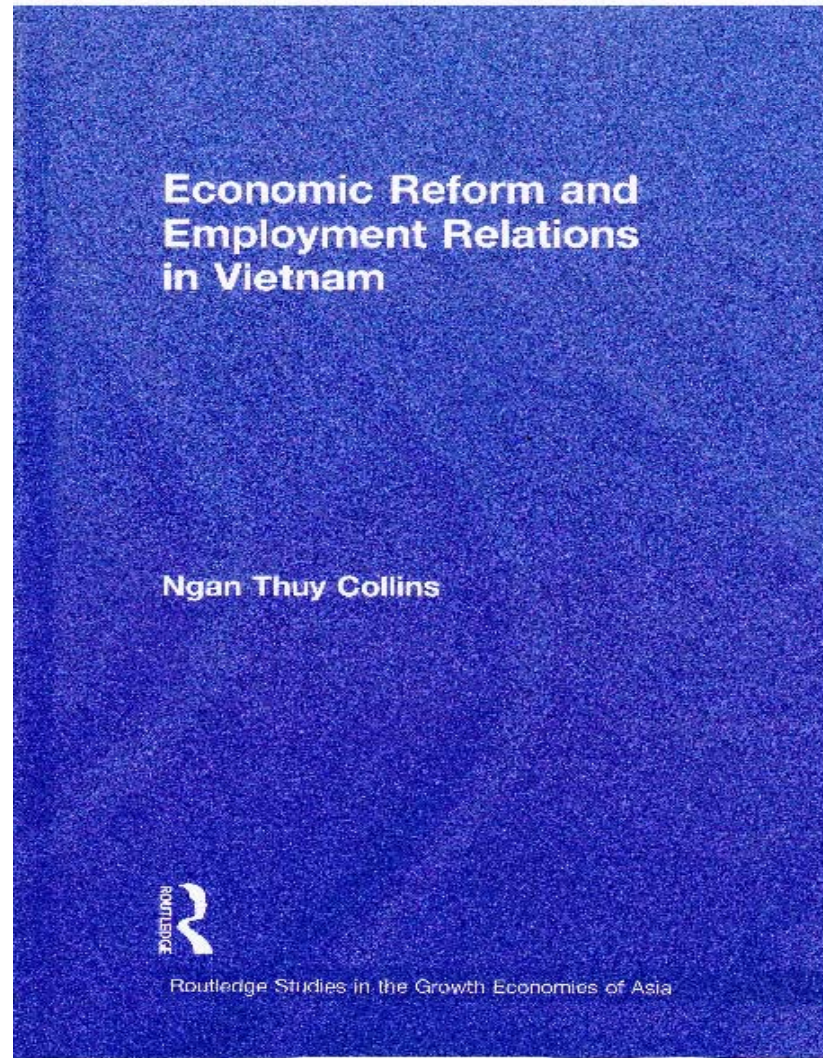


Transformation of Employment Relations in Transitional Economies: The Case of Vietnam

Ngan Collins

School of management, RMIT,

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**Collins N. (2009)
'Economic Reform and
Employment Relations in
Vietnam', London:
Routledge**

Context of the research

- ✦ Vietnam is of special interest for study because of its unique historical, political and economic situation.
- ✦ There is an enormous amount of academic research in a variety of fields focusing on the region's economic changes.
- ✦ This study seeks to fill the gap in the current literature on Vietnam's economic transition and its employment relations (ER) reform.



Research questions

1. What are the key factors influencing the reform of ER during the years of economic reform in Vietnam?
2. What are the fundamental reasons behind these factors?

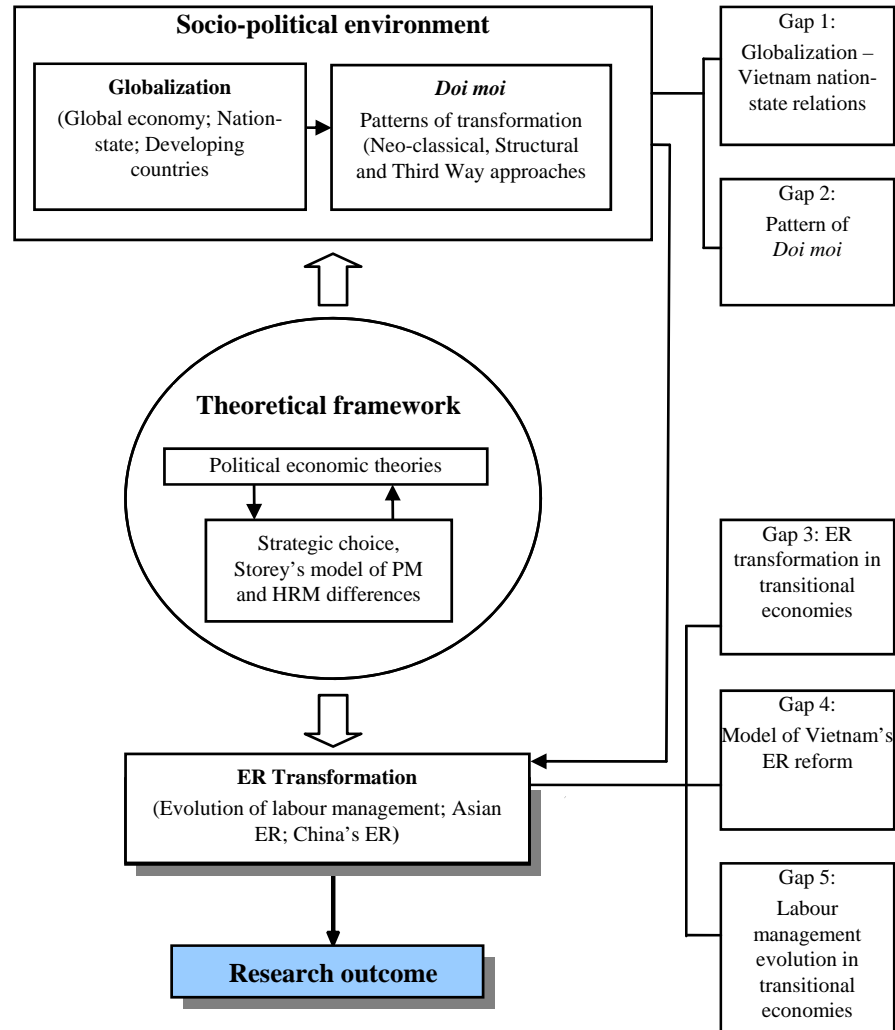
Rationale for the research

- Vietnam began its economic reform, known as *Doi moi* (economic renovation) in 1986.
 - transforming the economy to a market oriented system, together with development of a multi-sectoral economy.
- Changes in the international environment have occurred in the context of globalization
 - the former socialist countries in Eastern European have taken different approaches to reform than Vietnam.
- Lack of comprehensive research on *Doi moi*
 - examining the transformation in ER policies and practices in enterprises is crucial to understanding the government's approach to economic reform.

Aims of the research

1. Compare the policies of the government with the actual practices of ER
2. Investigate the nature of ER reform in Vietnam
3. Combine investigation at national and enterprise levels to learn about ER reform during *Doi moi* → to develop a model of ER reform in Vietnam
4. Research the evolution of labour management in Vietnam's transitional economy

The research framework



Methodology

Qualitative research

Case studies

✓ In-depth interviews

✓ Secondary data:

- government reports and documents;
- enterprise reports and documents,
- research papers from International organisations and media inside and outside Vietnam;
- academic research papers.

In-depth interviews outside case studies

Observation

Case study and selecting criteria

- ✚ 32 enterprises from the manufacturing industry were selected as case studies.



Case study and selecting criteria (cont.)

✚ Five selection criteria were developed:

1. Type of ownership
2. Location
3. Product market
4. Labour intensiveness
5. Size of the enterprises

The profile of case studies

City	Product Market	Labour Intensive	Enterprise	SOE	JV	DPE	WFOE
Hanoi	Export	High	Large	S1		D1	
			Small		J1		W1
		Low	Large		J2		W2
			Small	S2		D2	
	Domestic	High	Large		J3	D3	W3
			Small	S3			
		Low	Large	S4			
			Small		J4	D4	W4
Ho Chi Minh City	Export	High	Large		J5	D5	
			Small	S5			W5
		Low	Large	S6			W6
			Small		J6	D6	
	Domestic	High	Large	S7		D7	W7
			Small		J7		
		Low	Large		J8		
			Small	S8		D8	W8







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Table 6.1: The dimensions of different models of ER practices

Dimension	Traditional	PM	HRM
1. Employment status	Life time employment	Un-limited and fixed-term contract	Fixed-term contract, casual labour
2. Job allocation	Government plan	Internal centralization	Line manager
3. Wage determination	Management decision	Collective bargaining	Individual bargaining
4. Wage related	Government wages scale	Team performance	Individual performance
5. Training and development	External institution	Internal controlled access to courses	Internal on-going plan
6. Recruitment and staffing	External institutions	Internal centralization	Internal decentralization (line manager)
7. Union	Government agent, decision making	Collective bargaining, resolving conflict	De-emphasis, unitarist
8. Labour-management relationship	Harmony, low power distance	Institutionalization, high power distance	Corporate culture

Table 6.2: Adoption of ER practices in enterprises

	Traditional	PM	HRM
1. Employment status	8	24	15
2. Job allocation	0	26	16
3. Wage determination	29	2	5
4. Wage relations	12	21	13
5. Training and development	0	12	21
6. Recruitment and staffing	0	22	14
7. Unions	22	7	16
8. Labour-management relations	24	6	9

Research findings

- ✚ The enterprises case studies practise all three different models of management: traditional, PM and HRM
- ✚ The adoption of the HRM model in the case studies varies between dimensions
- ✚ The transformation process to the new business model is taking place at the same time as the adoption of the traditional model

Research findings (Cont.)

- Location and type of ownership are two criteria that are strongly correlated on the adoption of certain HRM dimensions in enterprises.

The correlation of selection criteria and ER practices

1. The relationship between government policy and different types of ownership

- ✚ Issuing different employment policies to different types of ownership (e.g. compensation, working hours)
- ✚ SOE reform represents a change from a planning to a market-oriented system at enterprises level: staff reduction, equitization and merging processes, bankruptcy and redundancy policies, new wages system
- ✚ The operation of FDI has been seen as the main activity to strengthen and accumulate new capital and technology to achieve the state's goal of *Doi moi*: Establishing JVs between overseas partners and SOEs; limiting the number of industries for WFOEs

2. The relationship between government policy and locational differences

✚ Historical background of the enterprises and government policy

- The HCMC cases have a more market-oriented background than the Hanoi cases
- The pace of reform has been faster in HCMC cases than Hanoi cases
- The government trials new policy reforms in HCMC before implementing them on a national scale

✚ The enterprise leadership and government policy

- Leadership roles strongly influence the enterprise's implementation of government policy
- The leadership's ideology and skills is a major factor causing north-south differences in enterprise's HRM practices

Negotiation process: Globalization, government and enterprises

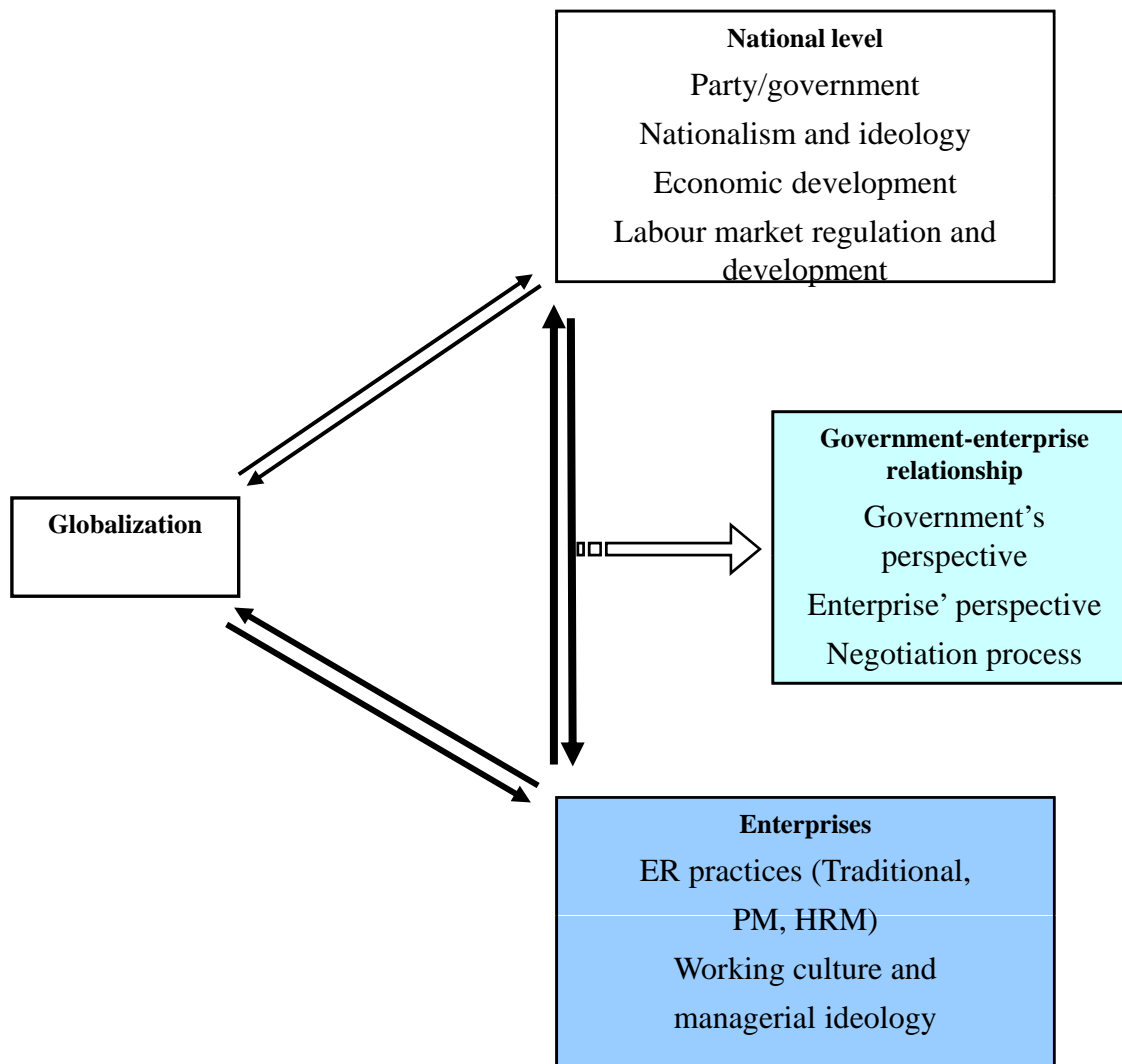


Table 8.1: General characteristics of SOE practices of ER models

Traditional	PM	HRM
<i>Soft ER practices</i>		
- managerial ideology is strongly influenced by government	- managerial ideology is strongly influenced by government	- managerial ideology is combination of government influences and market driven
- working culture is strongly influenced by national culture norm	- working culture is strongly influenced by national culture norm	- working culture is strongly influenced by national culture norm
<i>Hard ER practices</i>		
- formal personnel department	- formal personnel department	- new managerial approach
- low managerial qualification	- low managerial qualification	- high managerial qualification
- low qualification labour force	- low qualification labour force	- high qualification labour force
- domination of planning system approach	- combination of planning system and international practices	- having linkage to international practices
<i>Enterprise operation</i>		
- direct control by government	- de-emphasis of government control	- de-emphasis of government control
- having strong financial protection from government	- less access to government financial intensiveness	- less access to government financial intensiveness
- operating in the monopoly industries	- operating in competitive industries	- operating in competitive industries
- long history of operating in planning system	- short history of operating in planning system	- short history of operating in planning system

Table 8.2: General characteristics of DPE practices of ER models

Traditional	PM	HRM
<i>Soft ER practices</i>		
<ul style="list-style-type: none"> - managerial ideology is influenced by planning system - strongly influenced by national values, and culture - strong family working culture 	<ul style="list-style-type: none"> - market driven management ideology - strongly influenced by national values, and culture - strong family working culture 	<ul style="list-style-type: none"> - market driven management ideology - strongly influenced by national values, and culture - more international standard of working culture
<i>Hard ER practices</i>		
<ul style="list-style-type: none"> - formal personnel department - low managerial qualification - low qualification labour force - less access to international practices 	<ul style="list-style-type: none"> - systematic of management approach - low managerial qualification - low qualification labour force - having linkage to international practices 	<ul style="list-style-type: none"> - new managerial approach - high managerial qualification - high qualification labour force - having linkage to international practices
<i>Enterprise operation</i>		
<ul style="list-style-type: none"> - long history of operating in market - operating in competitive industries - low position of product competition - operating in single location - less variety of produce 	<ul style="list-style-type: none"> - short history of operating in market - operating in competitive industries - strong position of product competition - more complexity of operation - less variety of produce 	<ul style="list-style-type: none"> - long history of operating in market - operating in competitive industries - strong position of product competition - more complexity of operation - variety of produce

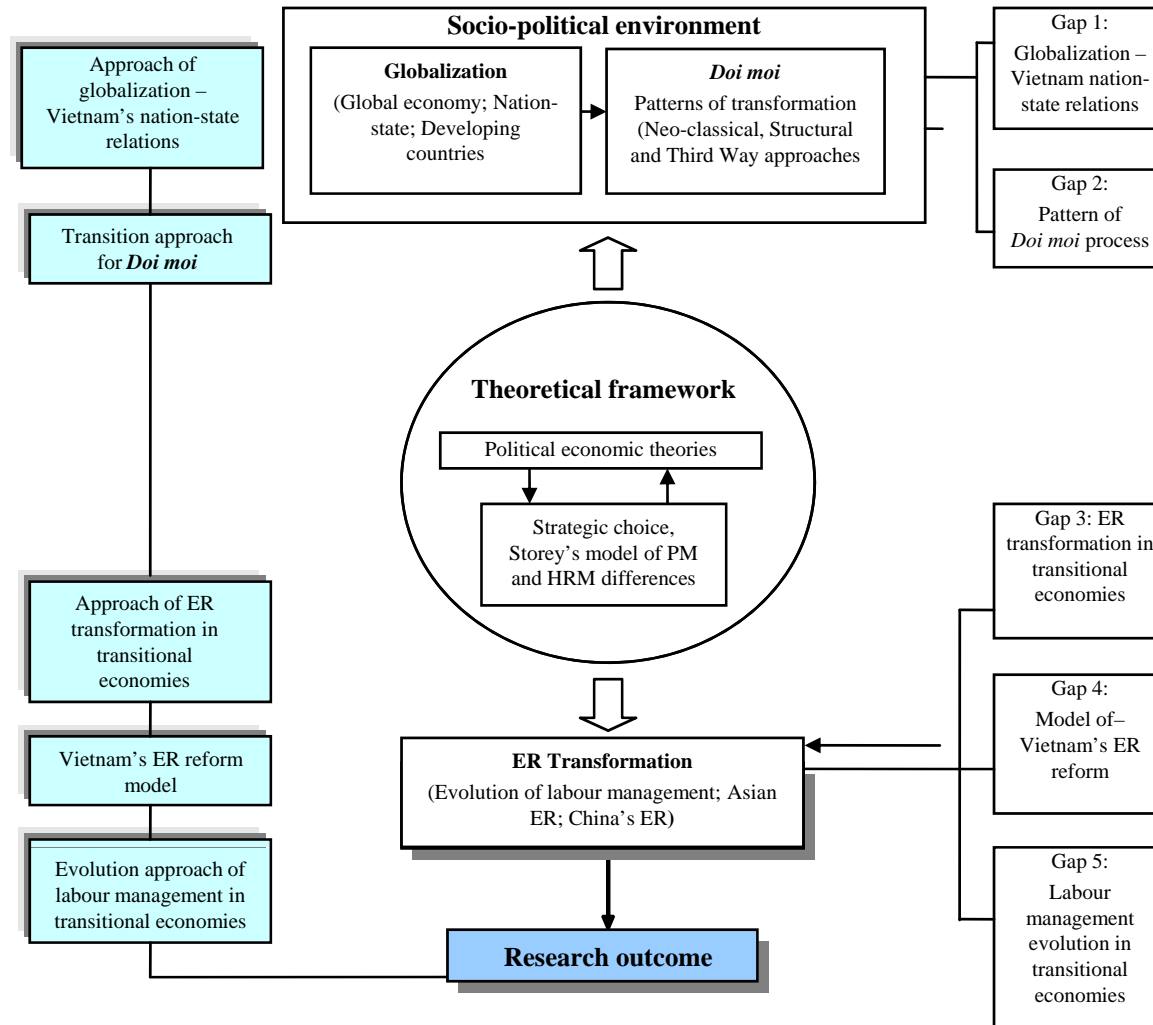
Table 8.3: General characteristics of JV practices of ER models

Traditional	PM	HRM
<i>Soft ER practices</i>		
<ul style="list-style-type: none"> - local partners reluctant to adopt new managerial ideology - managerial ideology is strongly influenced by local partners - influenced by local working culture 	<ul style="list-style-type: none"> - local partners selectively adopt new managerial ideology - managerial ideology is influenced by local partners - influenced by local working culture 	<ul style="list-style-type: none"> - local partners adopt new management ideology - managerial ideology follows overseas partners - influenced by international standard of working culture
<i>Hard ER practices</i>		
<ul style="list-style-type: none"> - professional personnel department - low qualification labour force - management practices in line with local partners' approach 	<ul style="list-style-type: none"> - professional personnel department - low qualification labour force - combination of both local and overseas management approaches 	<ul style="list-style-type: none"> - managing personnel issues by all departments - high qualification labour force - management practices in line with overseas partners' approach
<i>Enterprise operation</i>		
<ul style="list-style-type: none"> - operating in lower competitive industries - operating in high labour intensive industries - low position of product competition - long history of operating in local market - overseas partners are small family business 	<ul style="list-style-type: none"> - operating in strong competitive industries - operating in high labour intensive industries - low/medium position of product competition - short history of operating in local market - overseas partners are small or MNCs 	<ul style="list-style-type: none"> - operating in strong competitive industries - using more technology in operating - strong position of product competition - long history of operating in local market - overseas partners are MNCs

Table 8.4: General characteristics of WFOE practices of ER models

Traditional	PM	HRM
<i>Soft ER practices</i>		
<ul style="list-style-type: none"> - using more local staff in leadership positions - influenced by national values and culture 	<ul style="list-style-type: none"> - using more local staff in leadership positions - influenced by national values and culture 	<ul style="list-style-type: none"> - using more expatriates in leadership positions - having international standard of working culture
<i>Hard ER practices</i>		
<ul style="list-style-type: none"> - local management reluctant to adopt new managerial approach - low qualification labour force 	<ul style="list-style-type: none"> - combination of both overseas and local practices - low qualification labour force 	<ul style="list-style-type: none"> - management practices in line with overseas headquarters - high qualification labour force
<i>Enterprise operation</i>		
<ul style="list-style-type: none"> - long history of operating in local market as WFOE - operating in less competitive industries - operating independently from headquarters - strong position of product competition - branches of small or family businesses 	<ul style="list-style-type: none"> - short history of operating in local market as WFOE - operating in competitive industries - operating independently from headquarters - medium position of product competition - branches of small businesses or MNCs 	<ul style="list-style-type: none"> - long history of operating in local market as WFOE - operating in strongly competitive industries - operating in line with overseas headquarters - strong position of product competition - subsidiaries of MNCs

Contributions of this study





Thank you !
and questions