Institute of Labour Sciences and social affairs

Conference on IDRC project

Subject:
“Impact of globalisation, sector movement, labour market and employee’s social welfare”
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1. Objects of the study

- The impacts of sector movement, enterprises’ reform lead to the ability to labour market reintegration as well as incomes and lives of unemployees.

- Perception level and the preparation of enterprises and employees are easily affected by risks (“shock”/ “recession”) in the context of international economy’s integration.
2. Scope of research

(i) Macroscopic evaluations on the impact of globalisation on employee's employment, examine the general impacts of this process on current employee’s social welfare benefits.
(ii) Study on those jobless (redundant) in state owned enterprises (due to equitilisation, restructuring etc.)
(iii) Study on the fluctuation of income, employment and daily lives of employees in enterprises affected by globalisation, commercial shocks such as anti-pricing devaluation policy
Part II

Methodology and practice of globalisation, employment and employee’s welfare benefit
1. Methodology

1.1. Some concepts

Globalisation; Enterprises; State owned enterprises; redundant employees; Labour market; Employment; restructuring; pricing devaluation; Anti pricing devaluation

1.2. Employment’s issues, income and lives of employees in time of WTO accession

According to Martin, labour market is one of the main channels, by which trade liberalisation process can have impact.

- According to popular model of international commerce theory, the removal of tariff barriers and government’s subsidiary will lead to the increase in export and foreign investment thus will result in more demands of labour, employments and enhance labour’s income.

- In order to compete more effectively, nations need to remove trade barriers; eliminate legal exclusivity; privatise the state owned enterprises as well as restructure their bureaucratic administrative systems. These reforms might result in the losses of “good jobs” in state owned sector and create higher percentage of unemployment.
1.3. Approaching method: (Impact of trade liberalisation can be seen from 2 angles: Microscopic and macroscopic)

a. Macro economic connection
   - In the long run, trade liberalisation can boost welfare by increasing one country’s productivity in 3 ways:
     (i) Increasing current resources’ efficiency by increasing competitive level among local producers;
     (ii) Encouraging specialisation production in fields that it has comparative advantage;
     and (iii) boosting economic advantage by exporting goods all over the world.
   - However, in short run, trade liberalisation may create adjustment costs such as losses of employment, income in sectors, which previously subsided by the state.
b. Micro economic connection
2. Real experience of several countries about impact of integration and trade liberalisation

- At scandinavian countries
- At China
- At Vietnam
3. Enterprise’s adjustment, employment and unemployment: Real cases in Vietnam

3.1. Enterprises’ development over the years

- The year 2000 was marked as the enactment of enterprise’s law and it was the foundation for enterprise’s development. As a result, the number of enterprises has gone up from more than 42 thousand to more than 131 thousand.

- In contrary to general trend, the restructuring process of state owned enterprises has diminished massively the number of state owned enterprises. From 5959 in 2000 to only 1980 in 2006.

- As a result, there is significant change in enterprise’s structure. Of which, none state owned enterprises make up very noticeable proportion.
3.2 Employment

- In period of 1996-2007, total employments increased with yearly average growth of 2.32%, approximately 925,000 new jobs were created annually.
- From 2000-2005, employment increased by 0.4% for every 1% export increase of total goods value.
- And it decreased by 0.016% for every 1% import increase of goods.
- There was noticeable movement in jobs divided by industry.
- In industrial sector, employments in fields use more labours such as clothes and footwear, tended to increase faster than that use more capitals.
- The rate of paid workers of total employment increased from 17% to 24%.
3.3. Unemployment

- Economic integration not only remains high and stable economic growth but also solves employment for employees: In 2003-2007, urban unemployment rate decreased by 0.7 point percent. In 2007, the unemployment rate was not more than 5%.

- The unemployment rate varies among different economic regions.
3.4. Salary

- In medium and long terms, trade liberalisation will boost economic development and increase income faster.

- Monthly average income per person according to real price index in 2003-2004 increased by 64% compared with 1999 (VHLSS)

- The increasing speed of real income from employment is 8% annually, higher than GDP rate.

- Employees in FDI sector have highest income, followed by those in state owned enterprises.
Conclusion:

- Based on the general trends appeared in both Vietnam and international recently, it can be said economic integration has positive impact on employment, especially employment in export sectors and in fields use more labour.

- However, the appearance of unemployment and semi-unemployment also shows that the higher the level of integration, the more vulnerable of good jobs in state owned sectors and the more unstable of the employment.
Part III

Evaluating the impact of state owned enterprise’s restructuring and redundant employees
1. State owned enterprises and redundant labour issue

- In transition process from centrally-planned economy to market economy, enterprises also have to change their accounting systems to market economy. Hence, it forces state owned enterprises to reform, renew, restructure their firms. This tendency thus leads to unemployment (labour redundancy).

- Under the impact of globalisation, especially in the preparation period for WTO integration, sectors and enterprises must renew in order to compete and operate effectively.

- Particularly, due to characteristic of centrally-planned economy, most of employees in state owned enterprises belong to government workforce and majority of them have worked in a long period of time. Hence, if they are forced to lose their jobs, it will be difficult for them to reintegrate to labour market and may affect their lives and their families if they do not have good policies and solutions.

- Labour market policy together with the support from the state will solve redundancy.
2. Overview of reform and restructuring in state owned enterprises

2.1. Overview of reform and restructuring in state owned enterprises after Doi moi period till now

- **Period 1** (from 1990-1993)
- **Period 2** (1994-1997)
- **Period 3** (From 1998 to now)

2.2. Achievement

State owned enterprises after restructuring 1&2 went down noticeably from 12,300 in beginning of 1990 to 5,700 in 1998. Total employees decreased by about 700 thousand and currently reached 1,762 million.
3. Redundancy in the context of globalisation and upcoming international economic integration

In next years, solving redundancy issue to be continued under “double” impacts:

(i) Under pressure of transition from centrally-planned economy to market economy, state owned sectors must change their accounting systems to suit market economy; and

(ii) Impact of globalisation/international economic integration will lead state owned enterprises to improve their competitive ability

In recent time, the State has played the role as “midwife” through market programes both actively and inactively.
4. Survey’s introduction

Method: Using sociology survey method (qualitative and quantitative surveys)

Subject of the survey: Unemployees/redundant workers due to privatisation, restructuring of state owned enterprises.

Sample size: 160 labours (2 provinces, each province surveyed 80 labours)

Some limitations of the research
- Lack of national data kit
- Sources of reference is not rich and abundant.
- Limited fund.
- Findings are just meant for understanding, discovering and analysing some particular aspects.
5. Some findings

5.1. Some basic characteristics of redundancy:
- Old ages: Average age is 48.4, of which, age group of above 50 makes up 50%
- There is significant difference in professional level divided by age group.
- Technical workers and unskilled workers account for big proportion: technical workers account for 20.63% and installation and machinery workers represent 16.25%; followed by unskilled workers and staff in other fields with 14.38% and 11.88% respectively.

- The highest employee rate belongs to industrial processing, construction and fishery-forestry-agriculture sectors: 38.75% và 20.63%.
5.2. **Redundant process:**

- Causes of redundancy is mainly due to incapable of carrying out the jobs; old workers; voluntary retirement: average working years is 20.74 years.

- When leaving their jobs, they not only receive high allowance but also receive retirement package according to policy’s regulation. This shows that if the redundant workers have good supporting policy together with good propaganda, they will self adjust and the restructuring process of worker will thus be taken place more easily.
5.3. Labour market reintegration process of redundant workers

- After losing the jobs (redundant), workers who are unable to find new jobs, mainly due to none professional level/technical level still has not met the demand; followed by those in old age and lack of job information.

*Chart: Reasons for not able to find new jobs divided by point*
After losing their jobs (redundant), those do not work anymore normally belong to quite relatively high age group.

Table 3: Cause no longer work of redundant workers divided by age group and gender-according to time of survey-2008.

<table>
<thead>
<tr>
<th>Age group</th>
<th>Do not have need to find new job</th>
<th>Housework</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>&lt; 35</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>35-44</td>
<td>0</td>
<td>2</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>45-54</td>
<td>7</td>
<td>5</td>
<td>1</td>
<td>16</td>
</tr>
<tr>
<td>&gt;=55</td>
<td>3</td>
<td>4</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>10</td>
<td>9</td>
<td>2</td>
<td>24</td>
</tr>
</tbody>
</table>
Characteristic of those redundant workers finding new jobs after:

- 4% of them continue to work as paid workers and 8% become self worker/entrepreneur.
- Majority of them work in private and individual sectors (48.3%) and 41.6% respectively. Other sectors account for small proportion.
- Average incomes increase compared with before losing their jobs.
- Majority of redundant workers are not affected much/badly by equitisation, restruturing because they receive adequately the supporting policy and social welfare benefit.
- Redundant workers in younger ages tend to find better jobs than those in older ages.
- There is no significant change in professional qualification level before and after being redundant.
Better incomes now than previously

Chart: Comparing between current and previous incomes
“better incomes now than previously” is the subjective comment of many redundant workers

Chart: Comparing between current and previous incomes
Cont

- There is almost no impact on the difference in labour market integration for redundant workers in some aspects: marital status, education level, home owner, main income earner of the family, type of labour contract before being redundant and after that.

- To have better labour market reintegration, their main wish is to have official training to find new jobs; followed is to be able to access loan for doing business; followed is to be provided enough information for finding suitable jobs.
Part IV

Impact of economic integration on workers working in enterprises
All enterprises are affected by trade liberalisation. Competition level is fiercer than ever and it requires each of them to find solution for improving competitive capability.

When enterprise encounters commercial shock, employments and incomes of employees will surely be affected.

Each enterprises has its own policy on redundant workers and retirees in time of job deficiency. The implementation of policy on redundant workers in none state owned enterprises has not been controlled tightly.
High professional qualification workers have an edge in time of integration, if their enterprises are affected, they are still capable of finding new jobs easily. Hence, if the employees can equip themselves with sufficient skills for the jobs, they will be less likely affected by enterprise’s fluctuation.

Those losing their jobs mainly belong to old age groups, unskilled or low skilled workers and when they lose their jobs, they will find it tough to seek new jobs. As a result, it is necessary to have adequate policy to help these workers.
Part V

Policy recommendation
1. From now till 2010, continue to implement policy for redundant workers according to decree 110/2007/ND-CP

2. Study and amend adequately the labour law in 2010: focus on the completion of positive labour market policy for redundant workers.

3. Need to study to switch “aiding fund for state owned enterprise’s restructuring” to “aiding fund for unemployees in the enterprises”

4. To use financial sources to solve unemployment issue and to create fund for employees with preferential loans.

5. Support in movement (to other region/province) to find new jobs of redundant workers due to mass dismissal.

6. In the future, the supporting policy for redundant workers must be replaced by unemployment insurance policy.

7. Redesign the plan for protecting vulnerable labour groups in none-structured sectors.
Thank you