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### Current Situation of Vietnam's Human Resource Market and Policy Implications

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#### Abstract

The article aims to clarify the theoretical basis of human resources, the importance of human resources for the development of social organizations, and the current situation of the Vietnamese labor market. The author uses two methods: Document research and analysis and synthesis. Through the document research method, the author has built a theory of human resources and human resources and presented an overview of typical research on this topic. The author used analysis and synthesis methods to evaluate the current situation of the Vietnamese labor market. Accordingly, Vietnam's labor market has had many positive points such as the unemployment rate and the rate of underemployed workers decreasing compared to previous years. However, some shortcomings still exist such as:

Labor quality is still low; Labor has not met the needs of businesses and markets; Industry restructuring is still slow; the Youth unemployment rate is still high; The rate of labor has not yet fully utilized its potential will increase in 2023. From these limitations, the author has proposed several solutions to remove and bring the labor market to more development. Specifically, strengthening training, supporting restructuring, improving labor quality, reducing the unemployment rate; developing orientations for human resource policies, and focusing on forecasting labor market information; Businesses and organizations need to improve recruitment policies and focus on training high-quality human resources.

**Keywords:** Human Resources, Labor Market, Policy, Vietnam

#### 1. Introduction

Human resources are one of the important factors that determine the success of an organization or a business. This is the group that creates material wealth for society and at the same time it is also the group that has the ability to innovate in both quantity and quality. Currently, Vietnam is one of the countries attracting the largest FDI investment capital. According to statistics from the Ministry of Planning and Investment, FDI investment capital poured into Vietnam in 2023 will reach nearly 36.61 billion USD, an increase of 32.1% over the same period last year (Nhi, 2023, para 2) <sup>[10]</sup>. Large investment capital coupled with stable politics has supported FDI enterprises and businesses nationwide to receive many advantages in production and business activities. This is reflected in the sharp increase in the number of newly registered businesses in 2022 and 2023. Businesses continuously expand their scale and establish new businesses, causing the demand for labor, especially high-quality labor, to increase. We know that Vietnam is a market with an abundant labor force and is in a golden population period. According to data from the General Statistics Office of Vietnam [GSO] (2023) <sup>[5]</sup>, Vietnam's labor force aged 15 and over in 2023 will reach 52.4 million people and the number of employed workers will reach 51.3 million people. The rate of trained workers with degrees and certificates in 2023 is 27.0%, an increase of 0.6% compared to 2022 (para 5). However, the reality is that although Vietnam's labor force is abundant, businesses still have difficulty recruiting and retaining workers. The reason is that Vietnamese workers are largely untrained and mainly work in the informal sector. Many personnel with high technical expertise accept invitations from a more advanced labor market, causing Vietnam to face a "Brain Drain" situation. This is an existing paradox in the Vietnamese labor market. Young human resources and a large working-age workforce do not meet the recruitment needs of the domestic market. Meanwhile, the number of unemployed and underemployed workers has decreased but is still quite high compared to the average level of other countries in the ASEAN region. Why does there is an excess supply of labor but still a lack of labor demand, or in other words, "Supply" does not meet "Demand"? What shortcomings still

exist in the Vietnamese labor market and what measures does the Government need to take to remove these difficulties for the labor market?

## 2. Theoretical

### 2.1 Human

In the perspective of human resource management at businesses, human resources are one of the key and important factors. It determines the success or failure of a business. Many authors have introduced the concept of human resources, including the author group Vuong & Hai (2008) [2]. This group of authors believes that human resources is the subject of research in many scientific disciplines, and it can be approached in different ways based on different perspectives. According to the authors, human resources are a segment of the population within a specified age group and capable of participating in the labor process. Each country's human resources always depend on the legal basis and regulations on working age and the ability to participate in labor for each specific group of people (p.2).

Authors Tam & Thanh (2008) [11] when researching human resource management, commented that: Human resources is a concept mentioned by many authors and it is an administrative term. The authors analyze the concept of human resources in two directions: In the broad sense and the narrow sense. Human resources in the narrow sense, also known as social human resources and corporate human resources. This is also called a social labor source. They are the working-age population. Enterprise human resources are the workforce of each enterprise, the number of people in the enterprise included in the management list. In a broad sense, the authors believe that it is human resources in general (p.3).

Thus, from some concepts of human resources given by the authors, we see that human resources are understood as the capacity that individuals use in the production process. It includes the number of individuals and the potential of each individual, in other words, human resources are the human strength within each person. It grows along with the development process of each human being and at a certain point the human resource is qualified to participate in the labor process, then it is considered a human being with labor capacity.

### 2.2 Human Resources

According to author Kaufman, the term human resources was proposed very early in 1983 in the book "The Distribution of Wealth" by John R. Commons but was not discussed in depth (Kaufman, 2001) [6]. However, in the period from the 1910s to the 1930s, the term was used frequently, and the idea that "human beings have value" when talking about dignity was established. In the post-1950 period, this term was used to describe workers as a means used to achieve a certain goal (E McGaughey, 2018, p.497) [3]. "The term was first introduced in a 1958 report by economist E. Wight Bakke" (Kaufman, 2008, p.312) [7]. Today, human resources are understood as "Human resources are the level of skill, knowledge, and capacity of the entire actual or potential human life for socio-economic development in a given time" (WB, 2000) [8]. Author Nicholas believes that "Human resources are the human resources of organizations (with different sizes, types, and functions) that have the ability and potential to participate in the development process of the organization along with

socio-economic development of the country, region, and world" (Nicholas, 2005). George & John commented that "Human resources are the sum of internal and external factors of each individual that ensure creativity and other content for the success and achievement of organizational goals" (2005). Thus, the authors all believe that human resources are human resources. However, it is considered from two aspects: Origin, place of origin and source of material wealth. Specifically, when considering human resources as the source, the place where resources arise, "Human resources" lie within people themselves. Human resources can be distinguished and completely different from other resources. On the other hand, when considering "Human resources" as "the total human resources of each person", human resources are the development process, the ability to create material and spiritual wealth for society. It is expressed through a certain quantity and quality at a certain time.

### 2.3 Indicators for assessing the quality of human resources

Human resources are assessed for quality through three criteria: Intellectual factor (Indicators to evaluate the professional and technical qualifications of human resources); Physical Factor (Health status of human resources); and Mental factor (Indicator of the cultural level of human resources). The factor "Mental capacity" is often expressed by the ratio of workers with skilled qualifications, and college, university, and postgraduate degrees compared to the general labor force of the country. Physical factors are the average life expectancy, physical condition, and health of workers. At the same time, it also classifies groups with impaired health or inability to work. Finally, "Mind" is an important indicator that reflects the quality of human resources and has a strong impact on the socio-economic development process. A high level of education will create conditions and the ability to effectively absorb and apply new advances in science and technology in production and labor practices, as well as in other areas of life.

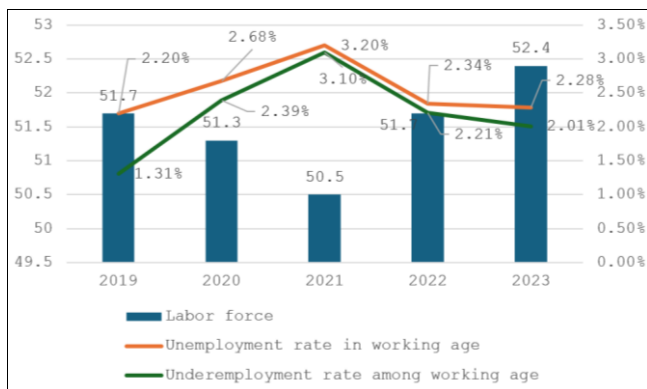
## 3. Results

### 3.1 Current situation of Vietnam's labor market

Vietnam was once a country with an abundant, cheap labor force. This advantage of ours used to be a competitive advantage with countries in the region and the world. However, two changing factors have caused Vietnam to gradually lose this advantage: The result of the 4.0 scientific and technological revolution and the aging population that is starting to take place in Vietnam. According to information from Nhan Dan magazine, by 2023 Vietnam will reach a population of 100.3 million people. The male and female population ratio is quite balanced with 49.9% and 50.1%. In the last 5 years, because fertility has tended to decrease slightly, the population growth rate has gradually decreased and is expected to continue to decrease in the coming years. Specifically, in 2022 the average population growth rate will be 0.98% but by 2023 it will only be 0.84%. In addition, Vietnam's population structure is shifting towards increasing the proportion of elderly people and decreasing the proportion of young people. Although Vietnam is still in the period of golden population structure, it is also in the process of population aging (Chi, 2023, para 1) [1].

To understand in more detail the human resource situation in Vietnam, let's analyze the increase and decrease in the labor force, the trend of labor restructuring, the underemployment

rate and the labor rate. Unemployment in working age. First of all, about the labor structure and labor force of Vietnam, according to the General Statistics Office of Vietnam, the labor force aged 15 and over in 2023 is currently reaching 52.4 million people, 666 thousand people higher than the previous by 2022. Of which the labor force is mainly concentrated in rural areas with 32.9 million people, accounting for 62.7%, and urban areas with 19.5 million people, accounting for 37.3%. The labor force participation rate in 2023 is nearly 70%, a slight increase compared to 2022. Employed workers aged 15 and older in 2023 will reach 51.3 million people, an increase of 683 thousand people compared to 2022. This number is equivalent to an increase rate of 1.35%. Employed labor recorded an increase in both rural and urban areas and both men and women (GSO, 2023, para 5) [5].



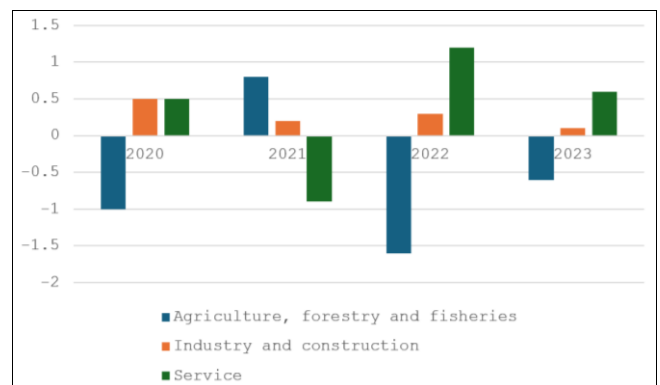
Source: Author's compilation of data

Fig 1: Labor force, unemployment rate and underemployment rate in the working age period 2019 - 2023 (Million people)

In 2021, the age underemployment rate in urban areas is 3.33%, and in rural areas, it is 2.96%. In 2020, the age underemployment rate in urban areas is 1.65%, in rural areas it is 2.80%. In 2019, the age underemployment rate in urban areas was 0.72%, and in rural areas it was 1.62%. Our country's labor situation in 2023 has had many positive changes. First, the number of unemployed and underemployed workers in 2023 will decrease compared to the same period in previous years. Specifically, the whole country has nearly 1.07 million unemployed people of working age, equivalent to 2.28%. This number has decreased by 14.6 thousand people compared to 2022. The reason for the decrease is that the Vietnamese government has synchronously implemented solutions for socio-economic development, improving the business environment and enhancing capacity for national competition in 2023. The economy is overcoming difficulties, causing businesses' recruitment needs to increase at the end of the year, reducing the unemployment rate of workers in 2023. The number of missing workers Employment in this age group is 918.5 thousand people, equivalent to 2.01%. The number of underemployed workers in 2023 has decreased by 0.2%, equivalent to 79.8 thousand people compared to 2022. The group of underemployed workers is mainly in rural areas with 2.26%. The number of underemployed workers in 2023 is completely different from the same period in 2021 and 2022. Two years ago, Vietnam was affected by the COVID-19 pandemic, causing many difficulties in the labor market. However, it has improved starting from 2022 after the

COVID-19 epidemic was well controlled and the socio-economic situation gradually recovered. In 2023, it will return to the economy's inherent development trajectory (GSO, 2023, para 8) [5].

Also, according to data from the General Statistics Office, data on labor divided by economic sector has shifted strongly. Specifically, employed workers in the agriculture, forestry and fishery sectors are 13.8 million people, down 118.9 thousand people, corresponding to a decrease of 0.9% compared to the previous year; The industrial and construction sector is 17.2 million people, an increase of 248.2 thousand people, equivalent to an increase of 1.5%; The service sector with 20.3 million people, increased by 553.6 thousand people, equivalent to an increase of 2.8% and maintained the highest increase compared to the other two areas [19]. One point to note is that Vietnam has a higher proportion of workers in rural areas than in urban areas. The rural labor group mainly works in the fields of "Agriculture, forestry, and fisheries", which depend heavily on incentives in economic and natural policies. GSO's 2023 statistics show that "of the total 906.6 thousand underemployed people of working age in the fourth quarter of 2023, the agriculture, forestry and fishery sector is the area with a high proportion of underemployment" with 43.6% (equivalent to 394.9 thousand underemployed people); Next is the industrial and construction sector, accounting for 29.7% (equivalent to 269.6 thousand people); The service sector accounts for the lowest proportion with 26.7% (equivalent to 242.1 thousand people). "Compared to the same period last year, the agriculture, forestry, and fishery sectors and the service sector had a decrease in the number of underemployed workers of working age (down 23.7 and 30.1 thousand people, respectively) while the industrial and construction sector increased (up 62.2 thousand people). Thus, compared to the same period last year, workers working in the industrial and construction sectors are still most affected by underemployment" (GSO, 2023, para 12) [5].



Source: Author's compilation of data

Fig 2: Increase/decrease in the proportion of employed workers in economic sectors, period 2020-2023 (Percentage points)

In 2023, the group of workers with degrees and certificates will be 14.1 million people, equivalent to 27%. This figure increased by 1.2% compared to the same period in 2022. The whole country still has 38 million untrained workers, equivalent to 62.4%. Thus, the number of untrained workers is still very high. Creating conditions and policies for this group to improve their professional qualifications and skills is a complicated process. It requires appropriate training

policies shortly. Regarding employee income, in 2023 the average monthly income of employees has increased to 7.1 million VND, corresponding to an increase of 450,000 VND compared to the same period in 2022. Income still has a difference. The difference between the income of men and women is 1.36 times. The average income of workers in urban areas is 1.4 times higher than that of workers in rural areas [19]. In 2023, workers working in some economic sectors will record a high average income growth rate compared to the previous year. Of which, the average monthly income of workers working in the mining industry is 10.3 million VND, an increase of 11.2%, equivalent to an increase of about 1 million VND compared to the previous year; Accommodation and food service industry is 6.8 million VND, an increase of 8.6%, equivalent to an increase of 540 thousand VND; Transportation and warehousing industry is 9.8 million VND, an increase of 8.3%, equivalent to an increase of 749 thousand VND; Wholesale and retail industry, car and motorbike repair is 8.3 million VND, an increase of 7.8%, equivalent to an increase of 598 thousand VND; agriculture, forestry and fisheries sector is 4.1 million VND, an increase of 6.6%, equivalent to an increase of 255 thousand VND (GSO, 2023, para 12.13) [5].

### 3.2 On the downside

Firstly, labor quality is still low, not meeting the needs of businesses and the market. As we know, currently the number of untrained workers accounts for a very large proportion of Vietnam's total workforce. Therefore, for the labor market to be sustainable, flexible, modern, and meet the development needs of science and technology, we need to have policies and training programs in the coming time.

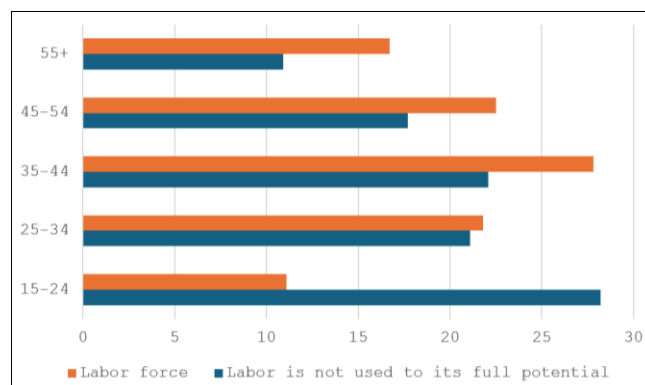
Second, although the number of employed workers has increased compared to previous years, the quality of labor has not improved. The number of workers working in the informal sector still accounts for a large proportion of 33.3 million people with a rate of 64.9%. The group of workers working in the informal sector always suffers from uncertainty and lack of stability, so this group can move into the unemployed group at any time.

Third, from 2020 to now (except for 2021 due to the impact of the COVID-19 epidemic), the shift in industry structure between the agriculture, forestry, and fisheries sectors, the industrial and construction sector, and the service sector. This year seems to be slowing down. If in 2020 and 2022, the proportion of labor in the agricultural sector decreases by 1.0% and 1.6% respectively and increases respectively in the remaining two sectors (industrial and construction sectors increase by 0.5% and an increase of 0.3%; the service sector will increase by 0.5% and an increase of 1.2%), then by 2023, the proportion of labor in the agriculture, forestry and fisheries sector will decrease more slowly, only decreasing by 0.6%; The industrial and construction sector increased by 0.1%; The service sector increased by 0.6% (GSO, 2023, para 16) [5].

Fourth, the youth unemployment rate is still high. The number of unemployed young people aged 15-24 years old in 2023 is about 437.3 thousand people, accounting for 41.3% of the total number of unemployed people. The youth unemployment rate in 2023 is 7.63%, down 0.15% compared to the previous year. In the fourth quarter of 2023, the whole country will have nearly 1.5 million young people aged 15-24 years old who are unemployed and not participating in study or training (accounting for 11.5% of

the total number of young people), a decrease of 72%. 9 thousand people compared to the previous quarter and a decrease of 19.8 thousand people compared to the same period last year. The proportion of young people who are unemployed and not participating in education and training is higher in rural areas than in urban areas, 12.8% compared to 9.5%, and is higher among young women than among young men. Teenagers, 13.3% compared to 9.8%. Compared to the previous quarter, this rate decreased in both urban and rural areas and both men and women (respectively down 0.3%, 0.7%, 0.6% and 0.6%) (GSO, 2023) [5].

Fifth, the rate of workers whose potential is not fully utilized will increase in 2023. Specifically, the General Statistics Office has announced that in 2023, the number of workers whose potential is not fully utilized will be 2.3 million people, equivalent to 4.3%. "The rate of labor not using its full potential is a comprehensive indicator that indicates the degree of "misalignment" between labor supply and demand in the market; reflects the oversupply of labor. Under normal economic development conditions, the rate of underutilized labor potential always exists and often increases when the market is subjected to socioeconomic shocks. The majority of workers who do not use their full potential are people aged 15-34 years old (49.3%), much higher than the proportion of workers in this age group in the labor force (33.0%). This shows that Vietnam still has a large untapped potential workforce, especially young workers (GSO, 2023) [5].



Source: GSO, 2023

Fig 3: Age structure of the labor force and underutilized labor potential, fourth quarter of 2023 (%)

## 4. Solutions

Firstly, increase training to support restructuring and improve labor quality, reducing the unemployment rate. Because labor quality is still low, it cannot meet the needs of businesses and the market. Therefore, for the labor market to be sustainable, flexible, modern, and meet the development needs of science and technology, we need to have policies and training programs in the coming time. The economic structure changes, leading to changes in the labor structure by industry. As we know, the untrained workforce aged 15 and older accounts for nearly 70% of Vietnam's total workforce. However, with the current development momentum, the labor market needs workers with intermediate and high levels of technical expertise and leadership. The problem facing us is that labor supply and demand do not meet. People with low professional qualifications and untrained skills are easily replaced and



fired. Therefore, the Government needs to have a policy to support the opening of vocational training courses so that workers can participate in training and retraining courses when they have a need or are forced to change professional jobs. Create a legal framework to protect workers from certain benefits from businesses such as economic support for workers who need advanced training or compensation and create transition opportunities. Occupation when the enterprise lays off the employee.

Second, orient the Government's human resource policy planning and forecast labor market information. Workers have increased employment but have not really improved their labor quality, mainly in the informal sector. This group is very likely to fall into unemployment due to the impact of the 4.0 industrial revolution. Therefore, the Government needs to evaluate the impact of the Fourth Industrial Revolution on human resource policy planning. This strategy must provide directions to overcome problems such as labor shortages in industry and improve labor quality to promote industrialization and modernization of the country. The human resource development plan needs to have a realistic roadmap and stages for each stage. It is necessary to calculate the amount of training and build a highly predictive labor market forecasting system. Create a legal corridor to facilitate human resource development strategies. Innovating recruitment policies and arranging the use of high-quality human resources needs to be implemented in an open, fair, objective, and accurate manner, based on quality and substantive capacity.

Third, strengthen policy mechanisms to support industry restructuring for workers. Currently, the shift in industry structure between the agriculture, forestry and fisheries sectors, the industrial and construction sectors, and the service sector is quite slow. The group of workers working in the agriculture, forestry, and fisheries sectors is still high. Therefore, the government needs to have a roadmap to support industry restructuring such as training policies. Propaganda about incentives in vocational training in rural areas.

Fourth, perfect recruitment policies and training of high-quality human resources. Currently, the labor force that is underemployed and has not fully utilized its potential is among people aged 15-34 years old (49.3%). This shows that Vietnam still has a large portion of the potential labor force that has not been exploited, especially the group of young workers. Catch up with production technology in the digital age. Companies have introduced innovations in the way of thinking about production management, increased investment and built smart factory systems and modern equipment. In addition to investing in technology, companies also need a highly specialized workforce to operate and participate in processes that require high levels of expertise. Therefore, employees must be able to absorb knowledge well and achieve good technical qualifications to meet the company's recruitment needs. These requirements are available in the group of young workers. They are the people who can update their technical expertise the fastest to prepare for changes in the new working environment. Therefore, in order to have human resources that meet the high demands of the company's recruitment policy, businesses must have policies to recruit and train human resources and young workers must actively learn and improve.

## 5. Conclusion

The 2023 workforce market has had many bright spots and positive developments. The workforce with technical and professional qualifications increased, and the rate of unemployed workers in the working age group decreased. However, we are still facing difficulties such as low labor quality, and not meeting the needs of businesses and the market; Labor quality has not improved; The shift in industry structure between the agriculture, forestry and fisheries sectors, the industrial and construction sector, and the service sector is still slow; Youth unemployment rate is still high; The rate of labor that has not yet fully utilized its potential will increase in 2023. The evolving technology landscape poses many new challenges for the workforce in developing countries, including Vietnam. With the gradual loss of the advantage of low-cost labor, the labor market has many major changes in occupational structure and is likely to cause unemployment for a large number of workers with simple or untrained jobs, society has the possibility of differentiation due to the technology and knowledge gap widening. The government, businesses, educational institutions in Vietnam, and workers themselves need to be aware and ready to change and have appropriate strategies for human resource development during the period of economic transformation.

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