultural sector for receiving labour?

The Government must make more policies about developing rural labour markets through improving the rate of trained labour, enhancing the status of rural labour and creating good working environments to increase labour productivity and improve the income of rural labour.

The trend of the gradually decreasing amount of agricultural labour is one of obvious expressions of the existing rural labour market in Vietnam. Results from the survey show that in comparison to the five previous years, the amount of labour in agriculture in all localities has tended to decline, especially in the cultivation and breeding sub-sectors. In comparison to five years ago, the proportion of labour participating in cultivation has decreased by 47.2 per cent. The highest rate of labour decrease was 22 per cent. Only 10.8 per cent of people surveyed people claim that the amount of labour in cultivation in their location tended to increase.

Not only do rural households withdraw their labour from agricultural production, but they even give up working in this sector. The proportion of households giving up breeding is higher than that of cultivation.

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⁴⁰ WB, World Development Report (2008), Agriculture for Development, p 94.

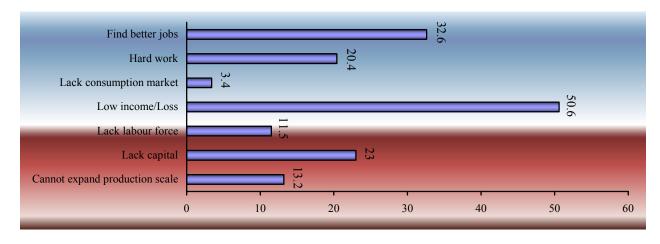
Table 27: Tendency of giving up agricultural production (cultivation and breeding) in rural areas (%)

Level	Cultivation	Breeding
Many households	12.3	17.1
Some households	27.2	30.4
Not any household	54.0	46.6
Do not know	6.5	5.9

Source: ????

It's difficult to evaluate how this tendency affects household income as well as the labour and employment market in rural areas. Normally, the result of this tendency is to create waves of labour mobility from the agricultural sector to the non-agricultural sectors. However, in the case of horizontal movement from the agricultural sector to low productivity non-agricultural sectors, there have been many policy-related issues that need to be solved.

Figure 32: Reasons for giving up agricultural production (%)



Source: ????

It is necessary to notice that there are positive signals in the movement away from agriculture as there is a relatively high rate of people who have stopped working in agricultural production founding order to find better jobs. A lack of capital is also a hindrance to the maintenance of agricultural activities, mostly in cases of large scale production or in aquaculture farming, which require a large amount of capital.

Low income and hard work are the main reasons that lead many parents in rural to guide their children away from agricultural work and toward other career paths. The survey shows that of the 1075 households having children under working-age, only 44 households (about 4.1 per cent) have the idea of letting their children continue in agricultural careers. According to an officer of the Association of Farmers in Vinh Long Province:

Doing agricultural production is not really hard but the income is too low. In addition, the duration of

the agricultural production season is not long, after the seasons finish, farmers have no work to do. To people who do not any extra work, they only stay at home and do nothing. Therefore, they encourage their children to learn other occupations, hoping that they will have better future since they see no future if keeping to pursue agricultural production. Especially, to the young, they have tried to find other occupations with higher incomes instead of continuing to dangle in their small lots of land.

Do farming Not do farming Have no orientation

43.1

52.8

Figure 33: Occupational orientation for children under working-age (%)

Source: ????

That Vietnam's reformation process has been taking place for nearly 30 years has brought about significant changes in socio-economic picture in rural areas. Agriculture has developed from a self-sufficient sector to become a commodity production sector with different levels of market access. The development and transformation processes in rural areas have also offered numerous non-agricultural occupation opportunities, depending on scale of production and level of market attachment. However, in general, most of non-agricultural economic activities in rural areas have been currently limited due to low productivity and a lack of sustainability. The non-agricultural economic sectors in rural areas will be strongly developed when the market attachment between rural areas and urban areas increases even more and they are linked to each other by a dynamic and effective labour market.

3.2. Labour skills and productivity of non-agricultural labour

With respect to the criteria for the creation of new rural areas, many of provinces admit difficulties in implementing the targets of labour transformation. They have a difficult time ensuring the proportion of agricultural labour to be under 30 per cent (up to single province). To get safe and effective labour transformation, equipping labour with professional and vocational skills (especially skills of adaptation to new social and labour environments) are significantly important.

Recent evidence of social shock in rural farmers who transitioned to non-agricultural employment reveals weaknesses in the implementation of the State's policies on vocational training and employment creation for rural labour. With the probable risks of migration, on-site professional transformation is considered the best solution.

Currently, such models of labour transformation in rural areas are quite popular, but their effectiveness varies. Non-argicultural professions have not been efficient enough to make a sustainable transformation. Many models such as projects on occupational transformation and employment creation for rural labour exist only for a short time due to the shortage of output markets and many other difficulties, especially lack of capital. In this case, non-agricultural labourers either try to return to agriculture or continue to look for other non-agricultural occupations, If policy changes are not made, the labour market may detrimentally affect the implementation of targets in programs of establishing new rural areas.

3.2.1. Labour skills of non-agricultural workers

The majority of labour transformation from the agricultural to the non-agricultural sector in rural areas has been happening in a horizontal direction with regards to labour skills. In other words, labour skills in agriculture are ranked as simple as those required of labour in non-argiculture in almost all localities. Many non-agricultural occupations require one thing of their labourers – sufficient health. Thus, it's not surprising that the duration of vocational training in manufacturing establishments/businesses in rural areas is very short and income from non-argicultural professions is not high. Much labour in rural areas is still aparticipate in agriculture while doing many other non-argicultural occupations. They consider the non-argicultural work as extra activities.

The simplicity and monotony of working may also obstruct the improvement of labour skills of non-agricultural workers. Thus, this group's occupational mobility is mainly horizontal and the differences in labour skills between a senior worker and a new recruit are not very noticeable. This fact even is true for rural labour employed as workers in industrial zones/clusters. The essential reason for the fact stems from the poor technological professional qualifications of rural labour.

According to a non-agricultural worker in Ha Nam province, "Income earned from work in industrial zones is varied, depending on enterprises. Some workers are paid two million VND, some earn three million VND. However, their work is manual and unskilled."

That the technological professional qualifications of rural labourers are poor affects not only their professional status, but also their ability to improve upon their status. Many vocational training programs for rural labour in general, and the poor and minorities in particular, have stumbled over difficulties caused by the limitation in the educational background of labour in this area. Though Vietnam is one of the most successful countries in implementing the Millennium Targets, especially in education, the number of schooling years of its working-age population has been quite low.

According to the UNDP, in 2002, the average number of schooling years of Vietnamese labourers was 7.48. In 2008, this figure just reached 8.30. "By 2020, according to these projections,

the average educational attainment of Vietnam's workforce will be 5 years lower than Malaysia and 2–2.5 years lower than China and the other SE Asian economies." ⁴¹

Results from the survey in nine provinces shows that 75.5 per cent of agricultural workers have completed grades one to nine, 20 per cent have completed grades one to five.

The educational attainment of non-agricultural workers is not any better than that of agricultural workers. Only 0.5 per cent of non-agricultural workers have attained a professional secondary certificate. More than 60 per cent of non-agricultural workers have completed grades 1-9

Poor labour skills leading to low labour productivity is a common issue faced by both agricultural and non-agricultural labour in rural areas. Differences in labour skills and income have been obviously reflected when comparing a non-argicultural worker working in the free sector to another working in industrial zones. Even for manual workers to become workers in industrial zones they are required to have at least a high school diploma which not every rural labourer can gain. Therefore, labourers having higher educational attainment usually get better jobs in their localities as well as in other regions.

Unskilled labour is a serious challenge not only to rural areas but also to urban and industrial ones. Exchanges at the Job Exchange mostly involve labour without technological professional qualifications. In Binh Duong, exchanges in December had about more than four thousand jobs, but only hundreds of jobs offered to workers having technological professional qualifications. Whereas, in Ha Nam, 259 workers got appointments to the second interviews at exchanges in November 2010, 109 were unskilled workers.

Combined results of labour demand at the 16th employment exchange session produced by the Centre for Employment Promotion of Quang Tri province in November 2010 show that the total of needed workers of extra-provincial enterprises was 6278 people, of which 5796 people were manual labourers. The total of needed workers for intra-provincial enterprises was 989 people, of which the number of manual labourers was 830. Similarly, on websites of Employment Promotion Centers in provinces, it's easy to notice the high demand for unskilled workers.

To improve the technological professional level for rural labour, there must be a demand for skilled workers from enterprises. If the labour demand for unskilled workers is high, vocational training and professional development will not be the priority for labourers. In addition, irrelevance between training and labour supply has lead to the fact that many trained rural workers cannot satisfy professional requirements of factories and companies. An official from Dong Thap province put it well:

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⁴¹ Research by Goujon&Samir (20006) cited in UNDP (2010), *Getting to Work.....* p50.

Actually, occupations which rural labour are trained for are suitable for creating employment right in the locality, for instance, making bamboo products or construction, but they are not useful when applied to factories or companies in cities. For example, in factories, they are used industrial sewing machines while rural people prefer to learn how to use ordinary sewing machines or they often choose to learn motorbike repair though only a few enterprises recruit for this occupation. Therefore, after being trained, they still work as manual workers.

For non-agricultural workers in rural areas, the vocational training process consists of short courses in the form of directed training in the workplace. This type of training does not result in a high income.

The survey reveals that 41.8 per cent of non-agricultural workers trained at one-month courses and 16.8 per cent have trained at 10-day courses. Simplicity of work is determined by the duration of time required to get fluent in working – sometimes this time is even shorter than the training duration. About 22.5 per cent of workers could be fluent in non-agricultural work after ten training days; 30.7 per cent could be fluent after 11-30 days; and 53.2 per cent could get fluent within one month.

The survey also shows that 59.3 per cent of questioned workers self-assess as very fluent in working. The proportion of those who self- assess as quite fluent is 24.2 per cent, and only a small proportion self-asses as not fluent.

Table 28: Training time, and time to get fluent in work of non-agricultural labour (days)

	Training time	Time to get fluent in work
Under 10 days	16.8	22.5
From 11 days to 30 days	25	30.7
From 31 days to 60 days	6.3	8.5
Over 60 days	51.9	38.3

Source: Phase II survey of non-agricultural labour

The above figures reveal that many non-agricultural workers experienced quite a long training period (over 60 days) and took a long time to get fluent in working. Of course, not all non-agricultural workers take urgent training courses yet they should still be required to meet certain standards.

The simplest but the most effective standard of trained workers is their fluency in working. Thus, the State's policies and regulations on vocational training should focus on standards of occupational output and the labour skills of workers instead of administrative regulations. In some provinces, when conducting vocational training activities, they find it difficult to recruit a sufficient number of trainees and ensure that all of them will attend the whole course.

That the number of trainees relates directly to the issues of course design and financial procedure has strongly affected progress and quality of vocational training. Besides, it obviously takes a different duration of time to train and get fluent in different types work. So, in order to provide adequate training the final criteria to identify training duration is the output standards of specific occupations. Equalizing the duration of all trainings for all occupations may offer administrative advantages, but it cannot ensure the training quality and inevitably leads to a waste of money.

An officer of the Department of Labour, Invalids and Social Affairs in Quang Ngai province said:

Some courses need only 2 months not 3 months, for instance, industrial sewing courses take 3 months, but bamboo production making courses need only 2 months, electrical technique courses require 4 months. Some trainees undertake the course in 1 month and a half, and then they find that they can do the work, so they quit class without taking exams, tests. In fact, these people do not need any certificate because they are 40-50 year-old women, they only need to know how to do the work not a certificate.

Economic factors are one of the most important reasons for intensifying migration and non-agricultural occupational activities in rural areas. However, unlike extra-provincial labour, intra-provincial non-agricultural labour has an essential strength which is working close to home. Results from the survey point out that up to 76.3 per cent of non-agricultural workers are people living in surveyed communes; 10.5 per cent live in surveyed provinces; and 9.5 per cent are extra-provincial workers.

Choosing a workplace near their home is the third of the most common reasons (26.6 per cent) for a non-agricultural worker to choose a job. This reason comes after the option of better income (40.9 per cent) and more comfortable work (28.6 per cent). Other reasons such as suitability to training specialization, loss of agricultural land, or job loss are relatively low (4.7 per cent, 3.8 per cent and 1.4 per cent respectively). Many non-agricultural workers agree to participate in economic activities having low labour productivity and income for the mere reason that they are close to home.

There are both subjective and objective factors affecting the labour market in rural areas, and to develop rural labour market in general and enhance labour skills and productivity for non-agricultural workers in particular awareness and understanding of workers about their own occupations mus be improved. Project 1956 identifies educating rural labour on vocational training and employment as a first priority.

Most of the surveyed non-agricultural workers state that they are doing their current jobs without assistance of instructors (72.8 per cent). However, that nearly 30 per cent need the instruction when working is a concerning figure, especially when their work is quite simple. This result is relevant to survey results about the current occupations of non-agricultural workers in rural

areas. According to the survey, 48.6 per cent of non-agricultural workers believe that their jobs can be done by anyone.

A similar proportion of workers find difficult to approach new techniques and technologies (39.2 per cent). The proportion of workers who find it difficult to adjust to changes in occupational requirements is relatively high (39.2 per cent). About 82.3 per cent of surveyed workers agree with the statement: simplicity and monotory are identities of non-agricultural occupations in rural areas.

As mentioned earlier, differences in seniority among non-agricultural workers is not obvious which shows that common non-agricultural labour skills are pretty simple. For workers having under one year of experience 33.1 per cent need instructors, 29.8 per cent of workers having three to five years of experience need instructors, and 26.3 per cent of those having over five to ten years of experience need instructors.

Similarly, there are no considerable differences in the view of the monotony of the work between groups of workers having under 1 year of working and other groups having longer working experience. The rate for the group having under one year of experience is 83.1 per cent while the rate for the group having over ten years is 83.4 per cent.

One interesting point is that when occupational requirements change, those who find it the most difficult are those having over ten years of working experience. Obviously, to the group having the least working experience would not be accustomed to the occupational requirements yet so would find everything difficult. On the other hand, those with the longest working experience get used to work requirements which are repeated all the time, so when changes come, some of them find difficulty adjusting like a "newly recruited worker".

Many young people in rural areas learn and do unskilled work to get expericence. They also choose many different occupations instead of investing in learning skilled and stable work. This is closely associate with the awareness and occupational orientation of rural young in particular and rural labour in general. As a result, in many small manufacturing establishments/businesses, especially in wood processing and ceramic product making establishments which require high labour skills, work is done mostly by middle aged or old people.

There are only a few establishments employing young labour. If the young workers are employed they normally come from other provinces. In fact, many young people in rural areas prefer to do simple, free occupations, even for a relatively simple reason such the workplace looks nice. Besides, due to the attraction of the living in urban areas, the young find it easy to leave their hometowns even though there may be many occupational opportunities with high income and stability available for them.

Many owners of manufacturing establishments in rural areas are worried about the risk of losing traditional trades since the young in localities have been unconcerned about these occupations. According to the owner of a wood processing establishment in Ha Nam province:

The training duration of this occupation is long although the patience of the youth nowadays' is not as good as us; therefore, they quickly feel bored after a short time of learning, and they quit. It's so difficult to teach the young. There are many external impacts while the nature of the young is unstable, today they want to do this work, tomorrow they may want to do another, quickly feeling bored and lacking patience.

Even though labour skills of non-agricultural workers are poor, they still satisfy occupational requirements. Consequently, improvement of labour skills depends not only on workers themselves but also on work requirements. In other words, improvement of labourers skills depends on owners of manufacturing establishments, businesses and enterprises too.

Taking a wider view, this issue is closely associate with the State's development orientations and investment policies in rural areas. The effectiveness of industrialization/urbanization targets and quality improvement targets will be not high if there is a lack of development foundation and technical requirements still remain low.

Strengths of rural enterprises/manufacturing establishments do not stem from technology and machines or high labour skills but from an abundant and cheap labour force. Besides, by employing rural workers as informal employees (undocumented workers), employers themselves can avoid State's legal regulations related to labour issue. This way obviously benefits the enterprises, but directly limits the development of labour market in rural areas at the general and professional level.

Currently, policies on vocational training and employment creation for rural labour are being affected by the low quality of labour demand. If labour demand does not develop, though the quality of the labour supply improves, it will not affect the development motivation for rural areas.

In this situation, beside support and incentive policies for enterprises, manufacturing establishments and businesses in rural areas; the Government should consider State-management regulations related to issues of labour and employment in these enterprises. This process will contribute to intensify the development of rural labour market and diminish the fact that employers get benefit while employees do not.

3.2.2. Labour productivity of non-agricultural workers

There are many reasons for the fact that in rural areas many non-agricultural occupations have been regarded as extra work though they may provide higher income than the main work (agriculture). One important reason is that these extra occupations are unstable and, apart from some trade villages, most of localities in rural areas have been confused in developing non-agricultural occupations to enhance people's incomes.

The Stability of non-agricultural occupations in rural areas depends not only on output factor, capital and technology; but also largely on labour relations in the areas. Generally, labour relations and the attachment string in labour activities in small manufacturing establishments are very weak. Labour contracts normally are not signed (majority) or signed but not understood well by the workers. One noticeable point is that rural employees' awareness of labour contracts has been limited. Partly, rural workers themselves still feel most comfortable with the agricultural working style. They lack disciplinary awareness and, as a result, do not have the appropriate awareness of the importance of labour contracts. Enterprise owners exploit these weaknesses to make a profit.

According to a provincial authority in Vinh Long province:

Now, the weakest point is signing labour contracts. As long as two parties sign in the labour contract, they, both employers and employees, must obey all regulations in the contract, by which they build up harmonic relationships for enterprises. If one violates the contracts, he have to take legal responsibility, so I think for this reason, many enterprises do not sign labour contract with employees. They exploit employees by unfairly paying salary for them. If employees feel discontented, they leave the job, even for months, but employers do not care because they only think about their profit. If employees work only for 1-2 months, employers not have to pay for their social insurance, so they can exploit this fact to get profit. This problem is caused by two both parties.

That workers do not sign labour contracts normally gives rise to losses for themselves. However, in some cases, employers also get disadvantages. In fact, many employers in rural areas, especially household businesses/individual businesses, play the role of a training institution. Therefore, when after a short period of training and getting used to the work, skilled workers move to other establishments, become workers in industrial zones, or migrate to other provinces, they have no legal attachment to employers who trained them.

This is quite a common phenomenon and enterprises that are also training institutions have different reactions to this issue. Some have given up training and recruit skilled workers only. Others extend the training duration in order to get back training fees through offering unsalaried or low-paid work for trainees. Many employers may train only certain steps in production process causing non-agricultural workers to face many difficulties in improving their skills, labour productivity and income.

Employers using non-agricultural labour in rural areas may be divided into two groups: (i) owners of household manufacturing establishments/businesses; (ii) private companies. The common characteristics of the two kinds are small scale and simple requirements for labour skills.

In the words of an officer from the Department of Labour, Invalids, and Social Affairs:

There are many enterprises but each of them has only dozen of workers, and they do not employ workers for long time because they do not identify their strategies nor do they know how long they are running their business for. Therefore, it is unnecessary for them to train workers; also, workers also do not need skills, they just do their work experientially.

For this reason, the majority of employers using non-agricultural labour have chosen the form of product-based paying (59.8 per cent) instead of other forms like qualification-based (2.0 per cent), experience-based (3.1 per cent) or occupational position (7.3 per cent) which are popular in State-owned companies or large companies. For workers, most of them claim that this salary paying basis is reasonable (92.8 per cent). Paying salaries based on the quantity of products produced is commonly applied in many enterprises in industrial zones. Most of these workers used to be unskilled and were trained directly by the enterprises; therefore, after their training courses, employers attain a large number of workers having similar skills. This is the main reason for chosing this form of salary paying. Product-based paying not only assists enterprises in encouraging production, but it also help sthem to avoid the "burden" of the large amount of paid salary which would occur if based on seniority or position.

For this reason, many enterprises absolutely take advantage of legal regulations in the duration of the training period in order to make a profit. Normally, such enterprises recruit a large number of workers, mostly manual labourers, and organize urgent training courses for workers in order to make them immediately ready to work within three months of training. After three months, only a small number of workers are officially recruited and the majority continue to be free workers and may be recruited again by other enterprises in a similar way.

Regarding salary earned, the minimum salary is 150 thousand VND and the maximum is eight million VND. The average salary is two million VND and the common salary is 1.5 million VND. Thus, in comparison to the results of the LFS 2009, the average income of non-agricultural workers in rural areas is higher, but the common income has basically has not changed much.

Income differentiation between non-argicultural workers is very large, but it is not difficult to understand this fact since most of workers who have a high income level are working in factories, enterprises in industrial zones, while those who have low income level are hired workers in small manufacturing establishments and businesses and their income is paid based on the quantity of products they produce. Obviously, there is considerable income inequality between non-agricultural labour as workers and those as hired employees in manufacturing establishments and businesses. This difference shows that besides policies focusing on vocational training and improving labour skills, to improve the labour productivity of non-agricultural workers in rural areas the State should pay special attention to support policies for small establishments, businesses and private companies operating in rural areas.

It is insufficient to solve the problem of labour and employment in rural areas by limiting the discussion to only specific polices on rural areas and agriculture. To effectively implement policies it is necessary to consider cooperative solutions involving many provinces with a supportive outlook. For example, Binh Duong has the capacity for employment creation and vocational training for rural labour so it can officially support other provinces like Quang Tri. By taking part in this cooperation, after a period of time, Quang Tri workers may get support policies to return their hometown and contribute to their localities. Thus, many problems related to the issues of labour and employment can be solved at the same time, and this is a solution to develop a flexible and effective labour market.

3.3. Current situation and demand for vocational training

Project 1956 specially emphasizes demand-based vocational training for rural labour which considers both demands of learners and employers (market demand). Differences between Project 1956 and earlier polices can be seen not only in scale of training and projected objectives but also more importantly in implementation. The identified training orientation is to train what learners and the market require not only what institutions have the capacity to provide.

To specify this general policy, almost all provinces have offered policies to support employers who take part in vocational training and employment creation for rural labour. This encourages cooperation between training institutions and employers in carrying out demand-based training.

3.3.1. Demand of rural labour for vocational training

To supplement the activities of Project 1956, a survey on the vocational training demand of rural labour was carried out nationwide. Based on their capacity, localities arrange their budget to supplement to the State' budget and conduct a comprehensive sampling survey on vocational training demand. In addition to the demand for vocational training of households, the survey also collected information about vocational training institutions and the demand for trained workers by manufacturing establishments and businesses.

According to Document No. 382/TCDN-NCKHDN dated March 26, 2010 by the General Office of Vocational Training there are five identified objectives for the survey: (i) identify demand from enterprises, manufacturing establishments and businesses for employing trained workers; (ii) identify the list of occupations rural labourers can be trained for; (iii) identify demand for vocational training of rural labour by each kind of occupation (especially the demand for vocational training of the poor); (iv) identify the training capacity of vocational training institutions; (v) predict the demand for employing trained rural labour by 2020.

Implementation of the survey on demand for vocational training in localities was varied in terms of the role of organizers and scale.

Due to the limitations of financial resources, many localities could not conduct a survey for the households but conducted a sampling survey instead. The budget for the survey, research and identifying demand for vocational training of rural labour, which was allocated by the Ministry of Labour, Invalid and Social Affairs in 2010 was too little.

The General Office of Vocational Training directed us to survey all communes to identify demand for vocational training of rural workers; however, due to the difficulties facing by the province as well as

the financial limitations, the province supplemented only 520 million VND to the survey for implementation and supervising. 42

The limited budget has caused many obstacles for localities. Therefore, instead of conducting a thorough survey on the demand for vocational training, Yen Bai province organized only a sampling survey (30per cent of households per commune) and used commune statistics.

With existing issues related to labour skills and productivity as well as other issues of rural labour, vocational training for rural labour is extremely necessary. However, due to current awareness and production modes in rural areas, not all workers understand the importance of vocational training and lack the true desire of being trained. Moreover, in rural areas, vocational training is likely the last choice in professional orientation for the young labour force.

According to report from the Quang Tri Province Direction Board pf Project 1956, "rural workers' awareness of vocational training is limited due to the impacts of degree-biased ideology. This leads to difficulties in organizing and implementing vocational training activities for the young while they are the group that occupies a large proportion of the working-age population."

Table 29: Reasons for having no member participating in vocational training

Reason	Frequency	Percentage
Have no courses organized in locality	65	6.4
Family does not belong to the list of priority allowed to participate in the courses	6	0.6
Have no family member to participate in the course	196	19.3
Time of the courses is not suitable	70	6.9
Can not afford the fees	284	28.0
Have no demand for participation	411	40.5

Source: ?????

According to the results of the survey conducted in nine provinces, 650 agricultural households have members participating in vocational training activities (37.7 per cent) – both vocational training classes held by the locality for free and fee based courses. Thus, 1015 agricultural households had no members take part in vocational training courses.

⁴² Department of Labour, Invalid and Social Affairs, Yen Bai province. Summary report on implementation of the Decision No 1956/QD-TTg by the Prime Minister on Vocational Training for Rural Labour by 2020.

Out of the surveyed 1015 households, the proportion of households having no demand for vocational training was relatively high, occupying 40.5 per cent. Some common reasons for people not to participate in vocational training are: there are not courses held by the locality (6.4 per cent); the family does not belong to the priority list of people allowed to participate in the courses (0.6 per cent); the time of the courses is not suitable (6.9 per cent); there are no family members able to participate in the courses (19.3 per cent); and they cannot afford the fees (28 per cent).

The result does not surprise us since the survey involved 149,450 households in Binh Duong and shows that only 8.567 households out of this total have members participating in vocational training courses. The main reason for the small number of people enrolling in vocational training courses is mainly seen in the learners themselves since they are taking part in other occupational activities or assisting their family businesses so they cannot find the time to attend vocational training classes (full-time and continuous training).

For families having no demand for vocational training, most opinions focus on the unsuitability of the trained occupation (84.1 per cent). Other reasons occupy equal proportions such as the perception that training is ineffective (7.3 per cent) or satisfaction with their current occupation (8.8 per cent). For families having a demand for vocational training, the main reason is related to occupation transformation (40.4 per cent). Approximately 39.3 per cent of surveyed households want to be trained in order to get a new occupation while the rate of those who want to keep their current work is only 11.8 per cent. The rate of those who want to increase their income by taking part in vocational training is 8.9 per cent.

Table 30: Reasons for having/not having demand for vocational training (%)

Reasons for having demand for vocational training	Rate	Reasons for having demand for vocational training	
Change occupation	40.6	Trained occupations are unsuitable to the demand	84.1
Get another occupation	39.1	Training is ineffective	7.3
Develop current occupation	11.8	Current occupation is good	8.8
Improve income	8.9	Have no member to participate in	0.8

Source: ???

Obviously, the training orientation proposed in Project 1956 which is to focus on training based on learners and employers demand is on track. In reality, most households do not want to participate in vocational because the occupations that they can be trained for do not meet their

demands. However, it's not easy to meet such demands of people. In the words of an official from the Association of Women in Binh Dinh province:

The result of the survey on demand for vocational training in localities reveals a fact that current labour fluctuation in rural areas is remarkable. In the past, rural labour flooded into cities as seasonal workers, but recently, rural workers themselves have become seasonal workers right in their hometowns even though the tendency of working far away and coming back just during crop seasons or holidays is more and more common.

Labour fluctuation happens in a stronger and more complex way in groups of young workers than in group of middle-aged workers – particularly for young workers who do not have stable jobs. Thus, young workers are the group causing the most difficulties for surveyors when working in localities. Many rural youth tend to change from job to job and try to work many different jobs. For this reason, their desires for being vocational trained are different at different periods of time.

When speaking of a young worker in Ha Nam province a commune authority in Nhat Tuu commune said: "Initially, he said that he want to learn this occupation, but when class was opened, he changed his idea and said that he did not want to learn this occupation any longer. Therefore, it is difficult because there is no control or engagement.'

In addition to the changes in demand, vocational training has to deal with challenges related to the breadth of demand for training. In Dong Thap, the result of the survey on demand for vocational training showed that there are communes in which only 300 workers have a demand for vocational training but they want to learn approximately 30 different occupations. In Binh Duong, the figure is even more scattered. In some localities, only 18 people have a demand for training but they register in 16 different occupations.

There are two main reasons for the scaattering in demand for training: (i) awareness of trained occupations is limited, even ambiguous, and (ii) the list of trained occupations for rural labour is out-of-date or unsuitable for application to rural areas. The first matter can be addressed through the media and improving awareness of vocational training. In project 1956, the budget allocated for this activity is 125 billion VND. The second issue can be solved through evaluating and identifying the list of appropriate occupations. Once this is done programs, curriculums, and equipment for vocational training at the primary level may be developed. The projected budget for this type of activity is 90 billion VND.

Besides the subjective issues of workers themselves, the demand for vocational training for rural labour is closely associated with other socio-economic factors. The most outstanding of these is the change in livelihood of rural labourers caused by the transformation of land-use purposes from agricultural purposes to non-agricultural ones. According to the Ministry of Agriculture and Rural Development, from the period of 2001-2007, Vietnam lost 500 thousand hectares of agricultural land. Also, the calculation made by this ministry claims that for each hectare of agricultural land that is lost the livelihood of 10 rural workers will be affected.

According to an official from the Association of Womn in Binh Duong province, many rural workers recieving compensation for their withdrawn land are unconcerned about vocational training activities.

Even though rural workers are underemployed but they don't take part in vocational training activities. After the changing economic structure, they receive a large amount of money as compensation, so their living is quite well-off. Since then, it is difficult for us to persuade them into vocational training courses

3.3.2. Current situation of vocational training

"Training to provide sufficient quantity is not difficult, but only when training makes sure that these trainees can fully apply their skills to work is the training process effective." Regarding the current situation of vocational training for rural workers, there are (at least) three issues of concern: (i) trained occupations, (ii) professional skills and employment after training, (iii) income changes. As analysed above, the result of the survey for agricultural household reveals that two thirds of surveyed households do not have any member taking part in vocational training.

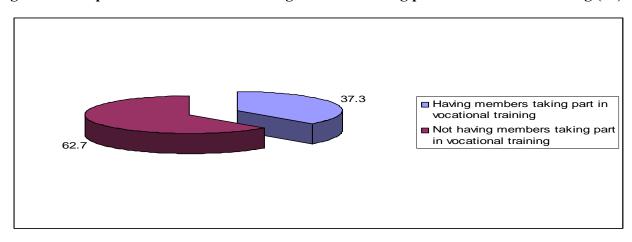


Figure 34: Proportion of households having members taking part in vocational training (%)

Source: ????

Of the 605 households having members taking part in vocational training, only 82 households, equal to 13.6 per cent, have three members participating in vocational training. This

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⁴³ Provincial Authority, Quang Binh province

mainly focuses on two provinces in the Mekong River Delta which are Dong Thap (28 households) and Vinh Long (14 households). The number of households having two members undertaking vocational training is 217 households, equal to 35.9 per cent. Dong Thao is the leading province with the largest number, 53 households, while Yen Bai has only nine households. The Southern provinces occupy nearly half of the total of households having two members taking part in vocational training (107 households).

One noticeable point is that workers in the majority of households pay the training fees by themselves (more than 80 per cent). Accordingly, the percentage of households who are beneficiaries of free training programs is only 20 per cent.

Although Vietnam has implemented many polices and training programs before carrying out project 1956, scale of these project has been small and attached to specialized subjects such as the poor, farmers losing land, or the young. Therefore, the proportion of households taking part in vocational training for free is not large. However, this number will change in the future when the project on vocational training for rural workers is conducted on a large scale.

■ Losing land The third member **1**4.6 70☐Get support to take part in the The second member **1**29 ☐ To change occupation 60.8 ■ In the list of beneficiaries The first member 21.5 To improve income 10 **30** 40 20 50 60 70 80

Figure 35: Reasons for taking part in vocational training of rural labour 44 (%)

Source: ????

The most common reason that workers take part in vocational training is to improve income. This result is fits with the fact that training fees are mostly paid by workers themselves. In addition to the desire of improving income, many rural workers hope to change to better jobs. In general, most of reasons above associated with the need to strengthen skills in order to change occupation. According to an official for the Association of Farmers in Dong Thap province:

Doing farming, they can earn 3 times higher a day than working in industrial zones, but working time for agricultural production lasts only 2 months a year, so they cannot afford to spend the income for the days away from work. Whereas, working in industrial zones can bring steady monthly income though it is not high.

In fact, though lacking in labour skills, rural workers may easily shift to non-agricultural sectors;

⁴⁴ The option "get support to take part in program" should be understood that people take part in vocational training only for getting supporting money for trainees according to regulations.

however, the transformation itself, as discussed above, does not bring them the best benefits. As a result, many local governments have determines to resolve this trend by offering vocational training so that the workers can become skilled and work for enterprises. This way they can earn a better and more stable income. Naturally, this is a long process that will take many years. Even in 2009, LFS data shows that 81.9 per cent of rural workers had no professional technological qualification. The proportion of technological workers without certificates was 6.5 per cent and the proportion of workers taking part in vocational training schools was only 8.4 per cent.

100 80 77.5 60 81.9 86.8 ■ Non-agricultural occupations 40 ☐ Argicultural occupations 20 22.5 18.1 13.2 0 The third The first member The second member member

Figure 36: Structure of trained occupations of rural workers (%)

Source:????

Generally, there has been quite a distance between the number of trained rural workers in 9 surveyed provinces and the target set by the Project 1956. Project 1956 proposes that, when completed, there would be three million workers trained by the project – this figure is equal to one third of the total number of rural labourers.

However, due to the fact that most households with members taking part in vocational training pay the fees by themselves, the current number of workers participating in agricultural training courses is moderate. Of households having members learning agricultural occupations, most of them focus on the Southern provinces, especially the Mekong River Delta. This result is understandable since this region has advantages in land, so farmers in the Mekong River Delta can get rich by dong agricultural work more easilty than those in other regions.

To attract more farmers to agricultural training activities, the activities have been diversified. Also, farmers themselves have been made better aware of the importance of training activities through witnessing changes in their agricultural production and household income. According to an official from the Association of Farmers in Dong Thap province.:

Nowadays, farmers are interested in issue of technology and science. It's quite happy to see this improvement. Farmers are not experientially farming any more. They take part in conferences and training courses. It's a good improvement. In the past, we also organized conferences and workshops, and farmers rarely came to these places. On the contrary, they actively involve in these activities. Therefore, many models are developing quickly. Farmers have produced many useful inventions and

applied technological advances to production. It's really a gigantic development. Farmers are changing their minds and applying technological advances.

For rural workers choosing non-agricultural occupations (the first member in the household), most of them get a jobs after training (84.6 per cent). Of these, 54.2 per cent get jobs which are relevant to what they were trained for. 10.4 per cent can apply their new knowledge to their household businesses. The proportion of workers who become business owners is quite modest (4.0 per cent). Additionally, after training, most workers remain in their province. The proportion of workers leaving to work in other provinces is only 24.8 per cent.

Changes in labour skills and the quality of rural workers after participating in a vocational training are clearly represented in the income of these workers. Around 77.1% of households who have had members trained have experienced an increase in income. This is a meaningful figure for vocational training as well as the acceleration of labour and employment transformation in Vietnam.

Project 1956 is divided into three phases, of which two phases 2009-2010 and 2016-2020 all set the target for at least 80 percent of trained workers getting the jobs. In the period 2011-2015, the minimum rate of employed workers is 70 pecent. If the targets above are ensured, the project will be a closed process – attaching training to employment creation. Results of the first phase have generally shown the targets are reachable. However, in addition to the attachment between training and employment creation, improving the income of rural labour is also important. If new occupational activities care not able to bring higher and more stable income sources for rural workers, the effectiveness of these target may be affected.

3.4. Role of employers in rural areas in vocational training and employment creation

According to the GSO, by 1/1/2009, rural areas occupied 30 per cent of the total number of enterprise throughout the country, of which small and medium-sized enterprises accounted for up to 96.9 per cent – only 3.1% were big enterprises. Additionally, in the whole country, there were 7.266 enterprises operating in the fields of agriculture, forestry and fisheries (including collectives). However, these enterprises occupied only 4.9 per cent of the labour force, 1.2 per cent of operating capital, 1.9 per cent of fixed property, 0.8 per cent of turnover, and 0.9 per cent of the contribution to the State's budget⁴⁵.

Results of the survey show that small-sized manufacturing establishments and businesses in rural areas are largest non-agricultural training institutions in many localities. Of the total non-agricultural training institutions for rural labour, 69.1 per cent of workers are trained at small-sized manufacturing establishments and businesses. The proportion of non-agricultural workers trained in

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⁴⁵ GSO, Vietnamese Enterprises in the first 9 year of the XXI century, 2010

vocational schools or training institutions occupies only small rate and is highly scattered. In the future when projects on vocational training for rural areas are being widely carried out in a series of localities the number of rural workers trained in state-owned institutions or trained by the Project 1956 budget will certainly increase.

Most rural workers in manufacturing establishments/business are directly trained by doing practical work. The results of a survey for non-agricultural workers shows that 97.5 per cent of workers are trained right at the workplaces. After training, workers have two options with regards to workplace: (i) concentrated working at the workshop/house of owners or (ii) working at their own home.

Because the scale of training in the workplace is normally small, workers gain practical experience quickly and directly. Theoretical issues are not paid much attention or are ignored during the training process. Regularly, this way of training has many advantages and may alleviate the limitations of a low educational attainment of the learner since the training is hands-on and visual. The proportion of non-agricultural workers taking "practice only" courses is around 64 per cent, the mode of "half theory, half practice" occupies 32.3 per cent.

□ Theory only ■ More theory than practice □ Half theory, half practice □ Practice only

Figure 37: Training mode provided by employers (%)

Source: ????

This hands-on form of training helps employers save time and training cost. For workers, this form can help them to do work fluently very soon; however, it can also cause hindrances in skill improvement and occupational mobility for workers since this form of training only concentrates on certain work and requirements of specific establishments.

Table 31: Vocational training process of labour (%)

Level	Before working here	Present
Vocational training courses in support program for	1.3	3.2

occupational transformation		
Self-trained	15.4	14.3
Primary vocational school	3.0	2.9
Secondary vocational school/Professional secondary school	7.6	7.9
Vocational college/College	1.9	2.0
University/Postgraduate	0.5	0.6
Unskilled labour	70.5	7.6
Trained at workplace		61.6

Source: ????

Unlike the normal rules of labour market which dictate that a worker must be trained before he or she is recruited, employers in rural areas have been doing exactly the opposite – recruiting first, and then training. Consequently, most non-agricultural workers in rural areas don't have to pay training fees (69.6 per cent), even after recruited. Also, during the training time they may be paid a relatively high salary (68.9 per cent)

Most of the non-agricultural occupations trained by employers involve handicrafts (41 per cent). The rest are distributed amongst textiles, footwear manufacturing (14.2 per cent), and mechanics (12.9 per cent). In comparison to other occupations, training in handicrafts normally takes a shorter time. Handicraft trainees are mostly women and the old. Also, income from handicrafts is ranked as low compared to many other groups of non-agricultural occupations.

In terms learners' mentality, reasons for choosing different occupations are varied. The most common reason is that this new occupation may bring more job opportunities (30.3 per cent) Other reasons include the fact that the training is free and the training duration is short (18.0 per cent and 12.8 per cent respectively).

Because training in the workplace is closely linked to employment creation, up to 67.9 per cent of trained rural workers are recruited by the employers who taught them. This rate is relevant to the target of employment creation for workers after training, which is proposed by the project 1956.

Obviously, employers in rural areas not only providing workers with jobs, they but they are also playing an important role in vocational training activities. Therefore, to solve problem of labour and employment in rural areas, many localities have made policies encouraging employers to take part in vocational training activities as the results of vocational training are only meaningful when workers can get jobs relevant to their training.

Vocational training is an association between training institutions and employers. To ensure the output trainings require specific orders:

Many localities lack training institutions, equipment, programs, and teachers while polices for trainees have not been improved yet. To get effectiveness in training, institutions need to have detailed orders and requests from employers. If not, though they have enough facilitated factors above, institutions cannot provide effective training for rural workers."

Of course, not every enterprises is ready to make orders from institutions although they may get many benefits from ordering. One representative of the Department of Labour, Invalids and Social Affairs explains that there are two reasons for this issue: (i) machinery and production lines of enterprises and institutions are different, so if enterprises order institutions to train their workers, they may have to retrain them; and (ii) if enterprises place orders, they will have engagement, even dependence on certain institutions in recruiting workers – many enterprises want to free recruit workers from many different sources with varied quantity. For example, in provinces like Binh Duong where there are many training institutions and tens of thousands of of enterprises, enterprises rarely place orders with training institutions.

The mismatch between training offerings and actual work requirements is one of the obstacles in attaching training institutions and employers. It is also common to see poorer machinery systems and equipment for vocational training in institutions as contrasted to those in enterprises. In some cases, institutions have been investing in upgrading their equipment however, in general, the technological and economic capacity of enterprises in rural areas has been limited. Consequently when employers also play the role of training institutions, the mismatch may be reduced.

According to the evaluation of workers, about 48.5 per cent of non-agricultural workers use all of the knowledge gained in training courses. The proportion of workers who use the majority of knowledge is 29.1 per cent and the rates of workers who partly use or do not use the knowledge gained are 11.2 per cent and 10.6 per cent respectively.

Small manufacturing and business establishments are crucial to vocational training and employment creation; yet, they themselves are placed outside of the policy system due to their small scale. Many provinces have enhanced policies on encouraging economic elements to participate in vocational training and employment creation, but these policies have mainly focused on labour-intensive enterprises.

Another crucial disadvantage of small-sized manufacturing establishments and businesses when they taking part in vocational training and employment creation is that they normally employ

⁴⁶ Speech of Deputy Prime Minister Nguyen Thien Nhan at the online meeting on project 1956: http://phapluattp.vn/20100203105217195p0c1013/day-nghe-cho-nong-dan-phai-co-dau-ra.htm

workers without very high technical requirements and labour commodity value of workers is limited. For example:

The total of handicraft/small industrial establishments in rural areas are 26.870, of which 60 are enterprises and 26,800 are single household businesses. Establishments of handicrafts and small industry in rural areas have created stable jobs for local labour force. In 2010, the number of workers working in handicraft/small industrial establishments were 39,375 people with monthly average income per capita of 1.4 million VND (the highest was 2.5 million VND and the lowest was 0.3 million VND. However, most establishments are small and developing distractedly, mostly single household business; the number of registered enterprises is few, and they are operating ineffectively.⁴⁷

Vocational training and employment creation from these small establishments and business in rural areas can provide a speedy and long-term solution to the issue of employment for non-agricultural workers. However, they still face difficulties with improving the technological qualifications and incomes of rural workers.

In terms of macro policy, Vietnam has oriented the development of rural areas in the upcoming years based on labour and employment transformation in rural areas. Thus, investment in rural enterprises in general and enterprises related to agriculture in particular is very necessary. Additionally, actual development of Vietnamese enterprises has shown that private enterprises/manufacturing establishments have experienced rapid growth and have contributed actively to employment creation for the labour force. So, encouraging and providing incentives to these establishments is synonymous with creating the resources to solve problem of labour and employment in rural areas.

Chapter 4. AN OVERVIEW OF POLICY ON LABOUR AND EMPLOYMENT IN RURAL AREAS

4.1. Promulgated policies on labour and employment

In the world, three quarters of poor people in developing countries live in rural areas. In Vietnam, the number of poor people living in rural areas is even greater and the predominant livelihood in this are has been agriculture. For many different reasons, agricultural and rural areas have been receding when faced with the invasion of industries. One of the most concerning problems in rural development is solving issues related to labour and employment in these areas. Agriculture has been the main livelihood, creating employment for hundred millions of people though income from purely agricultural activities has been left behind a minimum standard of living.

According to a report by the World Bank:

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⁴⁷ .(Report on current situation of labour and employment resource, Department of Agriculture and Rural Development, Quang Binh province).

While the worlds of agriculture are vast, varied, and rapidly changing, with the right policies and supportive investments at local, national, and global levels, today's agriculture offers new opportunities to hundreds of millions of rural poor to move out of poverty. Pathways out of poverty open to them by agriculture include smallholder farming and animal husbandry, employment in the "new agriculture" of high-value products, and entrepreneurship and jobs in the emerging rural, nonfarm economy. 48

To develop rural areas, each nation in the world chooses its own policies. However, the options commonly go in two main directions: (i) develop other sectors where you can transfer the rural agricultural labour structure or (ii) directly invest in agriculture.

Vietnam has been facing these choices regarding policy; however, the two options mentioned above each have strengths and weaknesses. As, Vietnam seems to be trying to accurately implement both. Training vocational skills to improve human resource quality and creating employment are the long-term aims of policies on labour and employment in rural areas nowadays.

4.1.1. Vocational training policies

When Vietnam integrated into the world's economy in the early 1990s, many people believed that the advantages of a plentiful and cheap labour force would quickly make Vietnam an ideal destination for foreign investment flows. However, after only one decade, these advantages quickly became bottlenecks for the development of Vietnam. The weaknesses of a numerous but mostly unskilled labour forse, lacking in professional/technical qualifications, has been more and more serious as the development has intensified in all directions.

To comprehensively change into an industrial nation, Vietnam needs to start with agriculture and rural areas. The overall goal is tp increase labour density in industry and service and decrease labour density in agriculture. The 9th National Congress of the Vietnamese Communist Party set a goal to reduce the rate of agricultural workers to 50 per cent in 2010.

A series of important policy solutions were identified to achieve this goal. For example, "... there should be a budget for upgrading the State-owned vocational training institutions, and incentive policies on socializing and diversifying vocational training modes as well, to ensure annual training of a million workers, bringing the rate of trained workers up to 30 per cent by 2010.⁴⁹ "

The reality shows that labour transformation from agriculture to non-agriculture sectors in Vietnam has been happening relatively slowly over the last ten years, even though the economic growth rate of the country has been very impressive. However, factors that create and maintain this growth are not rooted in labour transformation.

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⁴⁸ WB. World Development Report 2008, Agriculture for Development, page 1

⁴⁹ IPSRD (2008), Study and Recommendations on Vocational Training Policy for Rural Labour to 2020, page 99.

In terms of management, that Vietnam has promptly enforced a series of policies to specify objectives in rural labour and employment issues has created an important legal corridor for various vocational training and employment creation programmes carried out throughout the country. It is recognizable that in recent years, many vocational training policies and programmes have been designed based on learners' demand as well as having been widely publicized.

To effectively address employment issues for rural labour, in addition to developing the domestic labour market, Vietnam has quickly built up the "national trademark" of being a labour exporting country. In 2003, the project "Strengthening Vocational Training Activities for Rural Labour and Labour Export" was approved by the Government and was designated to be implemented by MOLISA in coordination with the Ministry of Agriculture and Rural Development (MARD). Besides being oriented towards educating and improving the professional skills of rural labourers, advocacy of exporting labour has proved to be quite suitable to the development context of the world's labour market. Not only do exported workers have opportunities to use and be trained in advanced labour skills in their destination countries, but the income gained from labour exporting has been an important resource for occupation transformation and improvement of the quality of life for rural people.

Most of policies on vocational training for rural labour have concentrated on training non-agriculture occupations. Moreover, participants in training programmes have been mostly young people. It is noticeable in rural areas that these activities have been one factor leading to labour migration. These days, several programmes and policies on vocational training haveincluded training for agriculture professions for farmers. However, the results of these polices have yet to be seen.

In 2005, the Prime Minister issued Decision No. 81/2005/QD-TTg on short-term vocational training for rural labour. This police aims to find the exit for "excessive" labour from industrial development process, particularly by establishing industrial processing zones in Vietnam.

Currently, the area of agriculture land in Vietnam is more than nine million hectares, of which four million hectares is used for rice cultivation. In some recent years, instead of continuing to transferring all agriculture land for industrial uses many localities have set up specific goals to keep a single hectare of agriculture land to ensure food security, livelihood and other social affairs in rural areas.

To continue addressing issues concerning the conversion of agriculture land-use for other non-agricultural purposes, on 27 March 2006, the Prime Minister signed the Directive No.11/2006/CT-TTg on resolutions for supporting vocational training and employment for labour in areas having conversion of agriculture land-use purpose. The Directive clearly indicates that

"Unemployment and underemployment are urgent issues in many areas experiencing conversion of agriculture land-use purpose."

It is necessary to conduct activities such as: (i) review and adjust plans of projects using agriculture land to make sure that these plans are suitable to the socio-economic development plans of the locality; (ii) build up plans of land use and create land funds for resettlement; (iii) restore traditional trades, (iv) organize vocational training programmes and create employment rights in the process of building up development plans and strategies to reclaim lost agriculture land. The Directive also indicated the responsibility of MOLISA in collecting accurate information on labour and employment in areas having conversions of agriculture land-use purpose. The goal was to create the basis for building up vocational training and employment creation over five years as well as enhancing the policy system on vocational training and employment creation for transferred rural labour.

To complete the system of policy and institutions on vocational training, in 2006, Vietnam's National Assembly approved the Law on Vocational Training. The law officially took effect in June 2007 and clearly represents Vietnam's policies on vocational training which involve: (i) enlarging the vocational training network and improving the vocational training quality; (ii) Investing in some focused contents in vocational training; (iii) publicizing vocational training activities; and (iv) supporting to those who the policy is aimed at in getting jobs.

The emergence of this law has systemized all regulations of the State on vocational training. This includes training policies, training levels, recruitment, operation of vocational training institutions, as well as rights and responsibilities of enterprises when taking part in vocational training activities. This law is expected to create positive changes in the Vietnamese people's awareness of vocational opportunities available for their children. They will become aware that attending university is not the only option for their child.

In addition to general policies, there have been many specific policies focusing on certain areas such as the young, women, and former soldiers. The project on assistance for youth vocational learning and job creation for the period 2008-2015 was approved by the Government according to the Decision No.103/2008/QD-TTg dated 21 July 2008. The difference between this project and other is that it focuses mainly on providing information and consultation to youth about vocational learning and career opportunities.

The project has developed ten vocational training centers under the control of the Youth Union and has provided training for 60,000 youth union officials at all levels. The project's goal is that by 2010, 50 per cent of youth will have access to consultation information and employment introduction services; by 2015, the projected rate is 75 per cent. In addition, all of the youth who want to establish their own businesses will be assisted with business start-up knowledge.

The project also supports youth in approaching and benefiting from existing policies on loans for vocational learning, job creation, and labour exporting. According to the Prime Minister's Decision No. 295/QD-TTg dated 26 February 2010, on approving the project on assistance for women's vocational learning and job creation for the period of 2010-2015, each year, about 100,000 women are consulted about vocational learning and introduced to jobs by the Union of Women's vocational training centers and jobs introduction centers – half of this number will recieve vocational training. The goal is for the rate of female labour in total recruitment quotas of vocational training courses to reach 40 per cent, of whom, at least 70 per cent can get jobs after finishing training. Moreover, it is intended that more than 70 per cent of women have the ability to access information about vocational training and employment policies.

In 2008, when facing many serious social issues in rural areas the Central Executive Committee of the Vietnamese Communist Party in the 7th Convention issued the Resolution No.26-NQ/TW regarding issues of agriculture, rural areas and farmers in Vietnam. According to the Resolution:

. . .awareness of status and roles of agriculture, rural areas and farmers has been inadequate to the reality. Not yet having a system of reasoning perspectives on agriculture, rural areas and farmer development, mechanism and policies on developing these areas have been incompatible and lacking in breakthroughs. Some advocacies and policies have been unreasonable, lacking in possibility and slowly adjusted and supplemented with a low level of investment from the State's budget and other economic elements in agriculture, rural areas and farmers. This has proven unsatisfactory to development needs. Organization as well as implementation and national management have had many weaknesses.

Resolution No.26-NQ/TW is considered a review of development processes in agriculture, rural areas and farmers after 20 years of the Doi moi era. Also, the Resolution indicates objectives related to agriculture, rural areas and farmers, which are needed in the context of acceleration of industrialization and modernization in Vietnam.

The Resolution states that farmers must be trained in order to improve their production skills to equal those in regional advanced countries. In addition to education, scientific and technological application to agriculture production are encouraged. The Resolution is oriented towards continuous improvement in employment transformation and labour exporting. By 2020, the rate of agricultural labour will decrease, occupying 30 per cent of total labour force of entire country; more than 50 per cent rural labour will be vocational trained; and the number of new rural communes will reach 50 per cent.

To clarify the contents of the Resolution No. 26-NQ/TW, on 27 November 2009, the Prime Minister signed Decision No. 1956/QD-TTg, approving the project "Vocational Training for Rural Labour to 2020," (Project 1956). In addition to vocationally train 1 million rural workers per year,

another highlight of the project is identifying the needs of training farmers in agriculture occupations (although non-agriculture occupations still are priorities).

In the period 2011-2015, Project 1956 will carry out vocational training for 5.2 million rural workers, of which, 4.7 million will be trained in occupations (1.6 million will be trained in agriculture occupations, 3.1 million will be trained in non-agriculture occupation). The employment rate after vocational training is projected to rise to at least 70 per cent in the period.

From 2016-2020, six million rural workers will be trained, of which 5.5 million will be trained in occupations (1.4 million will be trained in agriculture occupations, 4.1 million will be trained in non-agriculture occupation). The minimum employment rate after vocational training will be 80 per cent. To achieve these objectives, the project plans to implement a series of supportive policies for various learners such as those coming from poor households, households having a maximum income equivalent to 150 per cent of the income of poor households, ethnic minorities, the disabled, and people who have lost their land. Supports include: incentive training fees, money for food, transportation fees, and incentives for getting a loan from the National Fund for Employment.

Incentive levels will be specifically applied to each group. In addition to incentive policies for learners, the project also proposes many incentives for teachers, managers, and invests in upgrading the infrastructure and facilities of training institutions. At this moment, this is the largest programme in vocational training in Vietnam with a total planned expenditure of 25,980 billion VND. Also, components of the National Target Programme for Poverty Reduction and the National Target Programme for Education-Training to 2020, as well as many other large programme for poverty reduction, such as programme 135 phase II, Resolution 30a,⁵⁰ also include vocational training activities for ethnic minorities and poor people.

4.1.2. Employment Creation Policies

The purposes of existing policies on vocational training are closely related to policies on employment. Vocational training policies can be considered the input of labour force and the output are the employment policies. These two groups of policies often go hand-in-hand, even overlap each other due to this close relationship. We may also regard vocational training policies as employment creation policies.

For a country with a large population and a young population structure like Vietnam, the pressure of employment creation is very serious. One optimistic thing is that every year the

The Government Resolution approving the Programme to Support Quick and Su

⁵⁰ The Government Resolution approving the Programme to Support Quick and Sustainable Poverty Reduction in 61 poor districts, dated December 27,2008.

economy has been able to create jobs for more than 1 million people; thus, over many years, the unemployment rate in Vietnam has not considerably changed – even when the country was negatively affected by the economic crisis. The largest obstacle in labour and employment in Vietnam has not been unemployment but underemployment and low labour productivity.

The period 2001-2005 ran parallel with undertaking the tasks of poverty alleviation as dictated in the National Target Programme.⁵¹ At this stage the tasks focused on employment creation. The objectives of this programme were to create jobs for 1.4 -1.5 million people per year as well as to reduce the unemployment rate in urban areas to under sic per cent and increase the rate of working hours in rural areas to 80 per cent by 2005.

To reach these targets, the programme concentrated on the following activities: (i) focus on developing sectors and areas having a great number of jobs; (ii) strengthe labour and expert export; and (iii) improve activities directly supporting job creation and the developing labour market. The budget used for this component was 6,335 billion VND (28 per cent of total budget).

According to the Decree No. 39/2003/ND-CP, dated 18 April 2003 by the Prime Minister on Making Detailed Provisions and Providing Guidelines for Implementation of a Number of Articles of the Labour Code with Respect to Employment, the National Fund for Employment is used for three main groups of purposes: (i) to provide loans to small projects to resolve employment for a number of subjects; (ii) to provide loans to enterprises in order to limit retrenchments and to employ graduates; (iii) to provide assistance to strengthen and develop the system of employment introduction and activities in the developing the labour market. Up to the present, the National Fund for Employment has worked quite effectively. It has been a foundation for many programmes related to employment, especially the programmes for job generation in rural areas. According to MOLISA, from 2006-2009, the National Fund for Employment provided loans to 418,000 people for employment creation with the total amount of about 5.766 billion VND.

According to the Decision No 71/2005/QD-TTg dated 5 April 2005 by the Prime Minister, on the mechanism of management and operation of the capital for loans of the National Fund for Employment, subjects permitted to get loans from the National Fund for Employment are: (i) individual household businesses, manufacturing complexes, collectives in accordance with the Law on Collectives, manufacturing establishments of the disabled, small and medium enterprises in accordance with the Law on Enterprise, farm owners, Center for Education and Social Labour (hereafter generally called manufacturing establishments) and (ii) households.

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⁵¹ The Prime Minister's Decision No.143/2001-QD-TTg dated September 27, 2001, approving the "National Target Programme for Poverty Reduction and Employment Creation for the period 2001-2005"

For group (i) the maximum loan is not over 500 hundred million VND per project; the maximum loan for the group (ii) is not over 20 million VND per project. To be provided with a loan, projects must relate to the following activities: (i) buying materials, machines, equipment, expanding manufacturing premises, transportation means, facilities for fishing to expand and improve production or business capacity, and (ii) buying materials, seeds, animals and paying for services used for production, business.

With the total budget of 5.985 billion VND, the National Target Programme for Employment⁵² in 2010 proposed the target of creating jobs for 2-2.2 million people, of which 1.7-1.8 should be domestic workers using loan from the National Fund for Employment, and 40-50 thousand overseas workers through labour exporting enterprises and the Fund for Overseas Employment. Besides, the Programme also set up targets and measures to support development in Vietnam's labour market through improving capacity and modernizing 30-40 of employment introduction centers.

4.2. Some policy implementation achievements

4.2.1 Results achieved in implementation of vocational training policies⁵³

As discussed above, many important policies on vocational training have just actually made in the past several years and the majority of them will be abandoned in five or ten years time. Thus, the results in vocational training mentioned below are summarized from various sources and may be incompatible with the targets proposed by the above policies. Moreover, for many reasons, the following figures may not be the most recently published ones.

According to the MOLISA, in the period from 2001-2006, there were 6.6 million workers vocationally trained nationwide, the annual average growth rate was about 6.6 per cent. Compared to 2000, the number of trained workers more than doubled from 1.34 million. In the period 2006-2009, about 300,000 rural workers got the support of vocational training in short-term or primary programmes – this number was equivalent to two per cent of total rural youth. The size of vocational training increases rather quickly and often surpasses the planned quota. Positive results in vocational training have assisted Vietnam in quickly improving the rate of trained workers from 13.4 per cent (in 2000) to about 2per cent (in 2007).

To achieve such positive changes, Vietnam has greatly invested in establishing, developing and completing the network of vocational training. By 2009, Vietnam had about 107 vocational colleges, 264 schools and 648 vocational centers in addition to more than 1000 institutions

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⁵² The programme was approved according to the Decision No.101/2007/QD-TTg dated July 6, 2007 by Prime Minister.

⁵³ IPSRD (2008), Study and Recommendations on Vocational Training Policy for Rural Labour to 2020.

organizing vocational training activities. There is a notice that the many newly established vocational colleges as well as other institutions are non-state ones. This can be considered an early success of Vietnam in publicizing vocational training activities and changing the direction of educational activities towards social demands. In other words, attaching trainees to enterprises who are employing workers. Partial results from cities in 50 provinces show that there are approximately 1.4 million students attending vocational institutions, of whom, the rate of females is about 30 per cent, ethnic minorities account for 11 per cent, and rural students occupy 57 per cent.

Apart from official training activities in educational institutions, every year, projects on vocational training, poverty reduction, and labour exporting also organize thousands of vocational classes throughout the country. These vocational training activities are often carried out by local vocational training centers (under the management of Department of Labour, Invalids and Social Affairs) or units under the management of associations such as: The Association of Farmers or The Association of Women. Other activities are held by INGO or VNGO. The common features of these vocational training activities are short-term, learners are often policy beneficiaries and classes are held right in localities.

Regarding size, Vietnam is one of the countries experiencing "hot growth" in education in recent years with the booming of the education system at post-secondary levels. In addition to numerously appearing in the course offerings of universities (most of them are private universities), the growth in the vocational training sector is rather hot also. From a positive angle, the growth in vocational training area has promptly widened the network of vocational institutions throughout the country, opening more gates for workers to improve their professional skills. As estimated, the number of non-state institutions occupies about 44 per cent of the total number of institutions; however, this number may change in the coming years as vocational training policies of Vietnam become even more popular.

Social demand-based education is a new norm in the education system of Vietnam. This fact roots in the differences between supply and demand in the labour market in terms of both the quantity and quality of human resources. Thus, all vocational training programmes have objectives of need-to-gain rate of output trainees getting jobs. As estimated, about 70 per cent of trained workers successfully find jobs. Actually, this result may be increased if employers participate more in (or directly organize) vocational training activities. In many localities, enterprises participating in vocational training often receive many policy incentives. This shortens the distance to market of labourers as well as alleviates the gap between the supply and demand of labour. In addition to skill training, contents related to disciplines, working style, as well as rights and responsibilities of labour have been added to training activities.

In general, vocational training policy in Vietnam in recent years has been focusing on rural areas in order to accelerate labour transformation to non-agriculture sectors. This policy trend is likely to continue into the future. There is also the drive to improve and establish a more advanced agricultural sector. However, the pace of labour transformation has been slow and labour productivity in rural areas in general (agriculture in particular) has been low. In the coming 10 years, particularly when Vietnam is carrying out the project on training rural labour for 2020, positive changes in this area will certainly occur more quickly and strongly.

4.2.2. Results achieved in implementation of employment creation policies

Policies on vocational training only take real effects as long as trained workers gett work. Despite a strongly transforming economy, a large proportion of workers in Vietnam have continued working in agriculture over many years. As a result it is underemployment, not unemployment, that is the biggest burden, especially in rural areas. In 2008, about 1.4 million workers were underemployed. However, unlike unemployment, underemployment may become an obstacle to breakthrough changes on both sides of the labour market, labour force and policy making. This may explain why general labour productivity in Viet Nam and labour productivity in agriculture and rural areas in particular have experienced a low growth rate even though decade, economic growth of Vietnam has been very impressive.

In 2006 and 2007, nearly 10.000 people who experienced the conversion in agriculture landuse purpose were provided with employment creation loans. According to the MOLISA, over the past five years, the National Fund for Employment gave loans to about 300,000 labourers. Among the loaned projects, rural areas accounted for about 50 per cent.

Also, the number of exported workers has been increasing over the years. From 2006 to the present, the total number of exported workers has remained at a relatively high level (about 80.000 people), most of whom are rural workers (about 80 per cent). To implement Resolution 30a on quick and sustainable poverty reduction for the 61 poorest districts in the entire country, according to Decision No.71/2009/QD-TTg approved by the Prime Minister on 29 April 2009, by 2020, Vietnam will have invested 4.715 billion VND in supporting to people who permanently reside in the 61 poorest districts go abroad to work. Thus, not only rural labour but also ethnic minorities will have more opportunities to be vocationally trained, enhance their labour skills and improve their income through policies on creating employment by exporting labour.

In the period of 2006-2008, the GDP growth continued at a relatively high pace. About 4.95 million people had jobs created for them in this period. In 2009, despite adverse impacts caused by the global economic crisis, Vietnam still generated jobs for nearly 1.5 million people. Annually, the economy creates an average of 1.5 jobs, of which non-state sectors occupied more than 90 per cent.

In reality, when compared to the state-owned sector, non-state economic elements have not received many incentive policies. However, this is an active sector and well adapted to the market economy.

Regarding the economic structure by sector, the current employment growth rate in agriculture in Vietnam is low.

Employment growth in agriculture has been low: on average each 1% rise in output has generated only a 0.17% increase in jobs, and since the burst of early doi moi agricultural growth in the 1990s, the elasticity has been zero or negative, meaning that agriculture is rapidly becoming less labour-intensive. In 2000-2008, while 7.5 million jobs have been created overall, agriculture's contribution has been negative (-0.6 m jobs, -8% of total job creation)."⁵⁴

The goal of the National Target Programme 2006-2010 was to create jobs for approximately eight million labourers, with the plan that 1.6 labourers would be employed. This year, 100.7% of the target has been met. Particularly, the National Fund for Employment in the period 2006-2010 has generated jobs for about 1.5 million labourers. This number fulfills 88.2 per cent of the plan; whereas, the number of exported labourers has also fulfilled 101.5 per cent of the plan with 406,000 labourers exported to work overseas.

In general, along with socio-economic growth, the employment policies in recent years have helped to create jobs for laborers; positively promote labor restructuring; increase the number of laborers in industry, construction and service sectors; and reduce the number of agricultural labourers. Comparing the results of targets in vocational training and employment creation show that vocational training policies in Vietnam has have accurate outputs. This is a sound basis to keep implementing policies on labour and employment for the next ten years.

4.3. Policy drawbacks

"There mostly has not been any single practical research proving or quantifying the effectiveness of polices on the labour market or their impacts on Vietnam's labour market." Strengths aside, the system of policy on labour and employment in general, and in rural areas in particular, has several weaknesses, of which not evaluating the impacts of polices is only a small sample.

UNDP's project on *Overall Review of Programmes and Projects for Poverty Reduction in Vietnam* (November 2009) reveals a fact that many programmes and projects for poverty reduction in Vietnam have been overlapping each other. This is also a common feature of policies in many other areas in Vietnam and there is no exception in the field of labour and employment. The

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⁵⁴ UNDP (March 2010), Getting to Work – research topic: Labour Market, Employment and Urbanization in Viet Nam: Lessons from International Experience, page 46

⁵⁵ UNDP (March 2010), Getting to Work – research topic: Labour Market, Employment and Urbanization in Viet Nam: Lessons from International Experience, page 62.

overlapping of policies is sometimes due to the fact that there are many Ministries and departments who take part in programmes or projects at the same time. It may also have to do with an overlapping of the project's beneficiaries and conducted locations. The UNDP's research also points out that impacts of vocational training activities in poverty reduction projects are weak; however, these components have been continuously added and become an indispensable part of these projects.

The inception of the Law on Vocational Training has been expected to make gigantic changes in both quantity and quality of vocational training activities in Vietnam. However, since taking effect on 1 July 2007, documents providing details and guidelines for implementing a number of articles, such as articles: 62, 72, 84, 86, 88, 89, were issued about one year later⁵⁶ – some have still not been issued yet. This fact somewhat affects the effectiveness of the law. Hence, the expectation of making breakthrough changes after the issuing of the Law on Vocational Training to Vietnam's labour market in general, and the rural labour market in particular, has not occurred. The Law on Vocational Training has also encountered many difficulties as it overlaps with the Law on Education, especially in management and coordination aspects.

Engaging the public in vocational training activities is regarded as one of important measures to address social demand-based education. Nevertheless, policies do not seem to be strong enough to mobilize sustainable participation of various social elements. In many localities, expenditure disbursements related to vocational training and employment creation have faced many difficulties due to the shortages in input (learners) and output (jobs). Therefore "some provinces have attempted to solve this issue . . . by hiring private enterprises to organize contracted vocational training, by which, enterprises have to train 20-25 ethnic labourers or poor labourers in 3 months and recruit them afterward."

In reality, there is always a gap between training contents and market demands. Social demand-based education has become more and more urgent, not only in higher education, but also in vocational training,. In addition to continuing to use a list of occupations produced nearly 20 years ago (in 1992), Vietnam has not monitored the output of occupations and lacks national standards for professional skills. To satisfy the demand from both recruiters and learners, many vocational schools have added into their programmes a series of new occupations which are not in the list of occupations. This necessitates the establishment of a "quality management" system to regulate the standards of training.

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⁵⁶ Decree No.43/2008/ND-CP dated April 8, 2008 on providing details and guidelines for implementation of Article 62 and Article 72 of the Law on Vocational Training

⁵⁷ UNDP, Overall Review of Programmes and Projects for Poverty Reduction in Vietnam" (November 2009), page 49

Nowadays, Vietnam not only lacks occupation standards to manage training quality, but also teachers. Vietnam needs enough teachers to teach 300 various occupations; however, we have educated teachers for teaching only 21 occupations. It is such a modest number compared to the demand.

Although the network of vocational school has spread throughout the country, the distribution is still unequal. The schools are highly concentrated in urban areas and scattered throughout rural areas, especially in the isolated areas. The lack of resources for on-site training also affects training quality as well as people's training demands making "the distance" between the current reality and an exciting, dynamic rural labour market in isolated areas even greater.

Forecasting capacity in vocational training has many weaknesses as well. As a result, Vietnam has not established long-term or medium-term vocational training strategies. Training contents do not match the requirements of the market. Trained occupations do not focus on highly technological ones, which is one of the factors contributing to the slow labour structure transformation and low labour productivity.

The number of jobs created each year is relatively great, but the quality of jobs is not high, labour productivity is still low, and the rate of insecurity jobs is still high as well. "In 2007, insecure jobs occupied 77 per cent of total jobs nationwide" ⁵⁸

The number of projects providing loans for employment creation has been increasing, though most of them have focused on agriculture (accounts for 62 per cent). In addition, recipients of the loans are often households. Therefore, the effectiveness of job creation is not high. On the other hand, the demand for borrowing money in order to create jobs has strongly increased while the annual additional budget for the National Fund for Employment satisfies only 35-40 per cent of demand.

Annualy, most newly created jobs originate in the non-state sector with the rapid development of private enterprises. However, growth in the enterprise sector is mainly small or even super small-scale, so the capacity of creating jobs which are highly sustainable is not very high. In general, the number of enterprises in rural areas and enterprises operating in the agriculture sector is small both in size and quantity.

Labour exporting has been maintained at a stable level. Nevertheless, Vietnam's labour exporting market has faced many difficulties caused by the consequences of the global economic crisis as well as competitiveness from other labour-exporting countries. Since the quality of exported labour of Vietnam is low, there are many markets that have not been exploited.

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⁵⁸ MOLISA, Vietnam Employment Trends, 2009, page 19.

The information system on labour market has just formed and is in process of being completing, so it has many limitations related to information sources and diversity. The network of employment introduction centers has sharply developed in quantity but their operation has been ineffective and they have not become reliable bridges linking labourers to market. The system of job exchanges has initially worked well, yet this system just exists in urban areas while the demand of job in rural areas is very great.

In conclusion, the policy system for labour and employment in Vietnam has been adapting to satisfy the demands of the socio-economic development of the country. For the last ten years, a large number of policies on vocational training and employment creation have been made. This has not only created an important legal framework but has also directly led to positive changes in Vietnam's labour market. Particularly in rural areas, vocational training activities and employment creation will be given greater attention in the coming years in order to make breakthroughs in this area. However, the policy system of labour and employment in Vietnam has many drawbacks. These weaknesses have been gradually corrected in new policies and there is a hope that the policy system will be an important factor pushing economic growth, vocational training, labour structure transformation and employment creation to higher levels in the next ten years.

4.4. Problems emerging in vocational training and employment creation for rural labour In the words of the World Development Report:

An active policy agenda for the rural labour market, in agriculture and in other sectors, can produce long-term sustained reductions in rural poverty. Perhaps most important is a better rural investment climate for agriculture and the rural non-farm economy. Improving it will not be enough, however. Investments in schooling and training to convert unskilled to skilled labor are essential. Skilled workers can take advantage of better local opportunities or migrate. For those who cannot, only social protection can ease their poverty.⁵⁹

According to the preliminary results gained after 1 year of conducting Project 1956, 55 out of 63 provinces have completed their plans for the implementation of Decision No 1956/QD-TTg. Thirty-five provinces have set up their provincial projects, all 63 provinces have established Provicial Direction Boards, and 39 provinces have set up operating regulations of the Board. At the ministry level, 29 related documents and policies have been produced – the Ministry of Labour, Invalids and Social Affairs has produced 18 documents.

After being promulgated by the Central Government, policies on vocational training and employment creation for rural labour have been immediately implemented in localities. However, up to now, only 15 out of 63 provinces/cities have been able to balance the State's budget, and most

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⁵⁹ WB, World Development Report (2008), Agriculture for Development, p.202.

of the provinces have a very limited provincial budget. The financial regulations of Project 1956 clearly state that:

Localities balance their budget income and spending by themselves to ensure the financial resource from provincial budget for implementation of policies on supporting rural labour in vocational training, improving capacity of local authorities, officials. Central budget ensures the expenditure for implementation of policies on supporting rural labour in vocational training, improving capacity of local authorities, officials... for localities which cannot self-balance their budget and for implementation of the rest policies, solutions and activities of the projects.

For the reason above, except for support from the Central budget, many provinces have no support from the provincial budgets. In the cases that there is provincial budget support it is quite limited. This fact may affect the effectiveness of implementation of provincial programs.

For example, in Quang Tri province, shortage of financial resources to support farmers in vocational training is a challenge affecting the vocational training there. "Recruitment for vocational training is difficult due to the fact that rural workers have to work unstable jobs to earn a living. Thus, when taking part in vocational training, they have no time left to work and their income and spending are affected."

Unlike many provinces facing financial challenges, Binh Duong has a sufficient budget as well as an infrastructure system in good condition. Therefore, in Binh Duong, in addition to food expense support (15 thousand VND per person per class per day) for workers who are poor, ethnic minorities, disabled, or farmers having lost agricultural land.

The province also supports vocational training for other people at the rate of ten thousand VND per person per class per day. However, vocational training activities for rural workers in Binh Duong still deal with many difficulties due to the lack of teachers. Actual surveys in Binh Duong show that demand for the vocational training of rural labour is quite low.

Currently, half of the provinces/cities of Vietnam (30 provinces/cities) supply labour for Binh Duong, of which the majority are unskilled workers. On average, Binh Duong receives 32.000 workers each year. Now extra-provincial workers in Binh Duong occupy 84 per cent of the total labour force working in enterprises located in the province. Additionally, to facilitate the labour supplying activities for nearly 11.000 enterprises, Binh Duong has built up a system of 42 vocational training institutions widely spread throughout the whole province. Since demand for vocational training of rural workers in Binh Duong is not large, Binh Duong has the ability to be able to positively support vocational training and employment creation in many poor provinces. However, the support from Binh Duong may be taken into reality only when specialized policies are formulated within scale of Project 1956.

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⁶⁰ Report of Project 1956's Direction Board, Quang Tri province.

To reduce difficulties in implementation of policies on vocational training and employment creation accessibility has been intensified through many support policies. However, in fact, many enterprises have not paid attention to these policies. On the other hand, systems of supporting provincial policies has focused on dealing with the demand for employment of rural workers while policies on supporting enterprises to take part in training rural labour have been lacking or insufficient to meet the requirements.

The demands of society and people are naturally changeable factors while infrastructure systems, curriculum and even staff are unchangeable factors (more exactly, it takes time and money to change them). Similarly, the current rural labour market has been witnessing the strong fluctuation of the human force, especially the young. Therefore, the demands for vocational training have been affected by this fluctuation. Even if results of the survey on demand for vocational training are absolutely exact, accurately reflects the demands of people, which are changeable so using the 2010 survey results as the basis for the policy on vocational training for the whole period from 2011 to 2020 is pretty unreasonable.

CONCLUSION

1. Conclusions

1.1. The rural workforce

The labour force is mostly concentrated in rural areas and serves as the main labour supply for urban areas and industrial zones. However, the labour market in rural areas ts undeveloped, fragmented, dispersed and primitive. The majority of rural labour works in the agriculture sector. The commodity production level of this sector is still low and land use for agriculture is fragmented. This leads to the so-called "misdirected labour market" (seasonal labour force), an inefficient group with poor professional and technical qualification who cannot separate themselves from agriculture. The poor professional and technical qualifications of rural labour have affected the capacity to change occupations and create employment for themselves. Obviously, these are serious challenges to rural labour and policy-makers with regards to the requirements of rural industrialization and modernization.

The numbers of the working-age population continue to increase in rural areas. Additionally, the population density in rural areas is high, which has a converse relationship with the average per capita farming land and has been causing pressure on employment creation in the area.

No to mention that people who are under or over working age in rural areas account for a large proportion of the population structure and are also the most economically inactive population groups. Again, this puts a real pressure on employment for the country as a whole and for the rural areas in particular.

There has been a positive transformation which is decreasing the number of rural labourers in agriculture and increasing the numbers in industrial-construction and trade-services. However, this transformation has remained slow.

1.2. Challenges to rural labour and employment

Underemployment and low labour productivity have been the most concerning issues to the story of labour and employment in rural areas. In addition to a considerable number of rural labour experiencing underemployment, the rest, though are having sufficient employment and working for many hours are unable to improve or increase their income due to low labour productivity.

Underemployment originates from the rural labour force's severe dependence on agriculture. This fact is posing many challenges to rural employment, of which noticeable issues are: creating new jobs, transforming the labour structure to alleviate dependence on agriculture, enhancing training activities to meet the demand of the labour market, and heightening labour productivity.

The majority of rural labour in Vietnam currently has been farming by using experience and tradition. Along with certain advantages, this way of production has many disadvantages. Lacking production knowledge itself causes agricultural workers to face many risks.

A low and unstable agricultural income is the main reason for the trend of gradual withdrawal of rural workers from the agriculture sector. The reduction in the quantity of workers involved in agricultural production and the trend of giving up, even abandoning, agricultural production are very common in all provinces. Extra labour can migrate or move to non-argicultural sectors, but there are many obstacles to this process.

Labour shortages are partly appearing in many rural areas. This leads to concerns about the lack of a young labour force in rural areas (something required by the targets in socio-economic development). Localities really want to keep workers, and many rural workers don't want to work far from home; however, the capacity of creating intra-provincial jobs is low, so poor provinces have to accept the fact that young workers migrate to more developed industrial zones.

Not only do agricultural workers have poor labour skills and low labour productivity, but also many non-agricultural workers in rural areas are in the same state, especially workers participating in occupational activities right in small establishments and businesses in rural areas. These small enterprises in rural areas provide non-agricultural workers with the chances to quickly improve their skills and income, but in reality the skills and income of rural workers at these enterprises remain at a low level.

More work should be done to solve the problem of the low-quality rural labour force if we want to achieve the goal of national industrialization and modernization. Although the Government of Vietnam has approved many vocational training programmes for rural workers by the year 2020 (The National Targeted Programmes on Employment), the implementation of these programmes is a long way ahead. We can not speed up the labour transfer process, quickly decrease the number of labourers in the agricultural sector, or improve labour productivity in rural areas if the problem of low quality of the labour force is not solved.

Skilled workers or those having professional and technical qualifications account for only a small share of rural workers. Unstable working status and their rights that are not guaranteed are common realities for rural labourers – most do not have labour contracts, health insurance, or social insurance. This increases the challenge to social security issues for rural areas, especially since the implementation of the social insurance policy in agriculture still has a lot of limitations.

Employment creation in rural areas still faces many challenges due to the continuous growth of the labour supply. Employment creation is becoming more and more difficult due to a number of increasingly limited economic development resources, shrinking agricultural land, delayed plans of industrial zones, and the negative consequences of climate change. The shortage of jobs in rural

areas is increasing as the number of new jobs created each year is not sufficient to meet the growth in population and labour supply. The process of mechanization and less use of agricultural labor is inevitable and the industrial sector and the service sector are still not strong enough to create jobs.

Investment in rural and agriculture is also low, so there has not been much movement in employment creation or labour productivity. The acceleration of economic and employment structure towards the increase in proportion of labour working in industrial and service sectors along with the decrease in amount of labour in the agricultural sector, has caused a drastic transformation, accelerating industrialization and modernization in rural and agriculture.

Also, population and labour migration have been increasing and offering positive contributions to socio-economic development and supply-demand redistribution in the labour market. Migration is a natural phenomenon in development, migration itself offers both positive and negative impacts. To solve problem of labour and employment, we need to investigate the impact of migration on both communities in destination areas and areas of origin of this movement.

1.3. Policies on rural labour and employment

Resolving problem of rural labour and employment is not only based on systems of labour and employment policies. In other words, many indirect policies need to be given attention by the State, of which improving the investment environment in agriculture and rural areas is a priority. In the last ten years, the investment structure in agriculture and rural areas has tended to decrease though these areas have been playing such an important role in economic development in general and employment creation in particular.

Basically, Vietnam's policies on labour and employment commonly go in two main directions: (i) developing other sectors to transform rural, agricultural labour structure; and (ii) directly investing in rural development. Vietnam has been attempting to successfully take both directions through policies on labour and employment.

In recent years, a number of policies about rural labout and employment targets have been made and implemented, especially policies on vocational training and employment creation. In addition to general policies, several specific ones focus on certain subjects, such as: youth, women, and labour in areas experiencing conversion in agriculture land-use purposes, as well as offering incentives for the disadvantaged like the poor, ethnic minorities.

Policies of the State consider vocational training for rural labour an essential solution to improving, and enhancing the quality of rural labour, so that labourers can significantly contribute to the development of rural areas, the material and spirit life of rural residents, as well as the whole country.

Promulgated policies on vocational training and employment creation have created a essential legal corridor for making these trainings accessible as well as encouraging and mobilizing more participation from enterprise community. However, existing policies on employment creation in rural areas have revealed certain weaknesses. Policy overlap is shown by the fact that many ministries and departments take part in the programmes and projects at the same time. Overlap also occurs in terms of or identified beneficiaries and conducted locations.

Vocational training activities heavily concentrate on non-agriculture occupations while in reality, the policies on attracting investment in employment creation in this area have not taken effect. This leads to an imbalance between training contents and market demands. A series of issues in organizing and managing vocational training activities need to be solved, such as: teacher shortages, various but unequally distributed vocational schools, and insufficiently attractive policies on encouraging vocational training participation.

The existing policy system on vocational training in Vietnam is regards broad participation of the public as one of the most significant solutions. In fact, enterprises themselves will be given incentives when taking part in vocational training acitivites; however, when compared to the cost for training (time, tuition fee, human resources), such incentives are not adequate. In addition, the State has made no regulations which give labourers an obligation to work at enterprises after the enterprise has trained them. This has led to the situation in which many trained workers are "attracted" by other enterprises due to a salary which is only marginally higher.

Small establishments and businesses in rural areas have played an important role in the process of vocational training and employment creation for rural workers. However, due to their small scale and low level of technological application, they have a low capacity for vocational training and employment creation. For this reason, policies on encouraging vocational training activities often "ignore" this group of enterprises.

Implementation of Project 1956 is just in its first steps but it is expected to create significant changes to the rural labour force and rural areas. Policy flexibility is extremely essential because in some provinces there is an excess budget and training facilities but not enough people who want training. Regulations of a fixed number of input trainees, duration, number of output trainees, organization cost, and financial procedure, are difficulties for many provinces.

Cooperation in labour training among provinces is a solution which needs to be taken into account by the Government as well as the Ministry of Labour, Invalids and Social Affairs to adequately resolve the problem of labour supply and demand in vocational training for rural labour. The Ministry of Labour, Invalids and Social Affairs should consider solutions which allow provinces having efficient training capacity (financial resources, infrastructure, teaching staff), but few labourers requiring training, to train rural workers for other provinces. Moreover, the solution

of transfer training expenditures from provinces having less demand but large budget to provinces having large demand but limited budget is also a good recommendation for state management organizations.

2. Recommendations

2.1. Policy system on vocational training and employment creation for rural labour

Firstly, it is necessary to complete the legal aspects of a labour market system in a synchronous and timely manner. This includes: adjusting and supplementing the Labour Code to meet the requirements of the new conditions; quickly ratifying and implementing the Occupation Code and the Minimum Salary Code in accordance with international practices in market economy; carefully looking at the remaining problems with the Law on Vocational Training, the Law on Social Insurance and the Law on Exporting Vietnamese Labour to Overseas countries based on labour contracts. In addition, the responsibility of State management on labor issues should be clearly assigned to relevant bodies; implementing policies towards laborers and labor users in a fair and transparent way.

Vocational training for rural labour in general and farmers in particular is an important policy of Communist Party and State; however, the path from policy to reality is long and has many potential risks, which may affect the effectiveness of this policy. People implementing policy themselves should be knowledgeable about the habits and traditions of farmers.

According to an official from the Department of Agriculture and Rural Development in Dong Thap Province:

Training agriculture occupations for farmers is very essential, but we need to carefully study training programmes so that these programmes are suitable to nature of agriculture work. In agricultural occupation training courses, we cannot ask farmers to take classes and continually learn in 3 months, we also cannot quickly teach them like we do in courses for mechanics. Models for agricultural occupation training has its own identities, which require specific training programmes. Training farmers also requires patience in order to get key people who have been methodically trained. Previously, training farmers was not methodically organized. Now, 5-7 day courses with specified contents are held first, and then, trainees from these courses become key persons to duplicate the course. This training mode is semi-professional.

In developed industrial provinces like Binh Duong, labour demand for industrial development is very large. Thus, in recent years, Binh Duong has implemented labour co-operative policies with many other provinces throughout the country to ensure the labour supply for industrial development. However, a noticeable point is that the demand for recruiting unskilled labour is predominant. In other words, workers coming to Binh Duong are mostly unskilled ones while rural workers in Binh Duong are less likely to work in industrial zones. Unlike many other provinces, the biggest difficulty in Binh Duong is the issue of the quantity of trainees not the issue of infrastructure

and facilities for training. This fact causes the budget for vocational training for rural labour in Binh Duong to become superfluous. Hence, to other provinces like Binh Duong, the Ministry of Labour, Invalids and Social Affairs may consider specified and flexible policies in the two following directions: (i) give establishments in Binh Duong the permission to train rural labour coming to Binh Duong from other provinces; (ii) give Binh Duong permission to support other provinces if they commit to provide Binh Duong with labour after having trained them.

2.2. Vocational training and labour quality improvement

It is very necessary for rural workers to be provided with vocational training and professional qualifications. They need to get access to up-to-date knowledge to meet the needs of the economic development of the country. Thus, in human resource development strategies, investment policies in education for rural students from the early age are very essential. Workforce training should pay attention to some issues such as:

- Complete compulsory education at secondary level.
- In the contents of professional training, practical knowledge must always be updated and practice time should be increased.
- The contents of labour training should pay attention to learners' understanding of law, labour law, labour relations, labour discipline. Living skills should be integrated into the curriculum, helping them to get used to serious working style and complying with labour discipline, developing teamwork ability.

It is also necessary to build a wide network of vocational schools in localities across the country. Each district should have a vocational training institution, equipped with necessary training equipment to meet social demand. Training should be based on the needs of the society, especially the labour needs of enterprises in each locality.

Getting the public and enterprises involved in vocational training activities may improve not only training quality but also the mismatch between supply and demand of labour. Policies to achieve this have been given much attention by Vietnam but, after implementation, they have not had effectiveness expected. To attract enterprises and the public to participate in vocational training activities, the State should adjust existing incentive policies. The adjustment covers incentives offered to enterprises not only before training but also after this process, including the capacity of keeping labour to avoid unfair competition caused by other enterprise who do not train but easily lure recently trained workers to them by spending a bit more.

The State needs to intensify policies on improving the training capacity of vocational training institutions as well as enhancing incentive policies for enterprises participating in the

vocational training process. If enterprises themselves are to be more responsible to training labour, they need have their own voice in the training process as well as employing labour after training.

2.3. Policies on employment creation

Creating employment right in localities plays an important role to not only labour and employment issues, but also to the general development of rural areas and, consequently, the whole country. In the world, creating non-agricultural employment in rural areas is one of key solutions helping in change the face of rural areas in many countries. Such policies in Vietnam have been implemented, but there have been many challenges related to issues of the credit market, consumption market, and infrastructure which need to be resolved soon.

That investment in agriculture and rural areas will be improved means that employment opportunities will also grow both in agricultural and non-agricultural sectors. When employment in agricultural as well as non-agricultural sectors is improved, the pressure of improving labour supply, income, working conditions in industrial zones and services employing rural labour will be increased. Currently, investment in rural areas is very weak and it is very difficult to make any change since all of the limitations in investment environment can not be solved in the near future. Therefore, strong, open policies are needed to attract enterprises to invest in rural areas to create onsite jobs.

Two matters related to development of the current economic models in rural areas which must be resolved are capital and market. Many production models which are successful in rural areas, cannot maintain their sustainability if they expand due to the two difficulties mentioned above. Different business models also need to be popularized to help enterprises in rural areas.

It is necessary for Vietnam to speed up process of economic structural change not only in an inter-sector but also intra-sector way. Developing industries and services using a large number of workers with high technological professional qualification is an important solution to intensify improvement of the labour supply. It is necessary to encourage and facilitate the development of different economic models. For rural areas to achieve sustainable development towards industrialization and modernization, we must first develop small and medium enterprises, including the craft villages and the farm economy, which generate steady and high income.

The reality shows that these economic components have a high capacity to apply science and technology and hold more economic potential for investors. The farm economy has the ability to increase product value for export and to form agricultural product markets locally. In addition, the farm economy also contributes to the cover bare land with green trees, protects the ecological environment and moderates climate in the region - one of the important criteria in sustainable development. Facilitating and promoting creativity and the ownership of rural labour while strongly

developing small businesses and manufacturing establishments to create on-site jobs are also necessary.

Policies and strategies on employment creation in rural areas need pay special attention to those who are to be about to be of working age and the group has just become of working age. In regional aspects, more attention should be paid to the Mekong Delta, the Southeast and the Northern Midland and Mountains.

We should develop the sectors where we already have advantages as well as the sectors using high-tech workers. We should also continue to develop industries which are labour-intensive but need small investment capital. Plans for building industrial zones should be linked to plans for labour use, especially in the areas that have experienced conversion in agriculture land-use purpose.

We should also continue investing in developing small and medium enterprises. This helps to enhance economic development and contributes to solving the unemployment concern (it is estimated that each small and medium enterprise will attract on average 50 employees).

2.4. Improving working conditions for rural labour

The current working conditions and environment of rural agricultural workers is now a matter of urgency that should be discussed. There have been many workers suffering from occupational diseases and many have been the victims of occupational accidents due to poor working environments and the violations of work safety regulations.

Most rural workers are self-employed and unskilled workers without labour contracts. Therefore, they do not enjoy the social welfare benefits for employees such as health insurance or social insurance. Strategies for rural social security need to give more attention to these issues. In addition, the risks commonly encountered in farmers' production activities should also be alleviated as well. Programmes regarding agricultural insurance which have already been piloted in some localities should soon have the reviews and adjustments to ensure that the implementation of agricultural insurance will bring real benefits for rural workers.

To better improve working condition for rural labour, it is necessary to make important adjustments in the legal framework related to labour. Accordingly, the Law on Labour should expand its regulating scale to cover labour regulations, working conditions for labour in agriculture and rural areas, as well as labour in informal sector.

2.5. Building employment supporting information system

Information about the labour market in general and demands of enterprises in particular is one of common weaknesses of the labour market in Vietnam. For labour in rural areas, this weakness is more obvious. This fact has led to a mismatch between systems of vocational training policies and employment creation policies. Labour supply is meaningful only when it correlates with the right labour demand.

We should implement measures to promote labour market development on the national scale and strengthen assistance to workers so that they can get access to full information to search for jobs or to create jobs for themselves. Appropriate legal education for employees is also needed so that their legitimate rights and interests can be protected.

Other forms of employment services and employment centers and other forms of employment information providers are operating inefficiently. This is a defect of the incomplete information market. It poses the needs for more analysis and assessment to find solutions to improve the performance of these centers.

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