



## Asian Productivity Organization “The APO in the News”

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### Labour productivity remains unnerving in Vietnam



(VOV) - In September 2015 the National Wage Council (NWC) of Vietnam proposed an across-the-board sharp increase in the monthly minimum wage of 12.4% effective the beginning of next year.

Vietnam's productivity puzzle: Should we worry? Vietnam labor productivity far behind ASEAN countries Vietnam outpaces neighbors in labor productivity growth

For purposes of the minimum wage the nation is broken down into four industrial regions and the rate of pay differs depending upon the average per capita labour productivity in the region the worker is employed.

Currently the minimum rate of pay for workers in the urban and industrial zones, the highest paid region, is US\$138.97 per month (VND3.1 million), which would rise to US\$156.91 (VND3.5 million).

The proposal has sparked heated debate among key parties such as the Vietnam Chamber of Commerce and Industry (VCCI), State-Sanctioned National Union of Workers and Vietnam General Confederation of Labour (VGCL).

However, most leading experts and economists are generally under the impression that the proposed increase will ultimately find its way into a Prime Minister decree by the end of the year.

Given the backdrop of the debate regarding wage growth outpacing the nation's gains in labour productivity, speakers at a recent workshop in Hanoi argued there are structural problems in Vietnam's labour market that extend far beyond pay.

In 2013, the most recent year for which accurate official figures are available Vietnam ranked the lowest in the Asia-Pacific Region in term of worker productivity— 15 times lower than Singapore, 11 times lower than Japan, and 10 times lower than the Republic of Korea (RoK).

Speakers said Malaysian workers produced fivefold more goods and services than their Vietnamese counterparts while Thailand workers outperformed Vietnamese workers by two and one-half fold.

"Workers are far from catching up with other countries within ASEAN" said General Director Nguyen Xuan Duong of the Hung Yen Garment Company, citing Asian Productivity Organization (APO) statistics.

Duong said those statistics show that Vietnamese worker productivity is about two times lower than the average for ASEAN and he attributes the shortcoming primarily to outdated technology.

However Duong emphasized a slow shift in the economic structure, inadequate training and ineffectual use of educated workers are also contributing factors dragging down productivity.

Meanwhile, Deputy Head Nguyen Thi Huong Hien of the Salary and Labour Relations Department zeroed in on the fact that labourers in industries like agriculture and seafood are largely unskilled and uneducated.

"They are largely untrained and work in seasonal and unstable jobs that generate little added value," said Hien.

Hien also laid a portion of the blame on workers themselves, saying that many workers have a bad work ethic. Many have not applied themselves in their academic studies and therefore it is very difficult for them to grasp advanced science and technology.

In addition Hien said "far too many have unrealistic compensation expectations".

Director Nguyen Anh Tuan of the Vietnam National Productivity Institute (VNPI) warned that the issue is unnerving and if Vietnam does not devise proper solutions to resolve low worker productivity issues, economic growth is at risk.