



Asian Productivity Organization “The APO in the News”

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Experts: Workers just one factor for low productivity

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HANOI - Experts have emphasized that labor productivity depends not only on the quality of workers but also the structure of the economy and enterprises' application of modern technologies.

However, many employers often cite low labor productivity as a main reason to delay wage hikes for workers, heard a workshop held by the Vietnam General Confederation of Labor and Lao Dong newspaper in Hanoi on October 14.

The workshop on labor productivity took place at a time when many enterprises are complaining about a minimum wage increase of 12.4% for 2016, which is being considered by the Prime Minister. They said Vietnam's labor productivity remained low.

Nguyen Anh Tuan, head of the Vietnam National Productivity Institute, quoted data of the International Labor Organization (ILO) as showing that Vietnam's labor productivity in 2013 was among the lowest in the Asia-Pacific. It was 15 times lower than in Singapore, 11 times lower than in Japan, 10 times lower than in South Korea, five times lower than in Malaysia and 2.5 times lower than in Thailand. Vietnam was ranked higher than Myanmar and Cambodia in the ASEAN region.

Statistics of the Asian Productivity Organization showed that Vietnam's labor productivity is less than half of the average in ASEAN.

"In 2011-2013, labor productivity growth in Vietnam was over 3% per year while gross domestic product (GDP) growth stood at around 5% per year, meaning labor productivity growth did not match GDP growth," Tuan said.

Tuan warned that if Vietnam does not have proper solutions to boost labor productivity growth, the nation would find it hard to realize the goal of becoming an industrialized economy by 2020.

He noted if labor productivity growth remains as dismal as in the past, it would take Vietnam 50 years to catch up with Thailand.

Cao Sy Kiem, former governor of the State Bank of Vietnam, said labor productivity depends on three factors: policy and development environment, infrastructure and application of modern technologies, and labor discipline.

In reality, most local businesses are small and medium, so they lack capital for acquiring new technologies and training employees. Their labor discipline is also weak. These factors have hindered a labor productivity improvement.

Vu Quang Tho, head of the Institute for Workers and Trade Unions under the labor confederation, attributed low labor productivity to the inappropriate economic structure and the arrangement of the labor force. Over the years, the agricultural sector has accounted for 18-20% of GDP, the industry-construction sector over 38% and the service sector for 42-44%.

However, laborers in the agricultural sector often make up 46.8% of the workforce, 21.2% in the industry sector and 32% in the construction sector.

To raise labor productivity, Kiem said, Vietnam should step up economic restructuring with a focus on the industry and service sectors, make the business environment more favorable and improve policies and institutions. In addition, the country needs to hike wages, apply advanced technologies and train laborers.