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Impact of Digital Transformation on Labor Relations in Vietnam

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Abstract

Digital transformation is currently an inevitable trend, a matter of survival for countries, organizations, businesses and consumers around the world. The huge changes in labor productivity, user experience and new business models that are being formed show the huge role and impact in today's social life of digital transformation, impacts every profession and every field, including labor relations. The advent of "smart factories" or "digital factories" has

fundamentally changed the relationship between employers and employees, as well as changed both the model and institution of the labor relationship. In this article, the author analyzed the nature of labor relations, identified the impacts of digital transformation on labor relations in Vietnam, and on that basis made a few recommendations to continue improving labor relations. improving labor relations in Vietnam in the context of digital transformation.

Keywords: Digital Transformation, Labor Relations

1. Introduction

Entering the 21st century, the world has witnessed great leaps in information technology, the internet, automation, knowledge-based development and artificial intelligence. New technology is and will bring remarkable advances in productivity, production and business efficiency. At the same time, technology is changing the nature of work, some jobs are being lost and some new jobs are being created. Accordingly, the restructuring of the labor market is affecting workers and changing the relationship between workers and employers as well as the role of the State in managing this changes. From artificial intelligence and robotics to a technology-based economy, it has a significant impact on labor relations, changing human resource management models and labor relations models at businesses.

Reality shows that in Vietnam over the past years, the issue of socialist-oriented market economic institutions has gradually been built and perfected, creating a framework and legal corridor for the activities of economic entities and the formation, development of labor relations. However, with the impact and rapid change of the digital era, the institution has revealed many inadequacies, even hindering the development of labor relations in the digital era in Vietnam. Therefore, the author has researched the impact of digital transformation on labor relations to have an overview of the influence, thereby implying policies to develop labor relations in Vietnam.

2. Theoretical basis

2.1 Digital conversion

There are many different definitions and understandings of digital transformation.

According to Gartner Information Technology Research and Consulting Company, digital transformation is the application of technology in changing an enterprise's business model, thereby creating new opportunities and values, helping businesses increase their value. Accelerate growth and achieve better sales. According to Microsoft, digital transformation is restructuring thinking in the coordination between data, processes and people to create new values. However, there is also a definition that digital transformation not only applies technology in changing business models, but also participates in all aspects of the business. If effective, digital transformation will completely transform the way businesses operate, thereby increasing collaboration efficiency, optimizing work performance and bringing value to customers. Therefore, it can be seen that digital transformation is a change in the way of working in life, the method of production with digital technologies, and the full integration of digital technologies into all areas of a unit, of an enterprise, applying technology to change the way it operation, the business model and bring new benefits. Digital transformation is also a change in the culture of the unit and the business,

requiring businesses to constantly update, continuously learn according to new and modern things and to accept failure alongside the success that innovation brings.

For Vietnam, digital transformation is the process of changing old, traditional models into digital businesses, based on new technology applications, such as: Big data, IoT, cloud computing,...., to change operating methods, work processes and labor culture in businesses. For ordinary people, digital transformation changes our lifestyle.

2.2 The nature of labor relations

Labor relations are the relationships between employees, employee collectives and employers and employer representative organizations established on the basis of labor law including labor standards, mechanism for establishing and operating labor relations, institutions for resolving labor disputes, roles of parties in labor relations.

According to Clause 5, Article 3 of the Labor Code No. 45/2019, labor relations are social relations arising in hiring, using labor, and paying salaries between employees, employers, and representatives organizations of the parties and competent state agencies^[4].

With this approach, labor relations are composed of many interacting subjects, including employees and employee representative organizations, employers and employer representative organizations, state agencies. Labor relations subjects interact through consultation, dialogue and negotiation mechanisms, forming a tripartite mechanism. This mechanism is formed on the basis of interaction between the Government and representative organizations of workers and representative organizations of employers, in which the Government has the main role in consulting the parties on issues related to the development and promulgation of legal policies on labor relations; Dialogue to resolve problems and support the parties in implementing the provisions of labor law.

In Vietnam, the labor relations model is currently applied with only one trade union organization in an enterprise. Vietnam Trade Union is the only organization of workers, with the function of protecting the legitimate rights and interests of workers, operating in a unified system from the Central to the grassroots according to the Trade Union Law, in which the grassroots trade union is established and operates within an enterprise.

2.3 Classification of labor relations

Labor relations are classified according to the following criteria:

+ By subject: Including individual labor relations (between individual employees and employers) and collective labor relations (between collective representatives of employees and employers) (two-party relationship); Relationship between employee representatives with employer representatives and the State (tripartite relationship).

+ According to content: Related to employment, salary, working hours, rest hours, working conditions, social insurance, labor discipline and material responsibilities, rights and obligations of parties...

+ According to the level of labor relations: There are national labor relations (relationships between the government, employee representative organizations and employer representative organizations at the central level), local level (relationships between local state management agencies and representative organizations of workers and

local employers' representative organizations), industry level and enterprise level (relationships between representative organizations) Employee representatives (industry unions and grassroots unions with representative organizations of employers in the industry and employers at the enterprise.

3. Impact of digital transformation on labor relations

Digital transformation will change the nature of the relationship between employees and employers, changing the internal operations and operating models of organizations representing workers (unions) and organizations representing employers (Chamber of Industry and Commerce, Cooperative Alliance and Business Associations). Accordingly, digital transformation will fundamentally change the current institutions of labor relations. Specifically:

3.1 Digital transformation impacts the role of workers

Recent advances in digital technology with the use of artificial intelligence and highly integrated automation systems, using robots operated by digital technology to increase labor productivity, but also pose challenges to traditional labor relations models. Greater digitalization in smart factories and increased use of industrial robots will reduce the role of workers in direct production, but at the same time increase the role in aspects of digital technology operations skills, complementary services and other aspects of the industrial ecosystem. In the face of rapid changes in digital technology, a large number of newly trained workers will lose their job opportunities. By the end of 2022, the number of new workers with primary and secondary vocational training will be about 5,584.08 thousand people, accounting for 10.8% of the total labor force in 2022 of 51,704.9 thousand people (Table 1). This raises the issue of accurately predicting digital technology changes to address gaps in workers' education and skills.

Table 1: Proportion of trained workers by technical and professional level (%)

Technical qualification	2019	2020	2021	2022
Primary	3,7	4,7	6,8	7,1
Intermediate level	4,7	4,4	4,1	3,7
College	3,8	3,8	3,6	3,7
University or higher	10,6	11,1	11,7	11,9

Source: Statistical yearbook 2022^[6]

3.2 Digital transformation impacts the relationship between employees and employers

Around the world, the situation of workers losing their jobs is gradually becoming more common, due to not being able to meet new labor skills or being replaced by digital technology and robot technology. This causes workers participating in the labor market to have to work in the informal sector (without labor contracts) or migrate to find jobs. Leading to a change in the nature of the relationship between employees and employers, in a direction that is less strong than traditional labor relations. According to data from the General Statistics Office, in 2021 the number of workers with informal jobs will be 19.8 million people, an increase compared to 2016 (18 million people). The rate of informal labor including agriculture is 68.5% (General Statistics Office, 2022)^[5]. The majority of informal workers are concentrated in rural areas, where there are many traditional craft villages and individual business households. Under the impact of digital transformation, labor in the

informal sector will tend to increase, and at the same time the relationship between employees and employers will become even less strong, but the nature "Socialization" is even higher, because it is not only a relationship within the enterprise but also extends to the enterprise of the economy. Faced with this problem, many trade unions in countries are actively preparing workers for new forms of work, by promoting the equipping of labor skills through many new forms of education and continuous skills training and ensure the principle of lifelong learning through close cooperation between relevant government agencies, businesses and trade unions.

3.3 Impact on the institutions of labor relations

For Vietnam, the labor relations system is considered complete when it has the following 6 institutions: Representative institutions; Mediation institutions; Arbitration institutions; Court institutions; Consultation institutions; State management institutions. The impact of digital transformation will fundamentally change the

institutions of labor relations, although it is not really clear, but has been posing many challenges:

+ Representative institutions:

Representing the employees is the trade union established at the enterprise. The number of workers covered by employee representative organizations is 11,071.6/14,799.7 thousand people, accounting for 74.8%. Grassroots trade unions in state-owned enterprises are relatively strong in both quantity and quality of operations (99% of enterprises have trade unions and most operate effectively). However, the work of developing grassroots trade unions and union members in the non-state sector is still limited, with up to 85% of private enterprises and 65% of foreign-invested enterprises (corresponding to about 604,750 enterprises - Table 2) There is no grassroots trade union or if there is, its operational efficiency is not high, and it is not capable of performing a representative role in dialogue, negotiation and protecting the legitimate rights and interests of workers because regulations on the organization and operation of grassroots trade unions are still inadequate.

Table 2: Total number of employees in enterprises and number of enterprises classified by enterprise type as of December 31, 2022

S. No	Type of enterprise	Number of employees (thousands of people)	Number of businesses
1	State-owned enterprises	978,2	1.906 (0,27%)
	Enterprise with 100% state capital	549,5	877 (0,12%)
	Enterprises with more than 50% state capital	428,7	1.029 (0,14%)
2	Non-state enterprises	8.604,4	694.181 (96,59%)
	Private	168,6	30.425 (4,23%)
	Partnerships	9,9	1.242 (0,17%)
	Co., Ltd	4.785,7	523.406 (72,83%)
	Joint stock company with state capital	247,9	999 (0,14%)
	Joint stock companies do not have state capital	3.392,3	138.109 (19,22%)
3	Enterprises with foreign investment capital	5.217,1	22.610 (3,15%)
	Enterprise with 100% foreign capital	4.830,3	19.723 (2,74%)
	Enterprises enter into joint ventures with foreign countries	386,8	2.887 (0,4%)

Source: Statistical yearbook 2022^[6]

Regarding the organizational model, according to the charter of the current trade union organization, the trade union is organized at 4 basic levels, with two forms of organization by industry and by administrative unit. There are only 641 full-time officials working at the grassroots trade union who receive salaries from union funds, with the majority working part-time. In some businesses, union officials are also enterprise officials (deputy directors or department leaders), so there is still the phenomenon of union officials being distant from employees and being influenced by remuneration. The business owner pays, Lack of equality with employees in labor relations, failure to organize and lead when disputes arise. This is a huge shortcoming when the time spent on trade union activities is limited and does not ensure relative independence during the operation process. The activities of trade unions are slowly being innovated, and the tasks of monitoring labor law enforcement, dialogue, and negotiating and signing collective labor agreements are not considered core issues to protect rights and interests of workers. The upper-level trade union organization system is associated with the administrative management level of the state (district, provincial and central trade unions), performing three functions simultaneously: Participating in state management and guiding and directing trade unions and directly direct the grassroots trade union. Therefore, there is a lack of cohesion in responsibilities and interests between the grassroots trade union and the direct upper-level trade union,

and there is no specific mechanism to create the motivation and necessary needs to establish and improve operational efficiency of grassroots trade unions.

The influence of the digital era from the 4.0 industrial revolution is being deeply felt in the internal operations and operating models of trade unions. Rapid applications of digitalization and robotic automation have begun to penetrate various industries, including labor-intensive industries such as textiles, footwear, and electrical products. electronics, making freelance mobile labor popular. This raises a problem: There needs to be a change in the organizational model and role of trade unions in the direction of clearly identifying priorities, recognizing the potential and risks that occur when the workforce mobilizes to Avoid eroding the contractual covenant between employer and employee. In particular, on the internet and social networks, with a smartphone, workers can search and make friends with thousands of people belonging to the target group they are interested in to form virtual labor groups. Each group meets a unique association need with its own purpose, its own standards and even its own regulations on membership conditions and operating regulations. Therefore, these can be considered virtual organizations of workers. Although they are virtual organizations, these groups meet the real association needs of members and influence labor relations through the interests, attitudes and behaviors of workers. In fact, many collective work stoppages that occurred in industrial zones were organized

based on these virtual groups. In 2022, the whole country will have 157 collective work stoppages stemming from labor relations (an increase of 50 compared to the same period in 2021) with a total of more than 102,540 workers participating. Collective work stoppages occurred mainly in enterprises in the FDI sector with 83.44% of the total number of strikes (mainly in textile, garment and footwear enterprises with 66.24% of the total number of strikes), concentrated in major cities and provinces in the southern key economic region with 84/157 cases, accounting for 53.50% of the total number of cases; in industrial parks, export processing zones, and economic zones with 101/157 incidents, accounting for 64.33% of the total number of incidents. (Ha Anh, 2023) ^[1].

Organizations representing employers (Chamber of Commerce and Industry, Cooperative Alliance) are strongly active at the national level, participating in tripartite mechanisms and participating with state management agencies to participate in policy development, investment bridges and support services for the business community, but their activities are still limited, most employer organizations currently do not have the authority to decide, determine, true representation of the employer.

+ Mediation institutions: Mediation activities are very necessary when conflicts, disputes occur and even when the two sides are in the process of dialogue and negotiation, but current practice shows that there are still many inadequacies when carry out this activity. The number of enterprises signing collective labor agreements is low compared to the number of enterprises with trade unions. The quality of collective labor agreements does not ensure the goals of collective bargaining and the content of the agreement is essentially a copy of the law. The model of negotiating and signing collective labor agreements in sectors and groups of enterprises is slowly being summarized and summarized to multiply on a large scale, the number of collective labor agreements in sectors and groups of enterprises is still small.

+ Arbitration institutions: In reality, the arbitration council does not play a role in resolving labor disputes.

+ Court institutions: There are many labor disputes, but the procedures and orders prescribed in civil proceedings are lengthy and impractical, so very few cases are brought to court, most of them are individual labor disputes.

+ Consultation institutions: Consultation is a very necessary activity in labor relations, the second step in dialogue (information - consultation and negotiation). According to current law, consultation is a voluntary activity and its results are not binding, so it is easier for the parties to participate and implement than negotiation. But in our country, over the years it has been shown that the consultation mechanism has not become popular in labor relations, mainly taking place when the pressure of labor disputes breaks out. Legal regulations on consultation institutions are still formalistic, in which the tripartite mechanism: The State, trade unions and employers in labor relations has not been organized and operated according to development. development of market mechanisms.

+ State management institutions: Currently in Vietnam, the state management organization model of labor relations from central to local levels still lacks uniformity. This is reflected in the fact that the state management function of labor and labor relations is still fragmented and has many focal points; The number of officials working in state management of labor relations is still small and their

capacity does not meet the development requirements of labor relations, especially when these relations have changed rapidly in the 20th century. integer. State management of labor, especially local authorities, has not met the requirements, while a large number of employers deliberately avoid the law, focusing only on profit-making business, do not care about the workers. Current violations of labor relations are mainly violations of signing and terminating labor contracts, working hours, wages, social insurance... However, the penalty for this behavior of However, it is too lenient and not enough to deter businesses, so it lacks the effect of preventing violations.

According to the provisions of the 2014 Social Insurance Law, businesses must pay compulsory social insurance for employees working with labor contracts of 1-3 months or more to ensure legitimate rights for employees. However, the number of businesses evading social insurance payments is increasing. To avoid paying social insurance, businesses have circumvented the law by hiring and contracting workers. According to statistics from Vietnam Social Insurance, by the end of 2022, there will be more than 2.13 million workers whose social insurance payments are delayed by one to less than three months; 440,800 people are in debt for three months or more and nearly 213,400 people have their books "suspended" at businesses that have dissolved or stopped operating, with social insurance debt that is difficult to collect. The number of people with social insurance debt accounts for 17.4% of the total number of workers participating in compulsory social insurance. Late payment occurred in all types of businesses with an interest amount of more than 13,150 billion VND, accounting for 2.91% of total receivables. Compared to 2021, late payment interest increased by more than 660 billion VND. Particularly, debts that are difficult to recover from businesses that go bankrupt, dissolve, stop operating, and whose owners flee are more than 4,000 billion VND (Hong Chieu, 2023) ^[2]. For this situation to occur, in addition to the business owner's low awareness of compliance with the law, there is also insufficient coordination between the authorities to resolve and handle sanctions for outstanding social insurance debt are not really strict and serious.

Thus, it can be seen that the digital era is a new opportunity, helping policymakers reconsider the current state of labor relations in Vietnam and orient reform related to basic institutions, especially in the context of Vietnam's increasingly deep integration into regional and international markets. From the weak situation of the institutions in labor relations mentioned above, it is necessary to place labor relations in the context of globalization and the development of digital technology, which have been influencing many changes in the structure of labor relations. The labor market is facing the development of scientific and technological advances, the foundation is the Internet of Things, collaborative robots (working with humans), 3D printing, big data (Big Data) and cloud computing, along with the emergence of new business models (Hoang Ha, 2018) ^[3].

4. Some recommendations to develop labor relations

Digital transformation brings strong development opportunities and motivation, but also poses challenges to the state's role in managing and regulating labor relations. To effectively resolve shortcomings and inadequacies and improve labor relations during the digital transformation period in Vietnam, the following solutions need to be

implemented:

Firstly: Review, build and improve the system of policies and laws on labor and employment to fundamentally resolve the inadequacies and weaknesses in the labor relations system in our country, to meet the changing nature of the labor relations in the context of digital transformation as well as international integration requirements. At the same time, we must research to gradually ratify the conventions of the International Labor Organization (ILO) into Vietnam's legal policy system according to international standards.

Second, it is necessary to place labor relations in the context of digital technology development, which will create new problems for the subjects of labor relations and require a new approach to problem solving labor relations, especially the role of the State as an institution-building agency; The role of employees and employers to ensure the legitimate rights and interests of the parties. First of all, the State's functional agencies such as the Ministry of Labor, War Invalids and Social Affairs, the Vietnam General Confederation of Labor and the Vietnam Chamber of Commerce and Industry, based on their assigned functions and tasks, Currently building mechanisms and policies on labor relations in accordance with socio-economic development conditions, ensuring the obligations, rights and responsibilities of the subjects participating in the labor relationship of the Company. Vietnam, at the same time, researches and selectively references international treaties, conventions, international practices and experiences of countries around the world and the region on labor relations to form a model of labor relations suitable for our country's conditions, meeting requirements in the context of digital transformation. It is necessary to strengthen the supervision and inspection of State management agencies for the parties involved in labor relations. There are strict sanctions for violators when disputes arise in labor relations. Employers and employees need to be responsible for learning and studying the provisions of the law to strictly implement the provisions of legal policies, and on that basis build a good relationship. harmonious system, ensuring mutual benefits between employers and employees in the enterprise. If these relationships are built well, employees will trust the business, be excited, and wholeheartedly strive to build a stable and sustainable business.

Third, trade unions must constantly innovate themselves, change content and methods of operation, and transform thinking and awareness to suit the historical role of trade unions in the new period. It is necessary to continue to strengthen the capacity of trade unions by raising awareness and training in skills for collective bargaining, handling labor disputes, labor wages, strikes, etc. Perfecting the organizational and functional system Duties and functions of the employer representative organization. Consolidate and perfect the tripartite consultation mechanism on labor relations.

Fourth, strengthen communication work, raise awareness of the entire society, agencies, businesses, and workers about digital transformation and its impact on the economy in general and the labor market in particular to prepare to cope with these impacts.

Fifth, workers need to have a proactive approach to digital transformation, must see digital transformation as an opportunity instead of a challenge, and constantly update and improve their working capacity and skills to gradually do the job. you with new technology and machinery to

master new equipment and techniques; proactively seize the opportunities of digital transformation, change the passive way of thinking about finding jobs through the labor market, know how to prepare new skills and knowledge, especially focusing on new ways of working in the modern era. digitally to protect legal and legitimate rights and interests for oneself during the process of participating in labor, building harmonious, stable and progressive labor relationships in the enterprise.

Sixth, fundamentally and comprehensively innovate vocational education, creating a clear and substantive change in the quality and effectiveness of vocational education to adapt to digital transformation so that workers are ready to meet current and future employment requirements. Encourage lifelong learning through funding skills training for workers in general and workers vulnerable to the impacts of digital transformation in particular.

5. Conclusion

After nearly 40 years of formation and development, labor relations under the impact of digital transformation have continuously developed and achieved important results, but also encountered shortcomings in the institution. labor relations. This requires relevant agencies to be proactive in training, developing human resources and building a new labor relations framework more suitable to the market economy and modern technology platform.

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