

VNCI Policy Paper #15

FORMULATION AND IMPLEMENTATION OF LABOR AND HUMAN RESOURCES DEVELOPMENT POLICIES FOR ENTERPRISES AT PROVINCIAL LEVEL

Good Practices in Da Nang, Binh Duong and Vinh Phuc

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Experiences from Da Nang, Binh Duong and Vinh Phuc

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Disclaimer

The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government

ABBREVIATIONS

ASEAN	Association of South East Asian Nations
DOLISA	Department of Labor, Invalids and Social Affairs
DPI	Department of Planning and Investment
GSO	The General Statistics Office
IFC	The International Financial Corporation
IZ	Industrial Zone
JBIC	Japan Bank for International Cooperation
MOLISA	Ministry of Labor, Invalids and Social Affairs
PC	People's Committee
PCI	The Provincial Competitiveness Index
VCCI	Vietnam Chamber of Commerce and Industry
VNCI	The Vietnam Competitiveness Initiative
WB	The World Bank
USAID	United States Agency for International Development

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EXECUTIVE SUMMARY

- Only 28% of enterprises rated the quality of vocational training provided by local government agencies as Good or Very Good. 39% rated the quality as Medium and the rest rated as Low or Very Low (*The Vietnam Provincial Competitiveness Index PCI 2009*).
- Out of 100,000 jobs offered in 2009, the number of persons who asked for assistance from the centers accounted for only 17%; only 6% of the job seekers met the qualifications and criteria set forth by recruiters (*MOLISA, December 2009*).
- 64% of the labor force is not trained and 78% of the youth at the ages of 20 – 24 are not qualified for the job market. With a strong labor force of 48 million people of working age, it is a paradox because 50% of the enterprises, both domestic and foreign, disclose that they are in acute shortage of labor (*MOLISA, December 2009*).
- 23,796 workers lost their jobs in 2009 but enterprises in Ho Chi Minh City still complained that they were unable to find qualified workers to fill 61,527 vacant jobs in the year. In Dong Nai, the province has a deficit of 20,000 workers each year. (*MOLISA, December 2009*)

Above are some data on labor training and human resources development in Vietnam collected in this policy paper under a collaborative effort between the Vietnam Chamber of Commerce and Industry (VCCI) and the U.S. Agency for International Development's Vietnam Competitiveness Initiative (USAID/VNCI). Clearly, the serious disparity between the demand and supply for labor is getting progressively worse— an irony given the fact that Vietnam has always considered cheap and abundant labor one of its major comparative advantages. Labor market shortages and quality issues are policy issues that need to be urgently addressed, both at the national and provincial levels, if the country is to sustain its economic growth and avoid the “middle income trap”. Failing to improve the quality of labor, provinces will risk losing prospective investors to other provinces and eventually to other countries. This labor market problem also runs the risk of reducing employment opportunities, and may lead to a fall in economic growth, budget revenue and provincial competitiveness.

The purpose of this PCI-series policy paper is to analyze the policies and practices of the top performing provinces of Da Nang, Binh Duong, and Vinh Phuc in upgrading labor to meet the growing requirements and demand of foreign investors and Vietnamese businesses for qualified workers. Experiences and lessons learned there can be used by other provinces to improve their labor policies and practices in order to create more qualified workers for foreign and domestic businesses.

STRATEGIES FOR UPGRADING LABOR QUALITY AND SUPPLY

While national policies on education and labor are important, the role of local governments in improving labor quality has become increasingly significant. For example, in order to develop a vocational training system, a good law is important but is evidently not sufficient. Labor and training has been increasingly decentralized to the provincial level in recent years, and each province has taken different approaches or adopted different attitudes towards this decentralization. In PCI 2009, the provinces rated highest by enterprises for having good vocational training quality scored 48.51%. Although this rate is not high, it is much better than the lowest score of 10.26%. Experiences from the three provinces have proven that it really takes good policies and bold, persistent, flexible and innovative actions by provincial leaders to make a difference in upgrading the quality of the labor in their provinces.

The leaders of the provinces of Binh Duong, Da Nang and Vinh Phuc have created the right regulations and incentives to upgrade human resources to meet the requirements and growing demand for qualified labor of foreign investors and local businesses. Specifically, these measures include:

- Demand-based vocational training and human resource development as the cornerstone of labor and training policy in the province;
- Increased private investment in vocational training;
- Implementation of incentive programs to attract talented trainers and teachers to work for vocational training institutions and education establishments in the province;
- Proper emphasis is given to soft skills training for students and vocational trainees; and
- Establishment of vocational institutions as part of the IZ development.

The three provinces have adopted the right policies and effectively implemented the regulations in support of job change and job creation in land clearance projects. Important lessons learned include:

- Development of clear policies for job change and job creation in land clearance that are responsive to the demands of the reality and people;
- Well-implemented surveys to assess the needs for vocational training and job change to ensure evidence-based and market-responsive decision making;
- Formulation of specific projects in support of job change and job creation in key areas; and,
- Provision of free training for laborers categorized as those who have no other option but changing their jobs, diversification of vocational training and attaching priority to job creation for over-aged laborers.

Many other complementary initiatives and programs have also been implemented by the provinces to improve labor quality and supply. Most notable among these initiatives are:

- Improvements in the efficiency of employment services, labor market, job service centers or job fairs;
- Establishment of labor market information systems; and,
- Active trans-provincial and regional linkages to respond to the growing labor demand.

Settlement of labor strikes and building harmonious labor relations are also among the important priorities of local governments, especially in times of economic turmoil.

Some provinces, particularly Binh Duong, have formulated and implemented effective policies to support migrant workers. The provinces have also repeatedly emphasized the

administrative reforms in labor and vocational training under the Prime Minister's Administrative Reform Project (Project 30), seeing this reform as another impetus for improving the formulation and implementation of regulations and policies on labor and vocational training in the provinces.

I. OVERVIEW

The Global Competitiveness Reports published by the World Economic Forum in recent years (the latest in 2009)¹ have revealed that tertiary education and infrastructure are the two areas in which Vietnam scored the lowest and the biggest constraint on Vietnam's competitiveness. Results from surveys on foreign investors' perceptions towards Vietnam also show this worrying sign. For instance, a JBIC survey in 2009 on Japanese investors showed that the strained labor in Vietnam was identified as key concern for Japanese manufacturing and services firms. In 2009, 29.4% of Japanese companies faced difficulty in recruiting high-level management personnel.² According to aggregate statistics from job service centers across the country, there were 100,000 jobs being offered in 2009. However, the number of persons who sought jobs from the centers accounted for only 17% of the total demand from the enterprises. More worryingly, only 6% of the job seekers could meet the qualifications and criteria set by recruiters³.

The need to renovate the education system, especially tertiary education and development of high quality human resources for enterprises has recently become a "burning" issue at different forums at many levels and among different social groups in Vietnam. This should also be a strategic focus for Vietnam as suggested by leading economists who visited Vietnam, such as Professor Paul Krugman and Professor Michael Porter.

For domestic enterprises, issues like scarce and low quality labor sources, shortage of skilled workers, low-quality of labor training, labor laws and regulations failing to meet the reality of businesses have become common issues raised in a number of reports and surveys in the business environment⁴ as well as in forums and discussions in Vietnam. According to MOLISA, the main reason for the disparity between the supply and demand of labor is the fact that training has failed to meet the market demands. Only 26% of the labor force is trained in basic skills. Of which, merely 6.47% are trained at vocational colleges. Despite this fact, universities and colleges mostly expand the training and education which require less capital investment such as economics, law, and business administration and pay much less attention to more capital or technology intensive training. For example of the 30,000 university graduates, 33% have majors in economics, 21% in social science and 46% of all the others.

Under the Provincial Competitiveness Index⁵, the labor training sub-index is given the highest weight. It is also the factor that has the strongest impact on private sector development in Vietnam. However, it is also one of the sub-indices that scored the lowest and experienced the sharpest decline in 2008. Labor policy has always been one of the three most challenging dimensions. The latest survey results (in 2009) reveal that in a median province, as low as 28% of enterprises rated the quality of vocational training provided by local government agencies as Good and Very Good.

More than 75% of the labor force works in the agricultural sector, with more than 1 million people entering the labor market annually. Only 26% of the labor force is trained. As a

¹ See more on the web site of the World Economic Forum: www.weforum.org

² Survey on Japanese manufacturing companies presented by JBIC at the Vietnam Business Forum in Hanoi in December 2009.

³ "Demand and Supply of Labor: Status and Solution", MOLISA, December 2009.

⁴ Business Sentiment Survey by the Secretariat of the Vietnam Business Forum under IFC/WB, Annual report on Vietnam Economy by VCCI

⁵ See more about Provincial Competitiveness Index at www.pcvietnam.org

result, job creation, training in preparation for new jobs or for job change and vocational training for farmers are now becoming some of the vital issues for economic and social development for the country in the coming years.

While national policies on education and labor are important, the role of local governments in improving labor quality has become increasingly significant. For example, in order to develop a vocational training system, a good law is important but is evidently not sufficient. Labor and training has been increasingly decentralized to the provincial level in recent years, and each province has taken different approaches or adopted different attitudes towards this decentralization. In PCI 2009, the provinces rated highest by enterprises for having good vocational training quality scored 48.51%. Although this rate is not high, it is much better than the lowest score of 10.26%. Experiences from the three provinces have proven that it really takes good policies and bold, persistent, flexible and innovative actions by provincial leaders to make a difference in upgrading the quality of the labor in their provinces.

Actions to narrow these gaps can be triggered or facilitated when good practices and success stories in better performing provinces are shared and disseminated. Recent experience show that documentation and experience exchanged amongst provinces is a particularly useful activity to improve the provincial business climate. This is also one of the pressing demands of many provinces as labor has become the centerpiece in all social economic development strategies and in action plans to improve the business environment and provincial attractiveness to investors.

As a result, USAID/VNCI conducted this study to acquire a deeper insight into good practices and policies adopted by provinces in the labor field and human resources development.

The three provinces selected for the study are all ranked among the top five in the PCI 2008 and 2009 overall ranking, especially in the labor training sub-index. These are Vinh Phuc in the North, Da Nang in the Center and Binh Duong in the South East Region. An introduction letter on the contents of the study was sent to the three provinces in advance. Interviews were held with leaders and professional staff of provincial departments such as DOLISA, DPI, job service centers, vocational training schools (both state and privately owned). In each of the provinces, the research team held separate meetings with representatives from business associations and businesses to get a view on labor and human resources. The field study team was comprised of experts from USAID/VNCI and VCCI.

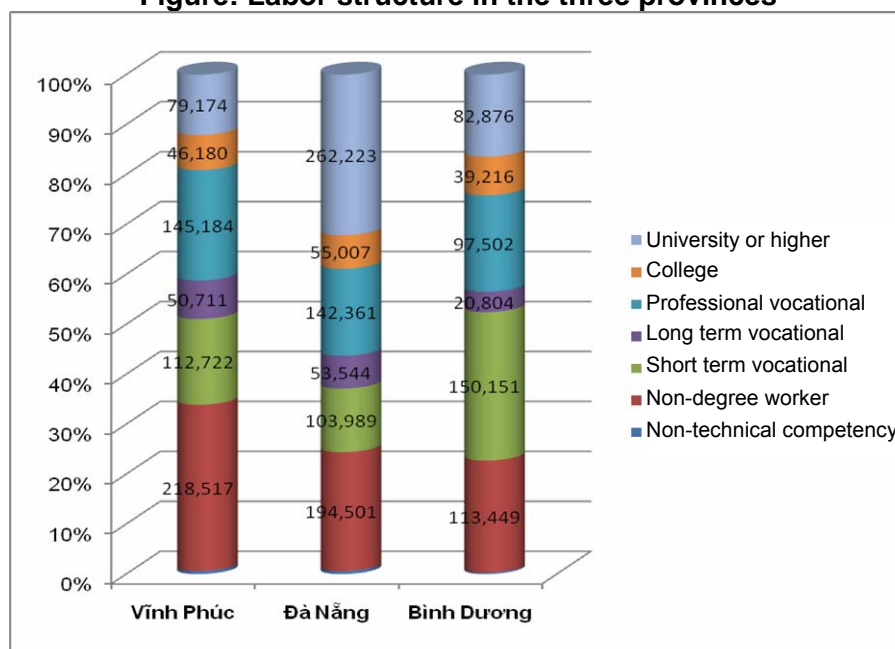
The topics explored most by the research team in the provinces included: (1) labor training and labor quality improvement; (2) training in preparation for change to new jobs and job creation during the land clearance process; 3) job matching services and labor market information systems; 4) settlement of strikes and building harmonious labor relations; 5) immigrant laborer policies and 6) support to laborer issues in times of economic crisis.

Table 1: Facts about the selected provinces

Province	Population	Current number of enterprises	Number of laborers in enterprises	Number of vocational training institutions	No. of trained laborers in the province in 2008	Number of skilled laborers	PCI rankings in 2009	Labor training scoring in PCI 2008
	1	2	3	4	5	6	7	8
	Person	Enterprise	laborer	institution	laborer	laborer	(1-64)	(1-64)
Vinh Phuc	1,000,838	1,501	66,880	55	36,294	433,971	3	3
Da Nang	1,419,503	3,434	133,635	52	89,390	617,124	1	1
Binh Duong	1,482,636	5,321	652,547	41	22,200	390,549	2	5

Source: GSO, Reports from Da Nang, Binh Duong, Vinh Phuc, and PCI Report by USAID/VNCI and VCCI.

Figure: Labor structure in the three provinces



Persons interviewed in all meetings in the provinces agreed that labor and human resources is a critical constraint. These constraints are more severe in provinces with higher levels of industrial development. Similar to others, the three provinces share common labor constraints such as human resources failing to meet the requirements of economic development, the large gap between vocational training quality and the actual demands of enterprises, insufficient investment, low quality of equipment and teaching staff in vocational training institutions, difficulties in creating and finding new jobs for farmers who lost their lands to industrial or urban development, and increasingly complicated labor disputes and strikes, etc.

The problems faced and their severity are different from one province to another. For example, Binh Duong experiences a shortage of unskilled laborers, a strained social security system due to large number of immigrant laborers, and strikes and labor disputes.

On the other hand, Vinh Phuc's main issue is finding new jobs for farmers who lost their land. The purpose of the study is to find out good practices in resolving labor problems for enterprises in each of these provinces. The good practices and experiences mentioned in the following sections might not be seen as success stories but, as the research team believes, have proven to be very helpful in resolving labor constraints in the particular province.

Similar to the cases of land clearance and public administrative reform, the experiences of the more advanced and successful provinces in the country have proven to be more convincing and plausible than theoretically prescribed models. Experience in settling hundreds of strikes in Binh Duong will certainly be more helpful to other provinces which are at earlier stages of industrial development and investment promotion.

Given the limited time of the study, the information and evidence collected may not be sufficient to confirm that the practices described in the report are the best in Vietnam. Still, we believe that the experience described in the study will be important material for policy makers as well as for provincial leaders in the effort to enhance labor training quality, human resource development, and improving the provincial business environments.

II. SOME GOOD PRACTICES AND EXPERIENCES IN THE FORMULATION AND IMPLEMENTATION OF LABOR AND HUMAN RESOURCES DEVELOPMENT POLICIES IN DA NANG, BINH DUONG AND VINH PHUC

1. Labor training and improvement of the quality of human capital

A large variance currently exists among provinces across the country in the supply of high quality laborers to meet the demands of enterprises. In addition to the vocational training systems run by the central government and by large business groups, some provinces have made strong efforts to develop a system of good quality vocational schools with investments not only by the government budget but from domestic private and foreign investors. Schools and training centers in some provinces offer training programs relevant to the real demands and have proven to partially meet the needs of enterprises and for the development of the province. Some provinces use a training budget allocated by the central government more effectively and efficiently by delivering a pragmatic vocational training programs. In provinces visited by the research team, some good practices can be summarized as followed:

1.1. Higher priority given to the integration of vocational training into the local economic development plans

Development of vocational training schools has been ranked as one of the top priorities by the provincial governments. Provinces visited during the field trip such as Da Nang, Binh Duong and Vinh Phuc had specific strategies and plans for development of vocational schools to satisfy the demands of businesses and for the local economic development.

Vocational training has always been considered the most important part of development, and is integral to the industrial development process. In the early stage of industrial development immediately after the province was reestablished, Vinh Phuc laid a strong emphasis on the need for vocational training to serve the industrial development process. The province has issued a number of policies and plans for this particular area such as the Resolution No. 05/2005/NQ-HDHD, Resolution No. 16/2007/NQ-HDND, and Resolution No. 34/2008/NQ-HDND of the Provincial People's Council. All these policies discussed the connection between vocational training and the industrialization process, helping to create

favorable conditions for the shift from an economy that is mostly based on agriculture to one that is industry and services based, for land clearance, and for an improved offering of skilled workers for enterprises based in the province. These policies have been persistently and systematically implemented by the province and have brought about positive results. The number of laborers participating in vocational training has increased rapidly. According to DOLISA Vinh Phuc, the number of trained and re-trained laborers in Vinh Phuc has always been higher than the national average and the set targets in the provincial plans. For example in the 2006-2007 school year alone, 56,946 workers in Vinh Phuc were trained at different levels⁶.

Encouraging investment into vocational training institutions has always been highly prioritized in all of the surveyed provinces. In the meeting with DPI Vinh Phuc, a representative from DPI disclosed that Vinh Phuc once reallocated a land slot that had been approved for a sport complex to a new vocational school project. In addition, the decision of the chairman of the Vinh Phuc People's Committee decided to visit vocational schools in the province during the Vietnamese Teachers' Day on November 20th rather than to other schools has been seen by local stakeholders as a strong message about the increasing attention paid by local leaders to vocational training.

1.2. Socialization and attraction of private investment in vocational training

Besides allocating significant resources for investment in infrastructure and facilities for state owned vocational schools, the provinces have *socialized*⁷ vocational training to attract investment from other economic sectors to vocational training. The purpose is to attract domestic investment resources, international cooperation funding, and donor funding to strengthen the capacity of local vocational training network. Some provinces have encouraged and created favorable conditions for individuals and private sector organizations to open private vocational training schools. For example in Binh Duong, 24 out of the 41 training schools are privately owned while in Da Nang this ratio is 27/52.⁸

Almost all vocational schools in the survey, regardless of their ownership status, disclosed that it was quite easy for them to lease land for development or for expansion of their schools. Investors in vocational training also said that the administrative procedures for establishment, land acquisition, and construction were fast and they are content with the support from local authorities.

1.3. Attracting talented trainers and teachers to work for vocational training institutions

A good system of vocational training schools requires qualified teachers and trainers. All of the three provinces share the same problems and difficulty in retaining and attracting good vocational trainers. This is more of a problem in state-owned schools where salary and employment benefit packages are much less competitive, making attaining sufficient qualified trainers even more difficult.

To address this problem, Da Nang has a plan for high quality human resources development in which priority is given to vocational schools. Vocational schools in Da Nang

⁶ Report on Labor and Social Affairs in 2008 and Development Orientation for 2009, Vinh Phuc DOLISA.

⁷ A Vietnamese term for privatization or encouraging private investment into social service institutions e.g. education, training, healthcare, culture etc.

⁸ Report of DOLISA Binh Duong & Da Nang.

confirmed that the Department of Home Affairs have given their schools higher priority in selecting from the pool of talented and high-qualified graduates and personnel under the City's Talent Attraction Program. In a similar move, Binh Duong launched policies to attract human resources for vocational institutions from technical colleges in Ho Chi Minh City. The province also allocates some budget to finance scholarships for talented students. Students who commit to working for the provincial vocational training sector after their graduation receive an allowance of 500,000VND/month. A representative from DOLISA Binh Duong noted that there were about 1,000 students from different universities in Ho Chi Minh City such as Ho Chi Minh University of Technical Education that have registered for this incentive program⁹.

Box 1: High quality human resources development center of Da Nang

Da Nang announced the decision on the establishment of the High Quality Human Resource Development Center on May 19, 2009. The center is under the People's Committee of Da Nang City with the requirement to collaborate with related agencies to implement the project of "high quality human resources development", support the project of training 100 graduate students and doctors in other countries, and the project to train undergraduate students in Vietnam and in other countries for high school students in the city.

In addition, this center is also assigned to conduct labor market research and develop a human resources development plan in accordance with the demands of the city and investors. For these tasks, the center selects students and countries for their studies. The leader of the city also authorizes the center to conduct "head hunting" as a primary task. The purpose is to identify talented people among the local government institutions and in high schools and send them for overseas study. At the same time, the center takes responsibility in pooling human resources for The High Technology IZ of Da Nang.

Source: Website of Da Nang www.danang.gov.vn and Da Nang Newspaper

With the current government's salary package, state-owned schools face more challenges in retaining talented staff. Creating favorable conditions for the development of high quality private vocational training schools is also used as a measure to promote vocational training capacity. This practice can clearly be seen in some provinces. The headmaster of a private tourism training school in Da Nang revealed that the school had been able to reverse the brain drain trend and has succeeded in attracting senior managers with 15-20 years of work experience in five star resorts and large restaurants to work for the school. To achieve this, the school agreed to pay a higher salary than what is offered in the market. They recognize that this is an advantage of private vocational schools over the state-owned system¹⁰.

⁹ Information from meeting with DOLISA Binh Duong.

¹⁰ Interview with the headmaster of the Vietnam – Australian Tourism Vocational Training School in Nov. 2009.

1.4. Demand-based vocational training and human resource development

The development of vocational training and human resource, based on enterprise demand, is consistently emphasized by the three provinces. Almost all of the visited vocational training schools (both private and state-owned) have training plans that are aimed at meeting market specific demands. Vocational training institutions actively collaborate with enterprises to identify training discipline, training needs, curriculum development, as well as assistance with enrolling students and finding jobs for graduates. These institutions have also actively cooperated with management boards of IZs, business associations and investment promotion organizations to conduct surveys on the human resource demands of enterprises.

In some vocational training institutions, a model has been formulated in which enterprises specify job skill criteria for workers, and the institutions conduct training in accordance to the enterprise requirements. Currently, the demand-based training (in forms of order or contract agreement) is only applied to teaching new skills, or upgrading vocational skills in a short period of 3 to 6 months. In the training process, enterprises are invited to monitor and evaluate the training quality. This sort of relationship has also allowed students to attain internships at these enterprises. After graduation, if the students can meet all the requirements, they can be recruited by the enterprises.

Strong relationships with the enterprises have now become a priority for vocational training schools, particularly in the case of privately owned ones. A headmaster of a private vocational school in Da Nang disclosed to the research team that networking and connecting with enterprises was essentially the responsibility of the school. In order for enterprises to enter an agreement with a vocational training school for a joint worker-training program, the school had the obligation to create and maintain a good relationship with the enterprises. Agreements could be made in the form of contracts between enterprises and the school. This has reflected a shift in thinking of the vocational training school: provide training on the basis of what is needed by the market rather than on the basis of what it can offer as training.

1.5. Establishment of vocational institution as part of the industrial zone development

In Binh Duong it has become evident that the establishment of vocational training within the IZ has shown many advantages. First of all, vocational schools understand the labor demands in IZ enterprises best and therefore can focus on the major sectors that are of interest to enterprises based in IZs. The association between training activities and the reality also creates a number of advantages. For example, students can practice in the enterprises or gain access to a real working environment using equipment in the companies.

Box 2: The Vietnam – Singapore Vocational College

The Vietnam – Singapore Vocational College, formerly known as the Vietnam – Singapore Technical Training Center, was founded in 1997 as a cooperative project between the Government of Vietnam and Singapore. The center's purpose is to train technical laborers to work for IZs in the province and the region, but primarily for the Vietnam – Singapore IZ.

In the meeting with the research team, the headmaster said that the connection of the vocational training center with IZ has a number of advantages. The college trains and provides graduate engineers for the Vietnam – Singapore IZ. During the training process, the college receives comments from enterprises and is aware, as a result, of the strengths and weaknesses of the training quality. Students also have opportunities to do internships in the IZ and can get a job promptly after graduation.

For the IZ, having a vocational training center inside is also an advantage in attracting investors when skilled labor is scarce. Experience from recent investment promotion has proven that it is an important factor that attracts investors as it helps guarantee labor supply quantity and quality. Enterprises in the IZ often need re-training or training services on specific topics.

Every year, the college organizes an event for its students to meet with enterprises and provide an opportunity for networking. Enterprises can select students for internships at the enterprises and may recruit them afterward. Students also have opportunities to familiarize themselves with the real working environment during their internships and good students can select enterprises that meet their expectations.

The IZ management board plays an essential role in this process. According to the college, they once attempted to determine training needs at enterprises but failed due to lack of cooperation from enterprises. Reacting to this problem, the Vietnam – Singapore IZ management board was asked to step in and was successful. The college often combines human resource needs analysis with the customers' conference of the IZ.

From IZ's perspective, having a vocational training center for the IZ is an added comparative advantage to attract investors into the zone, especially in the context of increasingly scarce high quality human resources. Enterprises in IZs and surrounding areas can easily select desired students and can make training and re-training orders to the school.

Some IZs in other provinces have developed their own vocational schools, for the Vietnam – Singapore Vocational College (formerly the Vocational Center and its partnership with the Vietnam – Singapore IZ), the Dong An Vocational College (invested by Hung Thinh Group – owner of the Dong An IZ), the Dung Quat Vocational College, the Nghi Son Vocational College in Thanh Hoa, and the Thua Thien – Hue Technological College, etc. Selecting strong infrastructure developers with strong financial potential and creating favorable conditions for them to set up vocational training school together with IZs have been a wise strategy adopted by many provinces.

2. Training for change of job and job creation as part of land clearance policy

Creation of jobs for people who have lost their farming land to urban development and industrial development remains an unresolved issue for all provinces. Policies towards displaced people play an important role in the speed of land clearance and in reducing the amount of public complaints. The policies include such elements as new skills training for farmers or their children, recruitment priority being given to local people, and activities funded by a job change fund. The following are some examples of how these policies are implemented in the three provinces.

2.1. Development of clear policies for job change and job creation in land clearance that is responsive to the demands of reality and people

All three provinces lay a strong emphasis on the issue of job change, job creation and a stable life for people in land clearance policies. To meet these objectives, the provincial Communist Party's committees and the provincial people's councils released specific resolutions to address these issues. It is important to note that the resolutions have been revised and updated in response to the current situation. The provincial people's committees issued projects and action plans with concrete objectives and measures to implement these policies. In addition to the observance of the national policy framework, these provinces have also initiated exceptional policies that are adaptable and suitable to local conditions at any particular time.

Box 3: Support for job change and job creation for people who gave up their land under land clearance programs in Da Nang City

The People's Committee of Da Nang City issued Decision No. 65/2005/QĐ-UB as a project to support career change, job creation and resettlement for those who have given up their land under land clearance programs in Da Nang. The project has analyzed in detail the status of employment and life of displaced households based on the two surveys of the city. The project also provides some forecasts about potential unemployment due to land reclamation, moving and clearance in the next five years.

In addition to the overall goal, the project comprises of the following concrete objectives:

1. Support to job change for all (100%) of laborers who no longer own production/ farmland (about 2,000 – 3,000 laborers/year).
2. Provision of free vocational training at vocational centers for 4,000 – 5,000 students/year, in which 1,000 – 1,500 are long term vocational students
3. Issuance of incentive policies for enterprises in the city to recruit unskilled laborers (untrained workers) who have lost their land to be trained and work for the enterprises.
4. Support to 2,000 to 3,000 households who have the demand for doing business to obtain loans from the National Funds for Job Settlement.
5. Implementation of tuition fee subsidies and reduction for farming households who have lost their land.
6. Prioritization in job allocation for the above mentioned laborers to work in IZs in the city.

Solutions for implementing these objectives are clearly articulated in the project such as increased budget investment, supplement funds, policies and cost norms for tuition fee support to students, food allowances, training costs for enterprises, and implementation concrete projects on agro-aqua-forestry extension. The project also formulates solutions to mobilize non-state sectors to participate in the project in the forms of encouraging enterprises who receive lands to accept laborers who have given up their land; to utilize the support from NGOs for investment in poverty reduction, labor training and job creation; and to request the city Fatherland Front and other mass organizations (Farmer Association, Women's Union, Youth Union, Gardeners' Association...) to participate in the promotion and support of households who have given their land, in order to attain jobs and maintain stable lives.

Policies to support job change and job creation for those who have given up their land have been continuously adapted to the situations and the demands of the individuals. Vinh Phuc is a typical case where this has occurred. In 2005, for the development of the province, the Provincial People's Council of Vinh Phuc issued Resolution No. 05/2005/NQ-HĐND dated 22/7/2005 on vocational training for rural laborers in the areas of land clearance to leave space for industrial development and urban services in Vinh Phuc Province in the 2005-2010 period. After this, on 4/7/2007, the Provincial People's Council of Vinh Phuc issued resolution No. 16/2007/NQ-HĐND to address poverty reduction and job settlement for the 2007 - 2010 period to adjust the policy items in Resolution 05 in order to ensure the relevance of this policy to the current situation. The adjustment included those who contribute land for socio-economic development and people with social problems into the target group for receiving vocational training support. At the end of 2008, the Provincial

People's Council approved Resolution No. 34/2008/NQ-HDND dated 15/12/2008 creating some policies to support poor households, poor people, and underprivileged communities from 2009 to 2010 including a number of policies on labor and vocational training. This policy flexibility has effectively facilitated the process of job change and job creation for farmers who gave up their agricultural lands for industrial development and other economic development purposes of the province.

2.2. Well-implemented survey on the needs for vocational training and job change to ensure evidence-based decision-making

The three provinces have paid particular attention to assessing the needs for vocational training and job change of people living in areas planned for land clearance in light of ensuring efficiency and feasibility of the development project. Surveys and research have been implemented to make sure that decisions made in this area are appropriate given the circumstances. For example, Da Nang only issued policies based on the results of those surveys (e.g. the Decision No. 65/2005/QĐ-UB dated 24/5/2005). The surveys not only cover the number of laborers who change their jobs or are displaced, but also their average income level, training and education level, employment status (e.g. having a stable job, having an unstable job, no demand for job, in between jobs...), and the changed status of agricultural laborers. The project also evaluates the effectiveness of the previous loan program by the Social Policy Bank toward these groups.

Vinh Phuc and Da Nang have organized workshops and meetings with individual and groups of households. These conferences and meetings may also be co-organized with investors and vocational institutions.

2.3. Formulation of specific projects to support job change and job creation in key areas

Depending on the location and time, the three provinces have put forward specific projects in order to best respond to the demands present. This has helped to avoid a situation in which provincial authorities were unable to assess the situation in order to formulate relevant policy for each ward, commune, and district.

In Da Nang, for example, two districts (Ngu Hanh Son and Cam Le) have developed their own projects for job change and job creation for people who have lost their land. In the meeting with the research team, a representative from DOLISA Dang Nang disclosed that the city has the plan for seven districts to have their own projects and that each district would receive 100 million VND in budget support to prepare for the project.

Box 4: Vocational training for laborers who have their land reclaimed in Binh Duong

Binh Duong has launched a project on vocational training for rural laborers with priority given to laborers who have had their land reclaimed for IZs and other public construction works. Vocational learners get tuition fee exemption and an allowance of 10,000VND per day, which is paid from the provincial budget. After graduation, laborers go on to work for enterprises in the province. Since 2004, 7,035 people have been trained. Of these, 80.3% have become employed.

Source: *Report of DOLISA Binh Duong*

Vinh Phuc has also initiated a project focused on job creation for the key areas that have been converted into industrial or urban land. Often, the province formulates specifically designed projects for job creation and job change for land areas which are planned for industrial development, agricultural lands being converted to industrial land, and for "hot" land clearance sites. For example, in 2006 the province established job creation projects for Quang Minh commune (Me Linh district which has been merged into Ha Noi), Te Lo commune, Yen Lac district, Tho Tang commune, Vinh Tuong district and for other three

communes in Binh Xuyen district (where the high-profile Compal Group is planned to be built). The final objective in the implementation of these projects is to create sufficient and relevant jobs for people. 100% of the project budget is funded by the local government, in which the support for rice loss is higher than that of national cost norms. After several years of implementation, Vinh Phuc concluded that the reason for the success of these projects was the thorough survey and research work in preparation for the project formulation process.

2.4. Provision of free training for laborers categorized as those who must change their jobs

In general, all the surveyed provinces provide free training for laborers who are required to change their job after losing their farming land. There is a strong consensus in these provinces that farmers losing their lands are those most affected in the development process. As a result, DOLISAs have made it a priority to send these displaced laborers to vocational training centers or schools and organize free training programs for displaced farmers. Da Nang, for example, allocates VND 2 billion each year for this activity.

Some provinces have been accommodating in organizing mobile vocational training courses in districts where there is a high level of land clearance, bringing teaching machinery and equipment to their site. In Vinh Phuc, for example, during the land clearance for Quang Minh IZ, the province brought machinery and sent trainers, and collaborated with district authorities to train people residing in the land clearance areas. Priority was given to those who gave up their land to the IZ. Provincial leaders often participated in the opening of these training courses. To guarantee the relevance of the training, the province collaborated closely with the district and communes to conduct surveys on the needs for vocational training of the local people.

2.5. Diversification of vocational training and priority to job creation for over-aged laborers

Besides the expansion of target groups for vocational training, the provinces have made efforts to diversify the vocational training programs to better meet the demands of the trainees and the labor market. The most challenging part, as determined by the provinces, is the job change process for over-aged laborers affected by the land clearance programs. Da Nang has arranged some suitable jobs for this group that include gardening, planting vegetables, and cooking.

Box 5: Support to vocational training in Da Nang

Da Nang has issued a policy to support laborers participating in vocational training from 2010. According to Mr. Nguyen Van An, Vice Director of DOLISA Da Nang, this incentive policy for laborers in the city is more important than any other existing government policies. In the policy, Da Nang has expanded the target groups to poor households, released soldiers, ethnic minorities, disabled people, recovering drug users, former prostitutes, and those whose land was taken away under land clearance projects. The city will pay the training institutions directly who will then train the drug users who are undergoing treatment and young people with a history of poor conduct who are participating in re-education programs.

The list of occupations offered under vocational training programs cover 25 skill areas that are of high demand by labor market. Some new jobs include mobile phone repair, motorbike repair, bodyguards, ornamental plantation, and senior care. The policy also works to resolve limitations farmers face when their land is lost to industrial and urban development when they do not have any other means to support themselves. Many of these farmers are old and lack the necessary skills, consequently facing difficulty in finding new jobs. In addition, many households spend all land compensation money rather than invest it in education and return to living in poverty. Also, some young people who receive the money do not have any incentive to work and have little information on vocational training options. The policy is expected to contribute to the enhancement of laborer quality, increase in number of skilled laborers and mitigate the problem of lack of workers.

Source: Ministry of Labor, Invalids and Social Affairs:

<http://www.molisa.gov.vn/news/detail/tabid/75/newsid/50293/seo/Da-Nang-Ho-tro-toi-da-cho-nguoi-lao-dong-hoc-nghe/lanquage/vi-VN/Default.aspx>

3. Improvement to the efficiency of employment services, labor market, and establishment of labor market information system

3.1. Improvement to the efficiency of employment services by the job fair model

Some provinces that were visited by the research team have excelled in providing job services and setting up a labor market information system. The job fairs are held on a monthly basis (or twice a month). Job service centers have been very active in using information technology to improve information availability about the labor market. Job matching in the provinces is carried out through job service centers, laborer export organizations, national and local mass media, and job websites. Some vocational schools have also established their own job service centers for students. In Binh Duong for example, enterprises, notably the labor intensive ones often organize a specialized department for labor recruitment who work directly with job promotion centers in other provinces.

Box 6: Operation of the Job Fair model in Da Nang

The city of Da Nang issued Decision No. 33/2006/QD-UBND on 11/4/2006 about the organization of periodical job fairs in Da Nang. DOLISA Da Nang established an organizing committee who conducted the first fair in May 2006. Initially, the job fair took place once a month. Since February 2008, job fairs have been organized twice every month. The results of the job fairs are reported below:

No	Items	2006	2007	2008	First 9 months of 2009
1	Number of market sessions	8	12	21	21
2	Number of participating enterprises	878	1,258	1,282	1,323
3	Demand for recruitment	20,939	26,893	22,200	20,856
4	Number of laborers interviewed	9,975	11,214	10,390	8,834
5	Number of laborers successfully matched	5,344	7,035	7,122	5,614

All three provinces under the survey have adopted the job fair model. Vinh Phuc set up a job service center in May 2008, and conducted 17 transaction sessions by October 2009 with 3,844 job seekers successfully finding employment. The labor market of Da Nang has been established and has been operating since May 2008. As of October 2009, 21 transaction sessions had been organized and 19,428 job seekers found employment. Binh Duong has launched its job transaction center in July 2008 and as of November 2009, 14 transaction sessions have taken place with 17,086 laborers having direct interviews with recruiters. Despite a number of constraints and limitations, the job fair model or job service centers implemented in the provinces have brought about a positive impact on the connection between labor supply and demand and has contributed to the development of local labor market.

As a result of these services being closed to the local community, especially in areas where important land clearance projects are on going, the Job Service Center of Da Nang often organizes mobile job fairs in the districts where “hot” land clearance projects are being implemented. This helps to create favorable conditions for laborers in those districts to get access to suitable jobs, job information, and information about the requirements of potential employers or of enterprises who will invest in the site being cleared.

3.2. Active trans-provincial linkages to respond to the labor demand

Many provinces have focused on strengthening the role of job service centers and have consolidated the labor market information system operations. Relevant government agencies have played an essential and active role in this process.

Some provinces in the South East region such as Binh Duong, Dong Nai, Ho Chi Minh City continuously have a high demand for laborers. However, the local supply is not sufficient (according to some statistics, up to 84% of laborers working in Binh Duong are immigrants). Consequently these provinces and cities have taken active steps to create connections with other provinces and cities to attract labor. Binh Duong, for example, allocates VND 1 billion from the state budget for this activity. Currently, 15 provinces are in labor supply contracts with Binh Duong and similarly, 24 employment services centers have signed labor supply contracts with the provincial Job Service Center of Binh Duong.

Box 7: Labor linkages between Binh Duong and other provinces

In Binh Duong, there are about 15,000 laborers available every year while the demand for laborers in the province is between 50,000-60,000 laborers. The province has had to take active steps in creating relationships with other provinces that have an excess of laborers. The provincial leaders visit other provinces and are accompanied by representatives from related line departments to negotiate and sign agreements. Binh Duong covers travel expenses for laborers that arrive from other provinces (based on the contract), house rental for workers in the first stage, and the cost for learning labor regulations. On acceptance of laborers, enterprise recruiters have to pay costs incurred for the laborers' provinces. Laborer attraction goals are assigned to DOLISA every year. DOLISA in turn assigns the goal to employment centers (there are five employment services centers in the province). Staff of employment services centers travel around districts and towns and other parts of the country to identify sources of laborers. In 2008, 10,000 laborers are recruited through these arrangements in the province.

4. Settlement of strikes and building harmonious labor relations

Many provinces and cities in Vietnam are experiencing labor strikes, especially those which are illegal. This has had an adverse impact on the provincial investment and business climate. Creating harmonious labor relations is now seen as a means to create a friendly and attractive investment environment for cities and provinces. Some practical lessons learnt from the three provinces can be summarized as follows:

4.1. Establishment of a separate labor steering committee and task force to have a strong grasp on labor disputes at the very early stage

One of the most severe impacts of the high inflation in 2008 was the rising number of collective labor conflicts between employers and workers, especially in such provinces as Binh Duong, Dong Nai and Ho Chi Minh City. In 2008 alone, the number of strikes increased by 30% to almost 200 cases with the participation of more than 120,000 workers¹¹.

To settle labor disputes, Binh Duong established the Provincial Steering Committee to resolve collective labor disputes and illegal strikes in the province. The committee is led by a vice chairman of the Provincial People's Committee. The province has also issued temporary regulation on the organization and the operation of the steering committee (Decision No. 149/2006/QD-UBND dated 13/6/2006).

The provincial steering committee assigned their members, who are representatives from different provincial line departments, to collaborate with related departments and district

¹¹ According to DOLISA Binh Duong, there were about 140 strikes in Binh Duong with the participation of about 30,000 workers in 2007.

people's committees to be in close contact with the localities in order to gain an understanding of the situation and to implement prompt resolutions to labor disputes and strikes in each community.

District people's committees have also established interdisciplinary task forces to work closely with IZ management boards in the settlement of disputes in the districts in a timely and effective manner.

The steering committee starts to operate when enterprises (or laborers) inform it directly or through local authorities about the cases of disputes or strikes. The steering committee will send its staff to collaborate with the interdisciplinary task forces of the districts and town to work directly at the enterprises to get an understanding of the situation and provide guidance for settlement.

Box 8: Experience in dispute and strike settlement in Binh Duong

Experience from settling strikes in Binh Duong has shown that the key success factor is to talk to both sides: employers and employee. This is done in order to 1) review and classify the instigators within the worker group; 2) identify the cause of the disputes and strikes from the workers' perspective; 3) learn about the possibility to meet the workers' requirements from employers. For settlement purposes, Binh Duong has categorized disputes into two types:

1. For collective labor disputes and strikes related to interests, the interdisciplinary Task Force of Binh Duong discuss and analyze requirements of laborers and recommend laborers to negotiate with employers. At the same time, they request that employers study and agree with the requirements that the employers request. The two possible results: a) if employers accept conditions of the employees, the Task Force will inform workers so that they can return to work. b) If employers do not accept the conditions of the employees, the Task Force will explain to employees about the constraints and the problems that the employers are facing. Employees may accept and return to work.
2. For collective labor disputes and strikes for rights, the Task Force will request enterprises to take measures to improve the situation and give guidance for enterprise to take remedial actions to comply with labor regulations. The Task Force will inform workers about the remedial actions of the employers.

4.2. Proper understanding regarding the causes of collective labor disputes and strikes in order to give out appropriate resolutions

Maintaining strong communication with employers and employees to understand the situation in order to take prompt and relevant actions has been present in all three provinces. Public agencies always play an intermediary role between employees and employers to assess the situation and encourage dialogue and consensus.

4.3. Strengthening dialogues, raising awareness and educating about labor regulations

Some provinces have determined that strengthening dialogue between employers and employees along with training and updating knowledge about labor law and regulations are the best and most effective measures to minimize and prevent strikes and labor disputes.

For example in Binh Duong from 2007 to 2009, the Provincial People's Committee requested line departments to collaborate in organizing different rounds of dialogue with the participation of about 400-600 labor users, executive committees of enterprise trade unions, and 300-500 laborers to answer questions related to labor law and regulations, transportation, electricity, water, social insurance, and health insurance. Through the dialogues, all questions were answered and explained in detail, thus helping to minimize the possibility of labor disputes and strikes.

5. Policies for immigrant laborers

Some provinces, which are considerably more “advanced” in attracting investment and business development, are facing a wide range of challenges. Most notably is the high ratio of immigrant workers (particularly in Binh Duong, Dong Nai, and Ho Chi Minh City). Issues that arise include finding housing for workers, social security packages that include healthcare, education and public security. Enhancing the quality of life for immigrant laborers both spiritually and culturally is a key concern that all provinces have emphasized.

Large organizations play an important role in this process and have been utilized in assisting to improve the quality of life of immigrant laborers. In Binh Duong, local authorities have worked with these organizations to hold cultural events to help raise awareness of these groups and also work to help improve living conditions for the workers.

Under the instruction of the Women’s Union of Binh Duong province, district women’s unions helped to establish 38 female boarding-house clubs with a total membership of 708 members and 9,600 female workers. The club members meet every month to discuss and circulate policies and legal information of the Communist Party and the Government, family planning, and the mobilization of mutual support for poor members and those participating in other women’s movements.

The Youth Union of Binh Duong run a credit program in support of immigrant laborers, and a support fund for immigrant laborers faced with difficult circumstances. These efforts have helped to create relationships between laborers in enterprises and local Youth Union branches. The Youth Union also organized the Young Worker Week, attracting the participation of 62,000 young people, which included a walk to raise funds in support of young people living far way from their home that were facing difficult circumstances as a result. Total funds raised under these initiatives have reached VND 225 million. The Youth Union has also organized four fun trade fairs for young workers, meetings and exchange events, opportunities for dialogue. In addition they have praised 48 leaders of local youth union organizations, remodeled female boarding-house clubs, granted funds to young immigrant worker and provided four rounds of health checks and free medicine delivery for 385 workers.

The Trade Union and other large organizations have actively worked to improve the lives of immigrant laborers culturally by holding music and sport contests as well as creating opportunities for socializing for workers with enterprises on special occasions and weekends. These efforts have helped to reduce stress for workers after intensive work schedules.

IZs often host free music shows to entertain thousands of workers employed in various IZs.

6. Support to enterprises having labor issues during economic crisis

The year 2008 and the first half of 2009 was a difficult period for the world economy as well as the Vietnamese economy, especially for those provinces that were at a higher level of industrial development. A large number of enterprises faced numerous problems and were forced to lay off workers and cut wages. Some had to be dissolved or went bankrupt. A number of enterprise owners even fled from the factories to avoid any financial obligations. Some provinces that were visited by the team proved to be very active in working out solutions to quickly gain an understanding of the situation and stayed in close contact with enterprises in order to keep things under control. With a strong effort by the local government, business associations and the business itself, some solutions were found.

Many enterprises shared their orders with other enterprises. Furthermore, a large amount of unemployed workers from enterprises that were impacted by the economic recession were transferred to enterprises that were less affected. In addition, all of the provinces focused on the implementation of different measures such as administrative reform, introduction of the Resolution No. 30/2008/NQ-CP of the Government that covered urgent remedial actions to prevent economic down-turn, sustainable economic growth, and assured social security. Most of the actions taken were increased lending, export promotion, tax incentive, tax deference and fee payment. Finally, the provinces worked to prevent potential consequences of the crisis such as labor disputes and the fleeing of enterprise owners.

Binh Duong conducted surveys to assess the situation of all enterprises in the provinces. It found that as many as 165 enterprises were facing problems as a consequence of the global economic downturn (as of 30/7/2009). On that basis, the provincial People's Committee issued Decision No. 1170/QĐ-UBND dated 27/3/2009 to inform the public of the action program to implement the Government's Resolution No. 30/2008/NQ-CP dated 11/12/2008. The Decision was comprised of concrete tasks for each line department. DOLISA was responsible for monitoring and collaborating with other functional departments and districts to take measures to ensure social security. In Binh Duong, amongst the 12,000 laborers who lost jobs, up to 90% of them have been able to attain employment.

In addition, in order to implement timely solutions, the Provincial People's Committee of Binh Duong issued Decision No. 4125/QĐ-UBND dated 4/12/2008 that established a task force to work on enterprises affected by the economic downturn. The task force was organized into four thematic sub-groups: asset sub-group, public security sub-group, consular sub-group, and a sub-group for labor issues. These groups were organized under the leadership of DOLISA and were comprised of members from the Labor Confederation, Provincial Public Security, Department of Justice, Social Insurance, IZ management boards, and people's committees of districts and towns.

DOLISA took responsibility in managing vocational training centers and colleges in order to quickly organize training and re-training courses for workers as a response to the demands of enterprises. DPI collaborated with the Social Insurance in implementing the Government's Decree No. 127/2008/ND-CP dated 12/12/2008 that provided detailed guidance on the implementation of some Social Insurance articles on unemployment insurance for enterprises and laborers and MOLISA's Circular No. 04/2009/TT-BLĐTBXH whose purpose was to implement some articles in Decree No. 127/2008/ND-CP.

Da Nang looked for solutions by promoting loan disbursement for enterprises in the city from the City's Investment and Development Fund. Priority was given to enterprises that had high industrial production and export values, high growth potentials and feasibility projects to be implemented in 2009.

Furthermore, Da Nang organized dialogue between the chairman of the city people's committee with some large-scale manufacturing and export firms and those with large-scale projects that were in progress or under construction. The purpose of this was to learn about the situation in order to encourage and resolves obstacles, create more favorable conditions and give necessary support to enterprises in order to stabilize production and increase output. Special attention was given to new projects that would be put into production and those that aimed to launch new products into the market.

Vinh Phuc also conducted a review on all enterprises within and beyond the IZs to assess the implementation of investment projects, identify obstacles faced by investors and to work out measures that would help support business and investors. The Labor Confederation of Vinh Phuc province made it a priority to collaborate with DOLISA, the IZ management

board, and relevant departments to learn about difficulties, concerns and expectations of workers in enterprises, mostly of workers in the FDI sector. The team encouraged enterprises to fully comply with government regulations regarding salary and incentive payment to workers, to consolidate and to develop trade union presence in enterprises, to propose awareness raising campaigns on policy and legal issues and publicize the provincial policies in a timely manner. The group also collaborated with enterprises to seek information and help to prevent strikes.

III. CONCLUSIONS

It is difficult to determine which are the good practices and experiences in the formulation and implementation of labor and human resources policies among provinces in Vietnam. The study team saw the most impact as a result of the high priority local governments, at all levels, and in all of the provinces placed on the issues of labor quality and labor training. Additionally, each of the provinces has elaborated on their own plan to address this issue. The overall trend is a stronger level of participation of the private sector in vocational training, removal of barriers for private investment in human resource and labor quality, and creating more incentives to public vocational training school. Promoting vocational training institutions and job services to create better connections to the market to meet the demands of enterprise is seen to be among the first priorities. Although this report has not captured all aspects or undertaken a comprehensive study of all provinces, the above analyses might provide useful information and additional insights for other provinces in their efforts to improve the quality of labor and to create an even more attractive business environment for businesses and investors.