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Labour Productivity: In Need of Technological Revolution

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Up to 88 percent of Vietnamese companies have average and below-average technologies. This is the main reason why the productivity of Vietnamese enterprises is low and they fail to meet market trends. This is also one of the reasons why the labour productivity of Vietnam is rated among the lowest in Asia. To provide more information about this issue for readers, Vietnam Business Forum has an interview with Mr Nguyen Anh Tuan, Director of the Vietnam National Productivity Institute - the Directorate for Standards, Metrology and Quality under the Ministry of Science and Technology. Do Ngoc reports.

Compared to other Asian countries, how is the productivity of Vietnamese enterprises now?

According to APO Productivity Databook 2014 released by the Asian Productivity Organisation (APO), Vietnam's labour productivity was US\$7,900 per worker in 2012 (based on purchasing power parity in 2011), with an average annual growth rate of 3 percent. Compared to other Asian countries, this productivity is quite low, on a par with Laos but 14.48 times lower than Singapore, 6.94 times lower than South Korea, 5.90 times lower than Malaysia, and especially 2.28 times lower than the average of ASEAN. With this rate, Vietnam is on a par with Laos, Myanmar, Bangladesh, Nepal and Cambodia - the group of countries with the lowest labour productivity in the region.

Is labour productivity the cause behind the low productivity of Vietnamese enterprises?

To gauge whether a business is productive or not, the following indicators of productivity are used.

- Labour productivity
- Labour competitiveness
- Capital productivity

- Capital intensity
- Process efficiency
- Added value content)

Thus, labour productivity is one of the indicators that show the productivity of a business. The low labour productivity is attributed to many factors like the application of technique and technology, governance skills, labour quality and others.

Vietnamese labourers know how to master technology and access science very well. But, why is Vietnam still poor?

Vietnamese labourers are assessed to have the capability of mastering technology and approaching science very well but their seriousness and dedication to work is not as good as Japanese and their innovation and renovation are below South Koreans and Israelis. Moreover, administration capabilities in many firms are weak; thus, modern technology and equipment cannot be brought to full play.

In addition, our labour force still concentrates in lowly productive sectors. According to the Statistical Yearbook 2013, Vietnam had 52.207 million workers in 2013, of which 46.8 percent worked in agriculture, forestry and fishery (just VND27 million per worker, compared with VND1,542.6 million in mining industry). On average, Vietnam's labour productivity is low.

Another aspect is the speed of change. Myanmar's labour productivity equalled just 57 percent of Vietnam's in 2008 but the rate was 85 percent in 2012. Given the current progress, Myanmar's labour productivity will soon surpass that of Vietnam. Malaysian's labour productivity is almost 6 times higher than Vietnam's and it targets at productivity growth of 4.6 percent a year to become a developed nation by 2020. Sri Lanka's productivity is 3 times higher than Vietnam's and it

sets a target productivity growth of 5-6 percent a year. Meanwhile, the current productivity growth of Vietnam is just over 3 percent a year. Low productivity will reduce corporate and economic competitiveness. If our country cannot change more powerfully, it will be extremely difficult to raise the income of people on the par with other nations in the region.

Vietnam now has a golden population structure. How can it take advantage of this opportunity to improve the labour productivity of its economy and raise incomes for its people?

Perhaps, in addition to improving the quality of human resources and workmanship, labourers should be encouraged to boost their productivity. Workers only devote to their jobs only when they have good pay and fair treatment and judgement. Vietnamese labourers are not inferior to the region but the working environment fails to stimulate their full capabilities.

Currently, Vietnam has the golden demographic structure but equipment and technology are not good enough for labourers to work at their highest competencies. A good labour force must have advanced equipment and technology to have high productivity.

To improve productivity, the wastefulness of labour force needs to be addressed, particularly in State-owned sector. Many units do not have enough jobs for their employees. It is not rare to see them go shopping, go to coffee houses or doing personal affairs during working hours. Once the economy focuses its human resources on value-added activities and reduces intermediary stages, its productivity will higher and labourers will have higher incomes.