

PRESS RELEASE

The Launching Conference of

Viet Nam Annual Economic Report 2018

UNDERSTANDING THE LABOR MARKET FOR PRODUCTIVITY ENHANCEMENT



On 8th May 2018, the VNU University of Economics and Business organized the Launching Conference of **Viet Nam Annual Economic Report 2018**, which is kindly supported by the Friedrich Naumann Foundation (FNF) Vietnam.

Following the success of previous reports, *Vietnam Annual Economic Report 2018*, entitled "Understanding the Labor Market for Productivity Enhancement" will focus on Vietnam's productivity in the international context, where there are different points of view about the need of understanding the labor market to explain the quality of human capital and productivity. For this reason, this year's report will not only consider and evaluate the world and Vietnamese economies, but also analyze several aspects of Vietnam's labor market and recommend both short-term and long-term policies for the economy.

The Viet Nam Annual Economic Report has been conducted since 2009. Its research results have been published as a series of annual reports in order to summarize major economic issues in the previous year, give an economic outlook for the coming year, and provide policy recommendations.

The **Viet Nam Annual Economic Report** is a key product of VNU's Strategic Research Program called "**Economic Theories and Macroeconomic Policy in the condition of International Economic Integration of Viet Nam**".

The launching conference of the Viet Nam Annual Economic Report 2018 is kindly supported by the Friedrich Naumann Foundation (FNF) Vietnam.

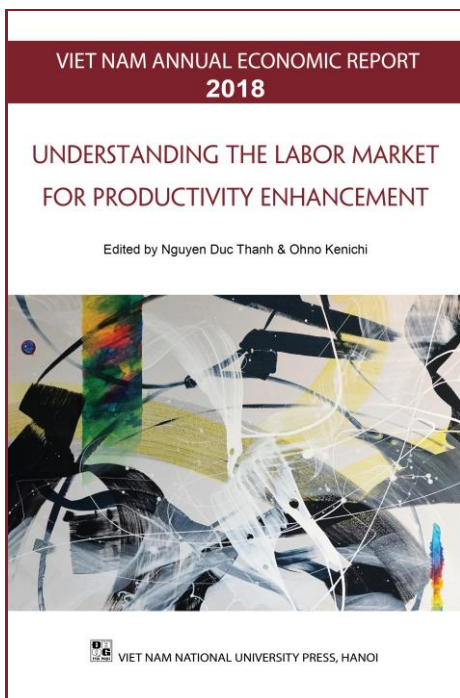
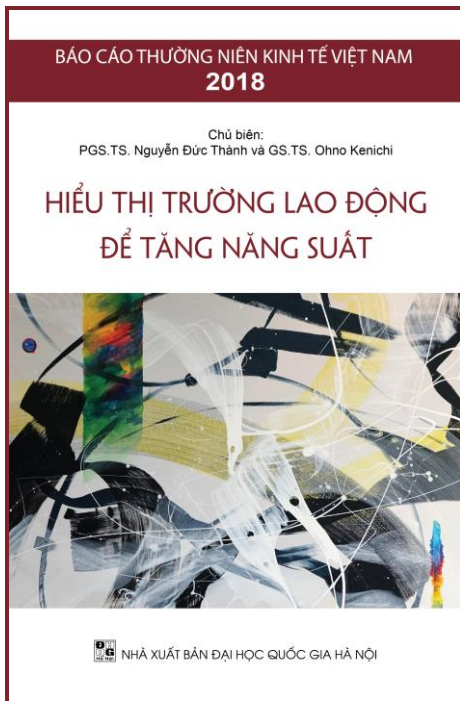
This year's Report, edited by Nguyen Duc Thanh and Ohno Kenichi, is a valuable and reliable reference for researchers and policy-makers, social and economic institutions as well as all those who are concerned about the current economic situation of Viet Nam.

Participants of the Conference include officials and representatives of policymaking agencies; universities and research institutions; representatives of embassies, international donors and development organizations in Hanoi; industry representatives, and media agencies.

Please send all comments and suggestions on the contents of Viet Nam Annual Economic Report 2018 to Assoc. Prof. Dr. Nguyen Duc Thanh, e-mail: nguyen.ducthanh@vepr.org.vn.

The Vietnamese version of the Report is expected to be published in September, 2018, while the English version is expected to be published in December, 2018.

For more information on the Viet Nam Annual Economic Report or related events, please visit VEPR's website: www.vepr.org.vn, follow our Facebook <https://www.facebook.com/VEPRinstitute/> or contact via VEPR hotline 0975608677, e-mail: info@vepr.org.vn.



REPORT SUMMARY

The **Viet Nam Annual Economic Report 2018** consists of seven chapters and two appendices.

Chapter 1, entitled "**Overview of the World Economy in 2017**", provides an overview of the world economy in 2017 with positive factors such as (i) strong growth in most countries; (ii) the recovery in global trade with fewer trade-restrictive measures; (iii) fastest pace of expansion of global manufacturing production since 2011; and (iv) political stability in EU countries. Nevertheless, the world economy still faced a number of unpredictable elements which had strong influences on global FDI flows in 2017 like the Brexit negotiation, the US withdrawal from global commitments; the increase of populism and protectionism in many countries; tensions and conflict escalate amongst countries like in Syria, etc.

Chapter 2, entitled "**Overview of the Vietnamese Economy in 2017**", provides a general view and assessment on the Vietnamese economy in 2017. Along with the global trend, Vietnam also witnessed a significant economic rebound. The industrial and construction sectors, particularly the manufacturing industry, continued to be the main driving force of economic growth. Inflation was kept relatively low due to prudent money supply control by the SBV. Macroeconomic stability, along with institutional reforms aimed at improving the investment climate, is expected to continue to be effective and more supportive for business activities in 2018. However, many inherent problems which have not been resolved thoroughly would remain a drag on the economy.

Chapter 3, "**Characteristics of Vietnam's labor productivity in the process of international integration**", reviews Vietnam's labor productivity at the whole economy level and sectoral level over time, as well as compares Vietnam with East Asian countries (Japan, Korea and China) and ASEAN. The result shows that Vietnam's productivity is among the lowest in the region, even lower than Cambodia. In particular, industries having the lowest productivity include "manufacturing", "constructing", and "logistics", expressing concerns about domestic production capacity. In addition, in the last decade Vietnam's productivity has been mostly improved by structural shifts. Thus, the flexibility of the labor market is highly important, yet has not been paid much attention.

Chapter 4, entitled "**The increase in wages and labor productivity in Vietnam**", investigates the current minimum wage policy in Vietnam, the relationship between minimum wage, average wage, and labor productivity; as well as the impacts of continuous adjustments in minimum wage on the economy. Empirical studies suggest that the excess real wage growth could be resulted from the rapid increase in minimum wage. In addition, it is found that such increase in minimum wage generally results in a reduction in employment (growth) and firm profits.

About VEPR

Viet Nam Institute for Economic and Policy Research (VEPR), formerly known as Viet Nam Centre for Economic and Policy Research, was established on July 7, 2008 under the University of Economics and Business, Vietnam National University, Hanoi. VEPR considers its primary mission as carrying out economic and policy research to assist in improving the decision-making quality of policy-making institutions, enterprises, and interest groups by providing insights into the social, political, and economic factors that drive economic affairs of Viet Nam and the region.

Since 2018, VEPR has been awarded the status of the *VNU Center of Excellence* by the President of the Viet Nam National University, Hanoi.

According to the 2018 *Global Go To Think Tank Index Report* conducted by University of Pennsylvania, VEPR has been ranked 123 among all global think tanks, and 56 in the think tanks in the Southeast Asia and the Pacific for International Development.

About FNF Vietnam

The Friedrich Naumann Foundation is active in Germany and in around 70 project countries worldwide. All of our work is guided by liberty as its fundamental value. We want our projects to enable people throughout the world to live their lives freely, with dignity, in peace and prosperity. Together with our partners, we support the development of democratic institutions based on the rule of law and promote open market economies.

On September 18th 2012, the Friedrich Naumann Foundation for Freedom officially opened its office in Vietnam. Up till now, we cooperate with Vietnamese organizations to share liberal values, foster economic freedom and promote the rule of law. Besides capacity building, we are organizing conferences, workshops and seminars and publishing books

There are, however, considerable differences in the effects across types of ownership, reflecting the differences in the extent of labor market regulations and enterprises' technological and financial abilities to deal with rising labor costs. Generally, private enterprises tend to reduce formal labor contracts (who has insurance benefits) to cope with the increase in minimum wage (informalization). We also find evidence of mechanization among firms operating in labor-intensive manufacturing industries.

Chapter 5, entitled "**Labor market participation and occupational choices of Vietnamese youth**", uses two sets of nationally representative data including the Labor Force Survey 2007-2016 and the transition from school to work in 2012 & 2015 to describes the real status, trends in labor market participation, employment and factors influencing labor market participation and occupational choice of young workers in Viet Nam. The study finds that a large proportion of the youth are working in the informal sector or other sectors not relevant to skills trained, thus do not have opportunities to accumulate skills. They also tend to receive less social insurance. This shows the risks and constraints for productivity growth. Moreover, job search through personal relations rather than professional intermediaries evidences an incomplete labor market. As a result, policies to promote employment seem to be less effective.

Chapter 6, entitled "**Productivity enhancement through international labor market integration**", review the motivations of the participations in the programs to send Vietnamese laborers abroad, particularly the case of Vietnam-Japan internship. The study shows that there have been many problems that hinder the spillover of labor productivity gains. One of the major problem is the lack of transparency and information sharing in the market. In addition, the incomplete market structure also leads to high administration cost, putting financial pressures on the interns and making the spillover effect of productivity gains for Vietnamese laborers in foreign countries still low.

As a conclusion, Chapter 7 on "**Viet Nam's Economic Prospects in 2018 and Policy Implications**" provides two scenarios of the Viet Nam's macroeconomic prospects in 2018 and detailed discussions on the current short-term policies. Economic growth would have high possibility to reach 6.83% in 2018, with an inflation rate of 4.21%. In a more unfavorable scenario, the growth rate would only be 6.49%, while inflation would be relatively stable at 3.86%.

In the long run, improving productivity would be central to all the reform policies. Particularly speaking for the labor market, more efforts are needed to make the market more efficient, in order to help labor be reallocated more rapidly and encouraged to accumulate more skills and improve productivity faster.

CONFERENCE AGENDA
LAUNCHING
VIET NAM ANNUAL ECONOMIC REPORT 2018
UNDERSTANDING LABOR MARKET
FOR PRODUCTIVITY ENHANCEMENT

Time: Friday, 8th May 2018

Venue: Pan Pacific Hotel, No.1 Thanh Nien Street, Ha Noi

08h00 – 08h30 Registration

08h30 – 08h35 Welcome and Introduction

08h35 – 08h45 Opening Remarks

Remarks by Assoc.Prof.Dr. Nguyen Truc Le, Rector of VNU University of Economics and Business

08h45-08h55 Welcome Remarks

Remarks by Assoc.Prof.Dr. Nguyen Kim Son, President of Vietnam National University, Hanoi

Remarks by Mr. Mark Stanitzki, Country Director of Friedrich Naumann Foundation, Viet Nam

08h55 – 09h40 Presentation on the main contents of the Viet Nam Annual Economic Report 2018

Assoc.Prof.Dr. Nguyen Duc Thanh, President of VEPR

09h40 – 10h10 Comments from Experts

1. Assoc.Prof.Dr. Vu Minh Khuong, Lee Kuan Yew School of Public Policy, National University of Singapore (NUS)

2. Assoc.Prof.Dr. Nguyen Thi Lan Huong, Former Director General, Institute of Labor Science and Social Affairs (MOLISA)

3. Dr. Nguyen Anh Tuan, Director of Vietnam National Productivity Institute (MOST)

10h10 – 10h30 Tea Break

10h30 – 11h55 Open discussion

Panelists: Authors of the Report

Chaired by Assoc.Prof.Dr. Nguyen Truc Le, Rector, VNU University of Economics and Business

11h55 – 12h00 Closing Statement by the Rector of UEB-VNU

12h00 – 13h30 Luncheon at the Hotel

ORGANIZATIONAL COMMITTEE

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UNDERSTANDING LABOR MARKET
FOR PRODUCTIVITY ENHANCEMENT

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