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Development of Industrial Human Resources for FDI-oriented Industrialization in Vietnam

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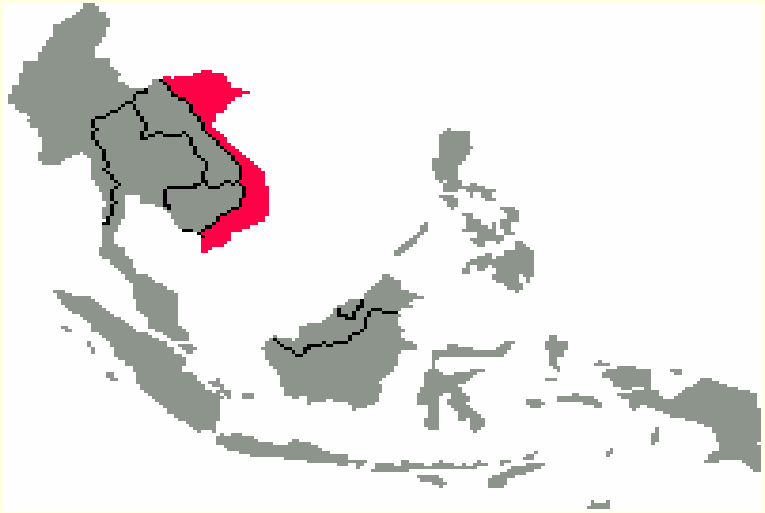
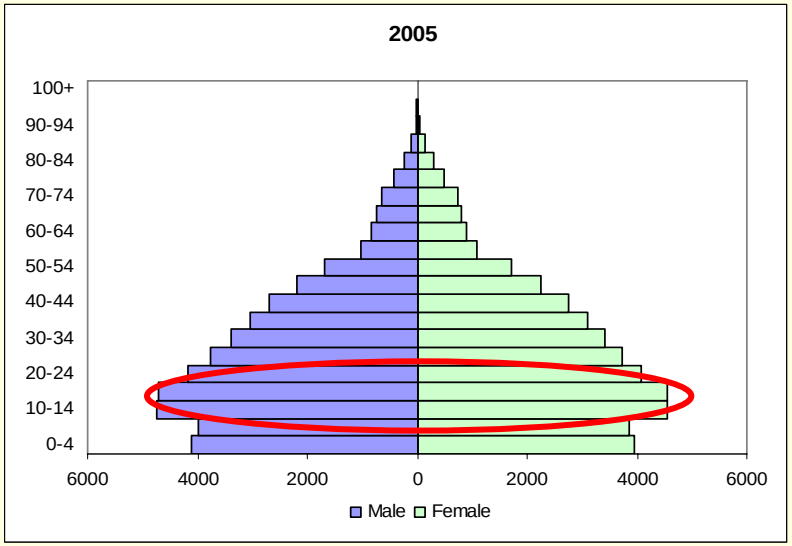
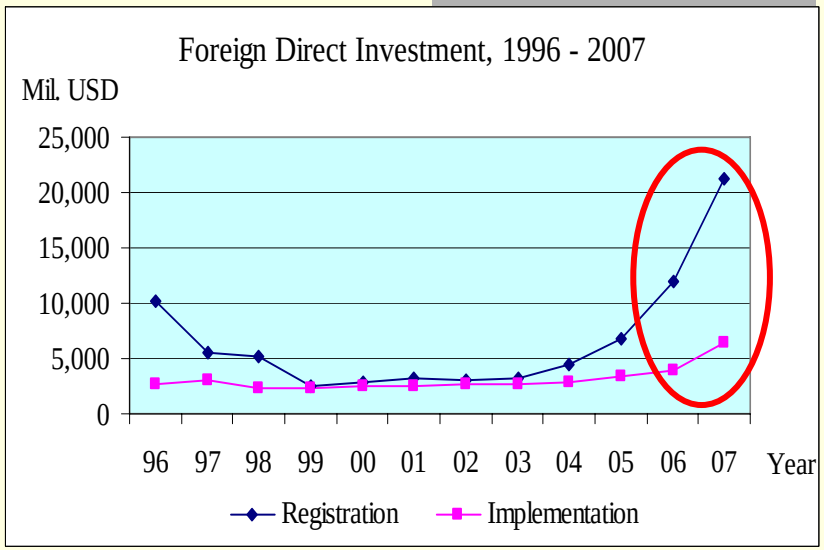
Vietnam: An Overview

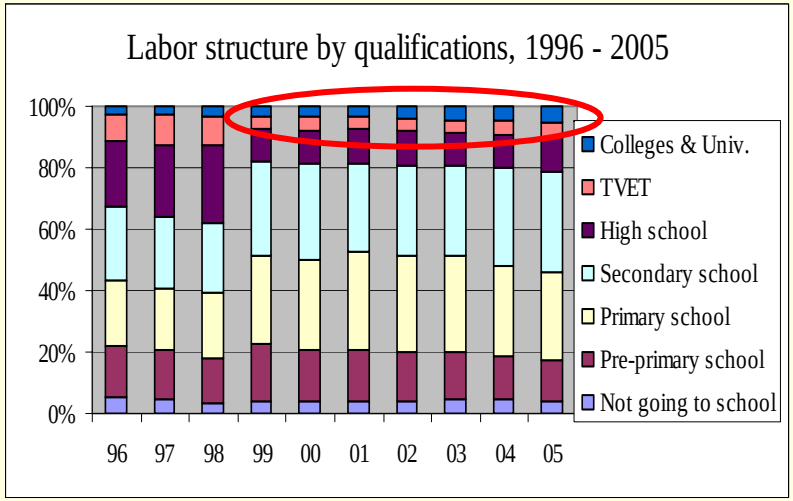
- Area: 331,114 sq. km (127,243 sq. miles)
- GDP: $71.2 billion (2007)
- GDP growth rate: 7.4% (1990-1999) & 7.6% (2000-2007)
- Per capita GDP: $836 (2007)
- Population: 85.2 million (2007)
- Literacy rate: 90.3% (2005)

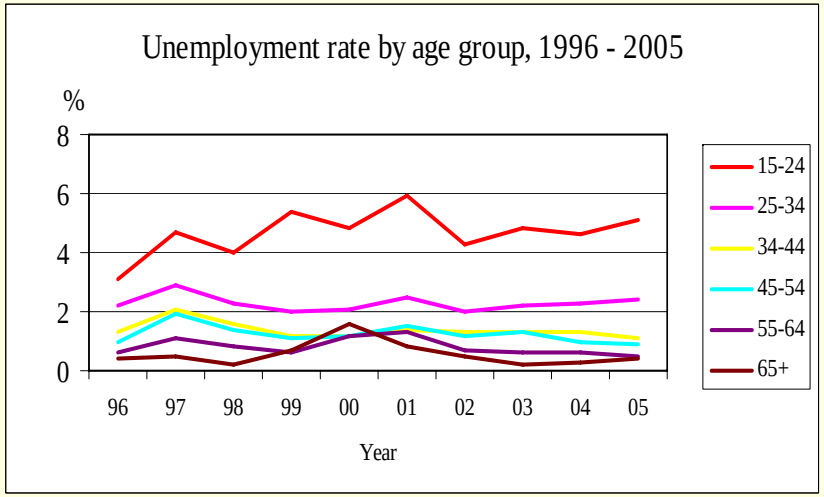


Labor Force & Employment





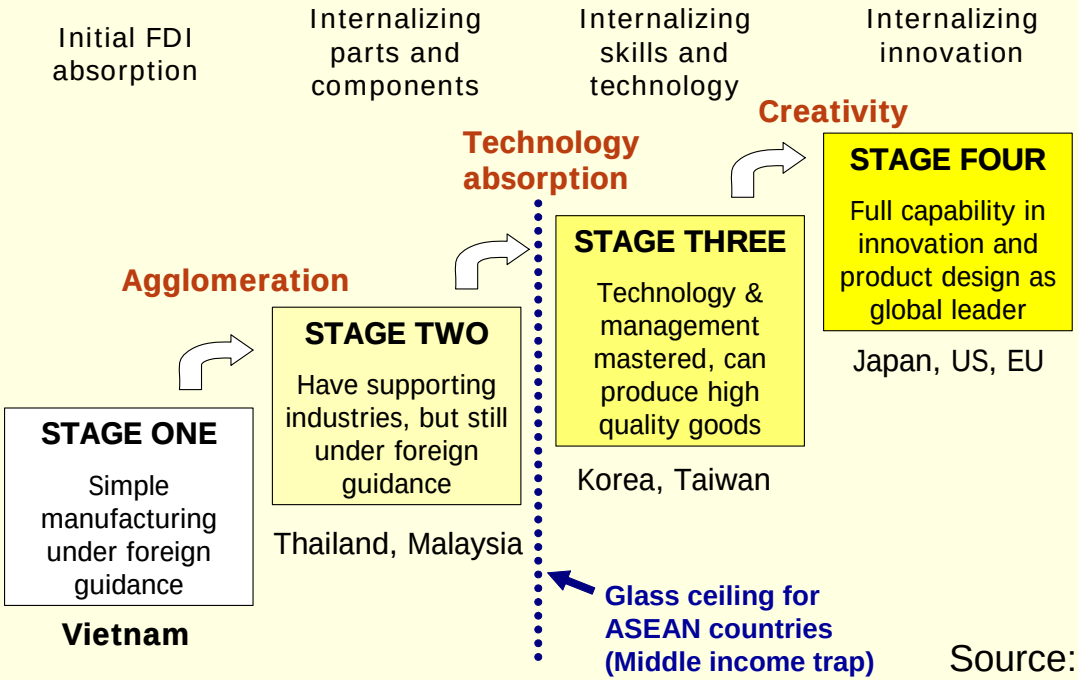




New Era & Challenges

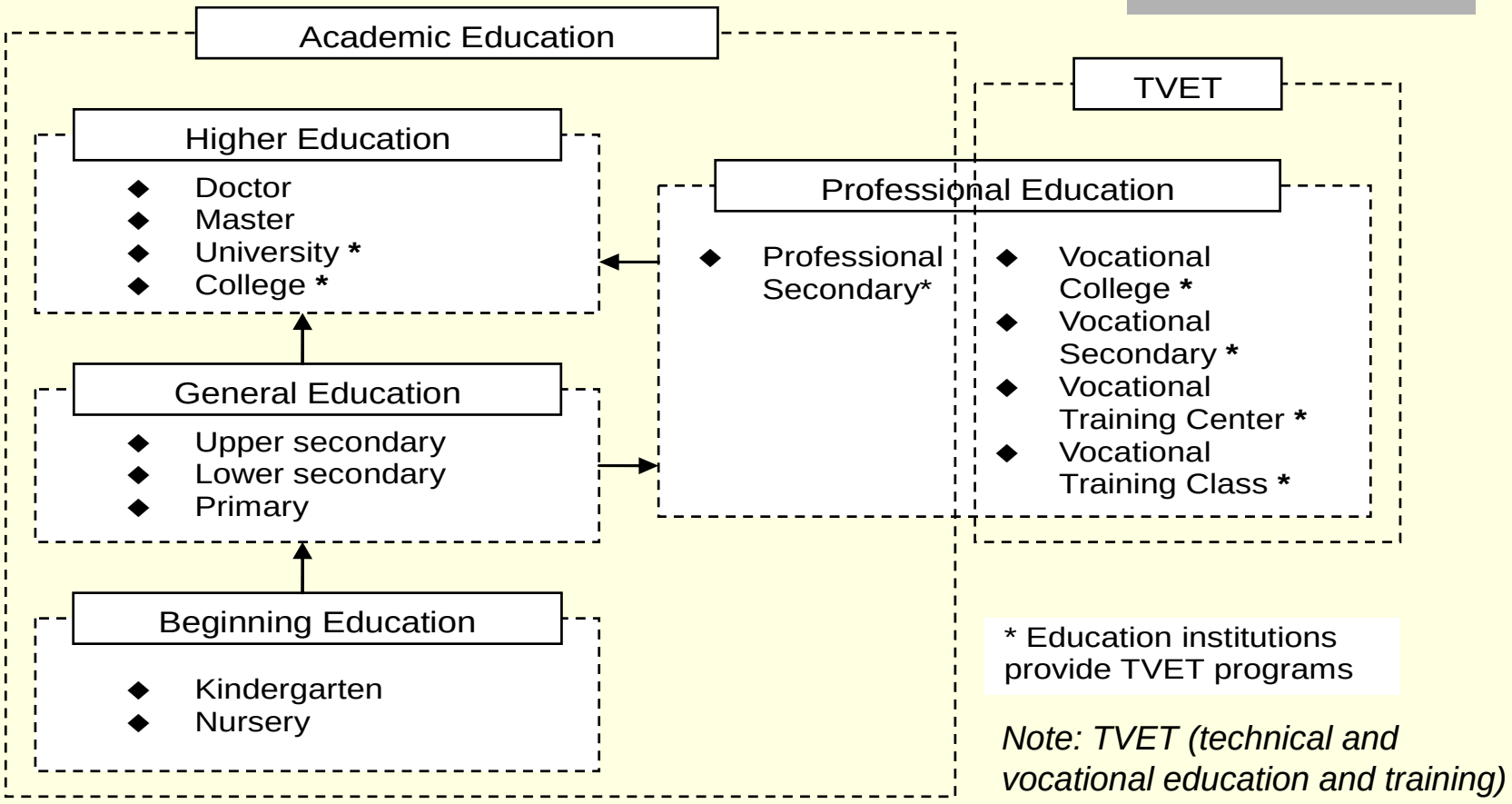
- No longer a low-income country → risk of middle income trap.
- Commitments of AFTA by 2018 → danger of large inflow of ASEAN products, which may destroy Vietnam's industrial base.
- Increasing wage → risk of losing FDI to cheap labor countries.

→ Industrial human resource and supporting industry are key!



Source: Ohno (2004)

Education and Training System



- In Vietnam, there are more than 200 universities, of which only 12 universities provide technical training courses.

TVET System

Level	Training Institutions	Period	Entry Qualification	Certificate	Supervisory Ministry
College	University of technology/industry, industrial college, vocational college	1-2 years	Professional secondary graduates	College diploma	Ministry of Education and Training; Ministry of Industry and Trade; Ministry of Labor; Invalids and Social Affairs
		2-3 years	Upper secondary school graduates		
Secondary	University of technology/industry, industrial college, vocational college	1-2 years	Upper secondary school graduates	Professional/vocational secondary education diploma	
	Secondary vocational school, professional secondary school	3-4 years	Lower secondary school graduates		
Primary	University of technology/industry, industrial college, vocational college, secondary vocational school, professional secondary school, vocational training center, vocational training class, etc.	3 months-1 year	Young and unskilled workers	Certificate	

- TVET institutions are under authorities of different ministries, such as MOET, MOLISA, and MOIT…
- Outdated training facilities and curricula.
- TVET institutions are usually not aggressive in acquiring labor demand of enterprises.

Industrial Human Resources: An Overview

- Classified into (i) top managers; (ii) middle managers & engineers; and (iii) workers.
- Graduates from TVET or higher education system.
- Periods of IHR development:
  - Pre-1986: Heavy industries and IHR/SD were national priorities.
  - 1986-1995: Crisis period, decreasing tendency.
  - Post-1995: Recovering period, positive tendency, high attention from top leaders.

Existing Problems

- Mismatch between supply and demand
  - Shortage of skilled labor: more than a half of Japanese firms reported difficulty in recruiting middle managers and engineers.
  - Low quality trainees: firms have to retrain after recruitment.
  - Lack of good instructors: can teach theories but cannot provide practical skills.
- Big gap in knowledge and technology between FDI and local firms.
- Government usually focuses on increasing quantity rather on improving quality.

→ ***FDI–TVET cooperation is key to speed up industrial skill development***

Cooperation between FDI Firms & TVET Institutions

- **Advantages:**
  - Speeding up spillover effect from FDI to TVET institutions.
  - Narrowing the gap between labor demand and supply.
  - Curricula can be adjusted and updated quickly.
- **Constraints:**
  - Difficult to get involvement from FDI firms, as they only join TVET activities when they (i) have stable production, (ii) must increase local procurements; and (iii) unreasonable wage increase due to lack of skilled workers.

Case Study 1: In-house Training by FDI Enterprise – Muto Vietnam

- A producer of molds, dies, and plastic-injection parts in the southern of Vietnam.
- Providing occasional in-house training courses on designing and making molds and dies.
- From 1998, held 6 training courses and produced 170 technicians.
- It is difficult for enterprises to run in-house training courses frequently and in large-scale.

Case Study 2: Cooperation with Industrial Park – Viet-Sing Technical Training Center

- Established in 1997 with assistances from the Government of Singapore.
- Providing 6-month training courses to supply skilled workers to enterprises operating in VSIP.
- Holding regular meetings to adjust and update curricula to meet enterprises' demand.
- Almost 100% graduates were recruited immediately.
- Assistance from the Government of Singapore ended in 2006 → VSTTC merged with a professional secondary school in Binh Duong province. It is facing financial challenges in operations.

Case study 3: Interaction between Training Institution and Enterprises – HIC-JICA project

- Strengthening capability of HIC in training technical workers.
- Providing two courses during 2000–2005: a two-year training course, and a short-training course.
- Emphasis on practical training, which occupied 60-70% of training time.
- Learning practical skills by receiving orders from enterprises.
- Promoting internship program in enterprises, and half of the graduates were hired by the hosted enterprises.
- Training courses have still been maintained since the end of the project.

What can We Learn?

- Foreign assistance cannot be forever, so that local partners must gradually become independent.
- Enterprises as one of the stakeholders should get involved in designing and updating curricula for TVET.
- Practical training should be further emphasized.
- Internship programs provide good chances for trainees to learn practical skills, and for enterprises to examine potential workers.
- International cooperation is a driving force of skill development, and thus Vietnam should utilize effectively and diversify programs and sources.

Policy Proposals

- Bilateral partnership for monozukuri.
- Management/technical centers and programs.
- Collaboration training between foreign universities and local universities / training institutions.
- Monozukuri school.
- Skill certification system.

Thank You for Attention