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ALMPs

BRIDGING ROLES of ACTIVE LABOR MARKET PROGRAMS and VIETNAM LABOR MARKET POLICIES

Major Research Paper

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ABBREVIATION

ALMP: Active Labor Market Programs

ILO: International Labor Organizations

WB: World Bank

ADB: Asian Development Bank

MOLISA: Ministry of Labor, Invalids and Social Affairs in Vietnam

VASS: Vietnam Academy of Social Sciences

WDI: World Development Indicators

UI: Unemployment Insurance

LMPs: Labor Market Policies

LMIs: Labor Market Institutions

LMSI: Labor Market Statistics and Information

LFPR: Labor Force Participation Rate

OECD: Organization of Economic Co-operation and Development

SOEs: State-owned Enterprises

SME: Small - Medium Enterprises

SPI: Social Protection Index

ABSTRACT

In the labor market, ALMP works as an instrument to foster labor supply through training, to leverage labor demand through public works or subsidies, and to strengthen the role of the labor market through employment services (World Bank, 2006). This essay reviews domestic and international literature, seeking to understand the definition, the objectives, and functions of active labor market programs (**ALMP**) and their effectiveness in developed and developing countries. It is followed by a brief overview of Vietnam economic development, labor force characteristics and labor market outcomes. It then further investigates labor market challenges, the role of ALMP for unemployed workers, vulnerable and disadvantaged groups such as youth, women, disabilities and minorities in Vietnam. Based on these findings and analyses, the paper will recommend three policy options for full and productive employment and strengthening the employability and ability of unemployed, underemployed and vulnerable labors to be self-sufficient and improve earnings through employment. Firstly, it suggests the reform of labor market institution and market information system. Secondly, it recommends employment creation policy through non-farm production in rural areas, SME development and informal sector employment, in enterprise development and driving productivity growth. Finally, it suggests further research on labor productivity through labor allocation across sectors and establishments; and through education, training and skills requirements.

Key words: active labor market programs, labor market outcomes, employment policies, unemployment, underemployment, vulnerable employment, labor market institutions, labor market information, evaluations, assessment, effectiveness, employability, employment and income generation.

INTRODUCTION

The country has 90.7 million people which is the 14th most populous country in the world. Vietnam currently enjoys a “demographic golden age” in which “working age population doubles the dependent population” (UNDP, 2015). Since 1990, Vietnam has been experiencing this structure, which usually lasts 50 years as in the cases of Japan 1965-2000 and South Korea 1965-2014. Main characteristics of the labor force include high LFPR, rural sector and unskilled labors, young labors and labors with low level of education. Vietnam's labor force has been increasing dramatically since 2010 at averaged annually 1.5% or 738.000 people. Although this rate was lower than that of the 2000-2010 period, the absolute number of labor force growth is among top 3 in ASEAN, following Indonesia and the Philippines. “This projected pattern will continue to exert tremendous pressure on the economy to generate enough employment opportunities to absorb the new labor force entrants”. (Huong et al., 2013, p.42).

As a matter of fact, almost half of labor force in Vietnam are working in agriculture, which has low productivity and low income. Additionally, unemployment, underemployment and vulnerable employment become widespread. As evidence, very 3 out of 5 labors adopt vulnerable employment (self-employed and unpaid household work) that are insecure and uninsured (Huynh, ILO, 2014). These issues incur social and economic costs. These costs include potential output gap, social injustice, inequality and instability, crime, psychological problems, degradation of skills and lowering productivity (Nguyen & Loi, 2006). Underemployment and the lack of decent work that generates sufficiently good earnings to “protect workers against periods of economic uncertainty still cause serious concern, especially given the country’s ambitious development objectives” (Nguyen, 2011). Furthermore, rural-to-urban migration continues to expand. The urban population accounts for 30.4% and 33.6% in

2010 and 2015 respectively, which is “significantly higher than in most countries in the ASEAN region” (UN, 2014). Thus, urban cities are facing more challenges from this urbanization trend regarding employment, infrastructure and services.

The employment structure has changed positively, including increasing wage workers from 18.4% to 34.8% during 2010-2013 and more than half of labors moving out of agriculture. However, the labor market in Vietnam is still characterized by a large share of informal employment. For example, informal household businesses consist of 24% of total employment, while the public sector and formal business sector share 11% and under 16% of total employment respectively (Cling et al., 2009).

Normally, there is limited access to decent work with stable income and good working conditions for the poor and disadvantaged groups because they have low education level, poor health and there is a poor link between training providers and labor market, weak labor market institutions and infrastructure (ADB, 2010). International evidence demonstrates that “generating many employment opportunities with high and stable income through vocational training, providing credit for job creation and access to labor market information is the most effective social protection measure” (ADB, 2010).

Another challenge is the lowering speed of poverty reduction over time in Vietnam. Poor households have increased from 2.2 million in 2010 to 3.1 million in 2011 as measured by the new poverty line (ADB, 2010). Moreover, income inequality has widened when the Gini coefficient increased from 0.36 in 2006 to 0.4 in 2008, particularly the income gap between the richest and poorest 10% of the population (ADB, 2010).

Recent global financial crisis and economic downturn 2007 - 2008 have many negative impacts on workers in Vietnam, including increased unemployment, underemployment and

vulnerable employment. It also significantly affects informal sectors, which account for 80% of total employment, has no social protection scheme, leading to more vulnerability. Consequently, poverty, social and economic hardship have posed challenges for the government how to mitigate and reduce hardship and how to generate jobs and income to boost sustainable growth. Thus, labor market analysis and policy reforms are required to cope with crisis and long-term policy issues, that necessitates the immediate need for reviewing and evaluating impact on employment. More specifically, it is necessary to understand how the labor markets are responding to the economic recession, what groups are typically vulnerable or likely to be unemployed, underemployed or had wage cuts, what intervention the government has done to mitigate and reduce the risks which labors face and what labor market programs have been implemented to help those affected overcome challenges and hardship.

This research paper has two objectives. First, it analyzes the responses of the government to the crisis and assess labor market programs, identifying the policy issues and challenges of the labor market. Second, it reviews literature about the roles and assessment of ALMP in developed and developing countries in order for motivating labor market policy recommendations for Vietnam policy makers. Through descriptive and secondary data analysis, this paper will address three research questions:

- 1. Do ALMP generate effects on labor market outcomes? (ie: employment and income effects; social and equality)*
- 2. Do ALMPs reduce poverty and contribute to the broader development and inclusive growth of Vietnam through employment ?*
- 3. What policy reforms would improve the performance of these ALMPs in order to better support vulnerable workers and unemployed people in Vietnam?*

This paper consists of three parts. The first part will investigate the issues and assessment of labor market policies in Vietnam after reviewing some indicators of economic development, population, labor force trends and labor market performance. The second part explores the impacts of ALMP based on literature review about the effectiveness and measurement methods of ALMP in the global context. The third part discusses findings and their policy implications in Vietnam. Finally, it concludes with further research suggestions.

PART I

COUNTRY ANALYSIS: ACTIVE LABOR MARKET POLICIES IN VIETNAM

1. ECONOMIC DEVELOPMENT

1.1. Overview

Vietnam is a socialist republic country which is authoritatively governed by a single party regime. With the Doi Moi economic revolution in 1986, Vietnam's economy has been transformed from a centrally-planned to a "socialist market" economy. Before the global crisis, it has shifted from low to middle income status in 2010 by the World Bank with GDP per capita (PPP) of \$4,395.5 (BTI report, 2015). The economy has dramatically grown thanks to FDI inflows at 6% of GDP, export growth at 70% of GDP, GDP 7%, private sector development and opening to business and trade (WDI, 2015). In addition, the poverty headcount declined from 22% in 2006 to 4.8% in 2010 (WDI, 2015). Thus, this revolution aspired Vietnam to become an upper middle-income country by 2035.

Furthermore, the economic growth has led to changes in the labor market and structure of employment. Since 1986, the labor market notion has been introduced in Vietnam, by which labor market functions according to the law of labor demand and supply. With privatization, decentralization and foreign investment, a significant number of job creations has been generated

in different economic sectors, diversifying rural employment and urban labor force. The development has positively transformed structural employment, resulting in a major shift out of agriculture into industry and service employment in urban areas with a significant total increase from 30.3% in 1996 to 52.6% in 2012. These movements enhance labor productivity and increasingly widen the opportunity for earning higher income of working people and improving their living standard. They also leads to higher rate of formal wage sector; higher level of education; poverty reduction and labor restructuring through land reform, privatization, the equitization of SOEs, and the introduction of the foreign investment law. For example, the number and the percentage of wage and salary workers have grown from 7 million or 18.4% in 2010 to 17 million people or 34.8% in 2013 of the workforce (WDI, 2016).

Nevertheless, agricultural sector still accounts for 47.4%, which is the largest number of employment (industry 21.1% and services 31.5%), implying low productivity and low job quality (WDI, 2015). According to the ILO study (2016), although Vietnam overcame the global financial crisis better than most other countries, its vulnerability to external shocks and macroeconomic instability need to be addressed. The Government's Socio-Economic Development Plan (SEDP) 2011-2015 pointed out that the country development has still been negatively affected by economic weaknesses and the global financial crisis and economic decline and implementation of the plan should take into account the context of a fast changing, complex and unpredictable global economy (ILO, 2016). A major challenge in the coming years is to reduce vulnerability, particularly in the labor market, while simultaneously to enhance Vietnam's role in the regional and global economy.

1.2. Impacts of the Global Crisis on Labor Market in Vietnam

Adjustment of the Labor Market

The global meltdown caused GDP considerably dropping from 7.1% in 2007 to 5.7% in 2008 and 5.4% in 2009. Until 2014, it has slightly recovered to reach 6% but been still 1% lower than the rate before the crisis. Inflation dramatically increased from 8.6% in 2006 to 22.7% in 2008 (WDI, 2015). This downturn has led to the adjustment of Vietnam labor markets. Particularly, declining aggregate demand negatively influenced on the labor market in terms of labor demand and labor supply. From the demand side, it resulted in low employment levels (Q) and lower wages (P). For example, the unemployment rate of youth female, youth male and total youth has slightly risen since 2007 (VietnamNet Bridge, 2015). From the supply side, it led to higher participation rates and workers relocation through internal and international migration. For instance, LFPR grew from 75% in 2008 to 76.5% in 2009 and to 77.45% in 2010 (ADB, 2010). The economic recession had an impact on the labor supply since mid-2008. Before 2008, the number of employment rose from 1.01 million to 1.16 million on average (ADB, 2010). Economic recovery in 2010 fostered the labor supply, of which the labor force increased from 47.8 million in 2009 to 49.2 million people in 2010 (ADB, 2010). Moreover, rural-urban migration has increased labor supply for industrialization and development. However, the internal migration flows results in higher underemployment and unemployment in rural areas and placed tremendous pressure on urban facilities (ILO, 2016). The majority of migrants face serious difficulties in housing, education, health care and other social infrastructure and services.

Consequently, there was an interaction among segmented labor market, in which labor demand decreases in the formal market, displaced workers move to informal sectors, including rural agricultural employment and informal urban activities (Betcherman & Islam, 2001). This trend led to a downward pressure on earnings and wages. In other words, labor market

adjustment to shocks resulted in open unemployment, underemployment, dropping wages and earnings, changes in labor force participation, migration and informalization.

Analyzing the underlying causes, there are four influencing factors. First, the magnitude of economic shock includes macroeconomic contraction policy. Second, the structure of the economy with reducing demand impacts on lower employment and lower wage. Third, the composition of labor force, including gender, age and level of education, which affect “workers’ reservation wage and willingness to move to the informal sector” (Betcherman & Islam, 2001, p.9). Finally, the labor market policies and institution setting minimum wage but are decentralized; collective bargaining is weak with poor enforcement of hiring and firing; and social protection is low. Unemployment insurance has been introduced in 2009 but the coverage is low due to high informality. No protection in the informal sector in the existing institutions.

In general, the key labor market challenges include imbalance labor supply-demand, weak business environment, high vulnerable and informal employment, weak labor market governance, poor labor market institutions and infrastructure, specially labor market information systems and services. For example, the Labor Code, which regulates employment, was first introduced in 1994 and amended and supplemented in 2002, 2004, 2006 and 2007. It needs to be further reformed to meet the needs of the private sector in generating employment, to ensure conformity with ratified Conventions and international labor standards. The minimum wage policy needs to be reviewed to support the development of an efficient and fair labor market. Without an effective labor inspection system, there is weak compliance with the Labor Code which is unevenly applied to different types of enterprises (ILO, 2016). The Government is designing a Master Plan for Labor Market Development 2011-2020 to promote an effective, efficient and equitable labor market. In addition, government asked assistance from ILO to

develop an Employment Strategy 2011-2020 to address the labor market challenges and promote full and productive employment for the labor force.

The Crisis and Informal Employment

Informal employment is defined as “all employed workers not covered by the social insurance system, irrespective of the institutional sector in which they are employed” (see Cling et al., 2010a). According to the National Statistics, the informal employment refers to unpaid jobs (unemployed and household sectors) and jobs without social security in agricultural sectors (MOLISA, 2010). Almost 50% of labor force continues to work in agriculture and 80% in the informal sector while the contribution of agriculture sector to GDP is significantly decreasing and accounting for only 18% of GDP in 2012 (Thuy, Anh, Giang, & Chuc, 2015).

Table 1: Employment Change by Sector 2006-2008

	Agriculture	Industry	Services
% Change in employment	0.6	-0.9	0.2

Source: WDI 2014, Statistical Yearbook 2013 and WB 2010

The table 1 shows that the crisis has the negative impact with a decrease of 0.9% on employment in industry sector. The labor surplus in this sector could migrate back to the agriculture (an increase of 0.6%), move to the service sector (an increase of 0.6%) and more importantly, join the informal employment.

On the labor supply side, the additional employment in the informal sector should raise competition between informal production units, and creates pressures on the average turnover and income (Cling et al, 2009). On the demand side, a shift of household consumption from formal to informal products would occur because of income elasticity effects. Generally, the informal sector may *suffer from the contraction of demand*, in other words, among the non

agricultural sectors, the informal sector income is the most sensitive to downward pressure and more negatively affected than the formal sectors.

The Impact on Vulnerable Groups

Vulnerable groups include youth, women, low-skill workers and migrant labors. Firstly, the unemployment rate of youth who obtain junior college (3-year training) and university degree (4-5 year training) are dramatically high at 8% and 5% respectively, while the overall unemployment rate is only 2.36% (VietnamNet Bridge, 2015). Additionally, the General Statistics Office of Vietnam illustrated that the youth unemployment rate of age 15+, 15-19 and 20-24 was 2.88%, 7.62% and 6.68% respectively, of which the rate is different between urban areas (11.52%) and rural areas (4.1%). Furthermore, the youth labor force participation rate (age 15-19) increased from 37,1% in 2007 to 42,2% in 2010 (MOLISA, 2009). The early participation into the workforce is associated with poor laborers who earn low wage and potentially unemployed during the life time.

Secondly, the share of vulnerable employment among all females in employment was 69.1%, 14.7% higher than the share for men which stands at 54.4%. This trend reflects a gender gap inequalities of employment opportunities. Other vulnerable and high potential groups include ethnic minorities, persons living with HIV/AIDS and persons with disabilities. In 2009, more than half of paid workers were not paid regularly and were not offered an official contract (no contractual job or hourly paid jobs).

Interpreting the Evidence

Unemployment

There is a limitation of using unemployment rate as a measurement of the labor market for developing economies like Vietnam. Basically, if we compare the unemployment rate, it could lead to a misleading information and evaluation. For example, the unemployment rate in Vietnam is relatively low at 1.8% in 2014 (MOLISA, 2015) while it could be more than 10% in developed countries such as France and Spain. Actually, low unemployment rate does not reflect the poverty rate because high unemployment rate normally occurs in developed economies with low poverty rate (Huynh, ILO, 2014).

Underemployment

The main variable of adjustment during the economic slowdown has been the working hours. The average working time has been reduced from 43.9 hours to 42.6 hours between 2007 and 2009. Part time workers (working less than 35 hours a week) almost doubled from 13.2% in 2007 to 26.7% in 2009 (ILO, 2009). The (true) time-related underemployment increased from 4.9% in 2007 (2.1% in urban areas and 5.8% in rural areas) to 6.8% at the national level (3.6% and 8.0% in urban and rural areas) in 2009. Of which, the informal sector and agriculture have suffered the most from these involuntary cuts in hours (Cling et al. 2009).

A strong increase in multi-activity rate

To compensate for this reduction in working hours, more workers had to find additional sources of income by obtaining a second job. The multi-activity rate significantly rose from 18.2% in 2007 to 25.4% in 2009. With more than 12 million people taking on additional employment in 2009, 3.6 million additional secondary jobs must have been created in two years, which is many more than for the main jobs. The structure of secondary jobs also changes remarkably. The share of agriculture (in the total of secondary jobs) increased from 76.4% to 80.5%, largely at the expense of informal sector jobs (from 18.3% in 2007 to 15.2% in 2009).

This change implies that part of the labor force reinvests agricultural activities to compensate for the hardships on the labor market.

Vulnerable employment

Vulnerable employment is often characterized by inadequate earnings, low productivity and poor work condition, such as self-employed or unpaid housework groups (Johnson, ILO, 2010). They lack social protection and safety nets to protect against “risks such as ill health and occupational accidents and vulnerabilities such as economic shocks and climate change” (ILO, 2016). Instead of being unemployed, labors in Vietnam try to undertake various forms of jobs which might lead to higher rate of vulnerable employment. Other vulnerable and high potential groups include ethnic minorities, persons living with HIV/AIDS and persons with disabilities. In 2009, more than half of paid workers were not paid regularly and were not offered an official contract (no contractual job or hourly paid jobs).

In rural areas, the unemployment rate is high with 5.4% while 72% laborers worked and nearly 90% rural workers had low productivity in agriculture (averaging at 2/5 of the whole economy and 1/3 of industrial and service categories) (MOLISA, 2010). Most of them have faced difficulties in economic empowerment such as income generation and improvement. Basically, there are many challenges for rural employment with slow economic transformation while the population keeps increasing naturally.

In terms of wage and salary workers, the number and the percentage have grown from 7 million or 18.4% in 2010 to 17 million people or 34.8% in 2013 of the workforce (World Development Indicators, 2016). However, the gender gap remains an issue in rural areas or in some ethnic groups, especially in the labor market. In 2009, 69% of employed women were in vulnerable forms of employment comparing to 54% of men (ILO, 2016). Additionally, women

in the informal economy earn 50% of male incomes, although the wage gap in formal employment has gradually narrowed, reaching 12% nationwide. The National Strategy for Gender Equality (NSGE) aims to “narrow the gender gap in the economic, labor and employment domains; to increase access of rural poor women and ethnic minority women to economic resources and labor market” (ILO, 2016, p5).

Poverty

Vietnam has done well in terms of reducing absolute poverty but the rate of poverty reduction has slowed and income inequalities have been growing. The overall poverty rate has dropped but nearly half of ethnic minority households were still living below the poverty line in 2008. The pace of poverty reduction has declined over the years and has become more “costly” in the sense that higher growth is required for each percentage point poverty reduction. The group of persons just above the poverty line is now larger than the group just below – implying that protecting the “near poor” from falling back into poverty is increasingly crucial.

Coordination between Employers and Training Providers

The Ministries stated that the unemployment rate of university graduates is ‘abnormally high’ (VietNamNet Bridge, 2015). To date, 225,500 workers with bachelor’s degrees are unemployed (MOLISA, 2015). Evidence shows that 20% of 1,128,700 unemployed workers have university education and the number of unemployed university graduates is increasing. According to Ms Nguyen Thi Lan Huong, head of the ILSSA, universities are recruiting more students than the market needs. Mr Dao Trong Thi, Chairman of the National Assembly Committee for Culture, Education, Youth and Children, said skills of graduates did not match labor demand from employers. There is also a concentration of workers in cities, while rural

areas were seriously lacking workers. In order to improve the quality of graduates and reduce unemployment, Vice Minister of Education and Training Bui Van Ga suggested that universities should reduce or stop training in sectors with low demand for graduates, such as accounting, finance and banking. On the contrary, they should offer courses in e-commerce, network security and fisheries management because of a shortage of skilled graduates (Bui, 2015). In other words, the underlying factor was the poor coordination between training providers and employers in order to understand the needs of necessary skills to serve business operation and development.

Labor Market Institutions and Infrastructure

Labor markets are of a crucial role in reducing external economic shocks and adapting to structural changes (Goldfarb & Adams, 1993). In this role, labor statistics and the information are an important tool and channel to support decision making, because “well-informed decisions that improve the efficiency with which labor markets function are important to economic growth and poverty reduction” (Goldfarb & Adams, 1993). For example, LMSI helps policy makers, researchers and program managers design evidence-based labor market policies; assisting job seekers make an informed education, training and career choices; and supporting employers in planning, operating and staffing. Due to weak labor market infrastructure, the labor supply from college and university training currently do not meet the labor demand in the market.

2. MAJOR ACTIVE LABOR MARKET PROGRAMS IN VIETNAM

2.1. Employment Generation Program

Realizing the weaknesses and strength of the labor market and the policy framework in Vietnam, the Government aims to encourage labor-intensive investment, fully utilizing the growing supply of working age population in order to reduce poverty and sustain broader

development. This has driven the government to initiate employment creation strategy and continuously reform labor policies. Specifically, major programs have been developed and implemented since the early 1990s.

i) National Employment Generation Program (NEGP)

It was established in 1992 and has mainly functioned as a safety net targeting alleviation of the negative effects of restructuring of state-owned sector, as well as promoting employment opportunities by providing severance payment, subsidized credit, and skills training (Nguyen & Loi, 2006). Its implementation is funded through the National Job Generation Fund (NJGF) from the Government and official development assistance (ODA). The fund aims to offer soft or preferential loans for projects in rural areas, for an employment creation program or labor-intensive investment. Its objectives are to lend VND 6,000 billion and create 1.6 million new jobs annually (2005-2010), of which 250,000 – 300,000 jobs are from the National Target Program; to generate employment, vocational training and public employment program (150,000 to 200,000 from poor households); to provide from 500,000 to 800,000 new jobs for agricultural workers; to export 80,000 – 100,000 laborers per year, of which 30,000 – 40,000 workers from the poor households; to decrease the agricultural workers' rate to 30%; keep the overall unemployment rate below 3% and urban unemployment rate below 4% by 2020. To track the performance, evidence shows that NJGF has lent VND5,500 billion and VND 1,015 billion; and created about 4 million jobs and 350,000 jobs during 1992-2004 period (MOLISA, Nguyen & Loi, 2006). Generally, this program has contributed to poverty reduction in Vietnam.

After the crisis, the National Program on Employment offers preferential credits, training and job brokering to boost employment. In 2010, the National Fund for Employment (NFE) had collected 3,761 billion VND, of which 313 billion VND was directly allocated to 63 cities and

provinces, and social-political mass organizations in Vietnam (ADB, 2011). On average, the NFE provides loans to generate jobs for 300,000 laborers, comprise 20% of the total employment created a year (ADB, 2011). The targeting beneficiaries of the NFE are the poor and vulnerable groups. Specifically, 9.700 households of members with disability (e.g. half deaf) received VND 37.8 billion loans during 1999-2009 (MOLISA, 2011). Moreover, 240,000 disabled workers obtained stable jobs through incentive policies for recruiting disabled people in organizations and enterprises. The National Fund spends the same (VND250 billion) in 2007-2008 but the employment outcome substantially decreases by 28.57%, equaling to 100,000 jobs loss. Next, although the National Fund for employment creation has increased 25% from VND250 billion in 2008 to VND313 billion in 2009, the effect on employment remained the same with 250,000 jobs (table 2). This illustrates that the economic crisis had a strong negative impact on employment programs during 2007-2009.

Table 2 : Employment creation by the National Fund for Employment

	National Fund (billions, VND)	Employment creation
2007	250	350,000
2008	250	250,000
2009	313	250,000
2010	313	300,000

Source: MOLISA (2011), National Program on Employment and Vocational Training over period 2011-2015

ii) Generating Jobs in the Urban and Rural Sectors

The government strategy on employment is supported by investment policy reforms. For instance, the Enterprise Law of 1987, amended in 2000, was introduced to improve the business environment and generate 300,000 new jobs in the private sector (World Bank estimate based on

GSO data, cited in Edmonds and Turk, 2002). The data from Ministry of Planning and Investment (MPI) shows the number of new enterprise registration has increased to 75,000 between 2000-2003 (1.7 times more than in 1991-1999) (Nguyen & Loi, 2006). In total, the registered capital of these enterprises accounted for \$10 billion, comparing to \$1,45 billion of the foreign-invested capital in the same period (WDI, 2016). Moreover, they created about 2 million new jobs, accounting for 17% of the total labor force in Vietnam.

In order to generate job in rural areas, the government has also launched the Program on Provision of Credit for rural workers. This program is widely used to support productive activities of poor households in rural areas, which has been carried out by Agriculture and Rural Development Bank (AgriBank) since 1990 and the Social Policy Bank (SPB) since 2003 based on the operation of the Vietnam Bank for the poor. Until 2000, the AgriBank had provided more than \$2,6 billion to 7 million households with an average of \$380/household (Nguyen & Loi, 2006). In addition, the SPB has offered concessional loans (VND5,500 billion) with low interests at 0.6 - 0.7% to 953,885 poor households in both urban and rural areas for venture businesses during 2002-2003 period. The SPB had “5,480,106 clients with outstanding loans and the number of poor households alleviated from poverty increased from 644,035 in 2002 to 1,294,035 in 2003” (Nguyen & Loi, 2006, p.608). Furthermore, the government substantially assisted ethnic minority people in disadvantaged areas through a total grant of VND70 billion and zero interest rate loans provided to nearly 90,000 households for production purposes.

iii) Micro-enterprise Development and Self-employment Assistance in National Poverty Reduction Programs (NPRP)

The objective of poverty reduction by 2020 is to increase average per capita income of the poor households by 3.5 times that of 2010; to decrease the ratio of the poor households by

1.5% - 2% per year, and by 4% in poor districts and villages measured against the poverty line. Normally, the NPRP has an employment generation feature such as the micro credit scheme. Before 2000, two main NPRPs are Program 133 (1998) and Program 135 with the overall objective of reducing the poverty level to 10% by 2000. Program 133 includes rural infrastructure, farm and non-farm employment opportunities, social services, and micro credit and savings for the rural poor (Nguyen & Loi 2006). In the meantime, program 135 following the experience from Program 133, targeted 1,715 very poor communes in remote mountainous areas. It covers the objectives of general poverty reduction and micro-finance for employment. They include similar programs as program 133 with additional contents such as micro-credit for farm and non-farm SMEs and vocational training centers. Then, the government placed these programs as one of five national programs in 2001.

2.2. Labor Export

Labor exchange or work abroad programs is one of ALMPs to generate employment and income for workers. The Government has introduced a set of laws to improve international labor mobility in order to meet the objective of poverty reduction & socio-economic development strategy. While 85,500 laborers worked abroad in 2010, up-to-date 400,000 Vietnamese workers, accounting for 25% of annual new jobs, have been dispatching to work in 40 countries, especially in Malaysia, Taipei, Korea, Japan and Middle East (table 3). Although majority has low skills or semi-skills working in 30 job categories including hi-tech, manufacturing, construction and fishing, these jobs generate good earnings, consisting of 3.3% GDP (Phung, 2008). The government approves the overseas employment fund and the vocational training master plan for laborers working abroad until 2015 (ADB, 2011).

However, this labor exchange also has its weaknesses. For example, laborers have “experienced employment disability due to work-related accidents, sickness, and even death from illness such as tuberculosis” (ADB, 2011). In 2009, the government spent 910 million VND for 96 death cases and 30 million VND for 6 disabled cases (ADB, 2011).

Table 3

Number of Vietnamese Workers Sent Overseas in 2007

Economy/Territory	2007	(Compared to) 2006	Total
Chinese Taipei	23,646	Increase by 53%	90,000(*)
Malaysia	26,704	Decrease by 30%	120,000
Korea	12,187	Increase by 17%	46,000
Japan	5,517	3,864	20,000
United Arab Emirates (UAE)	2,130		3,000(*)
Qatar		4,340	7,000(*)
Macau		1,631	
Czech Republic	400		400
Others	14,000	7,023	
TOTAL	85,000	60,000	

Source: Overseas Worker Management Department (MOLISA)

<http://www.molisa.gov.vn>

(*) 2006 figure

2.3. Skill Training Intervention

Another ALMP to support vulnerable groups is vocational training programs for employment creation. In 2009, the Prime Minister launched Decision 81/2005/QĐ-TTg, which offers the elementary vocational training courses with less than 3 months to 370,000 people

(ADB, 2011). Regarding rural laborers, the project 1956 has been established under Decision 1956/2009/QĐ-TTg in 2009. It has provided vocational training for 2,169,562 million and 1,941,168 rural workers completed the training (MOLISA, 2010). Among them, 1,526,883 people were successfully offered jobs after apprenticeship, accounting for 78.7%, fulfilling the target of 70% including:

- + 347,915 people currently employed, making up 22.8% of people with jobs after vocational training

- + 153,620 people currently receiving product consumption, constituting 10.1% of people with jobs after vocational training (mainly learn and do the handicraft industry)

- + 1,007,284 people maintaining the current jobs with higher labor productivity and incomes, accounting for 65.9% of people with jobs after vocational training (Mainly the students finished self-employment as an apprentice in agriculture)

- +18,064 Founder producer groups, cooperatives, enterprises, accounting for 1.2% of people with jobs after vocational training.

On the regional level, Ho Chi Minh City has vocational training centers, run by the Ho Chi Minh Communist Youth Union, conducting job training to 25,000 young people in order to match jobs in high demand (VietnamNet Bridge, 2015). These centers are also encouraged to provide “career counseling, short-time vocational training and courses on occupation skills to poor youth, young people with disabilities and those with HIV”, according to Nguyen Thi Hai Van, head of the Department of Labor and Employment. In provinces, Kien Giang has Vocational Training Center for Young People, offering vocational training courses in agriculture such as hi-tech paddy-rice cultivation and freshwater fish breeding. Moreover, those centers

provided loans and conducted training courses for 17,300 young people since 2010 to support them start entrepreneurship (Vu, 2015).

2.4. Employment Services

Responding to the crisis, MOLISA works closely with the Ministry of Finance, the Ministry of Planning and Investment, and other government agencies and organizations to ask all centers for “employment services nationwide to provide employment opportunities to job seekers through job transaction floors” (VietnamNet Bridge, 2015). Overall, the country has 35 employment and vocational training centers.

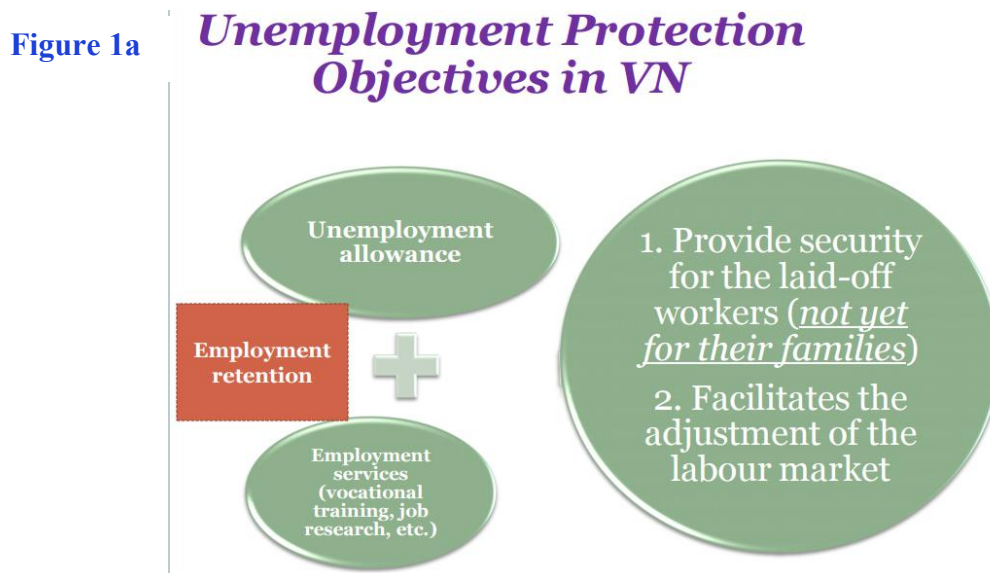
In Ho Chi Minh City, the Ho Chi Minh Communist Youth Union manages employment services to provide career counseling to 400,000 people, and work more closely with enterprises in industrial parks and export processing zones to introduce jobs for young people (VietNamNet Bridge, 2015). In addition, HCM City's Employment Services and Vocational Training Centre for Youth has introduced 4, 215 young people to work at bus stations since 2010. It has also provided career counseling to 20,000 people in Ho Chi Minh and neighboring provinces, and to prisoners released from HCM City jails. Thus, the Ho Chi Minh Centers could share experiences with other employment centers nationwide to improve career counseling services for supporting employment across the country.

Furthermore, these centers are encouraged to enhance employment services for high school students and students' parents who would influence students' decisions in training and career choices (Nguyen, Deputy of MOLISA, 2015). Apart from that, the government should inform students and parents about the preferential policies on vocational training. For evidence, centers in many provinces and cities held workshops and forums at school and on the website to offer job counseling to 200,000 high school students and to demobilized soldiers (VietnamNet

Bridge, 2015). These provinces include Yen Bai, Tuyen Quang, Gia Lai, Ha Tinh, Thai Binh, Kien Giang, Ben Tre, Thua Thien-Hue, Quang Ngai, Quang Nam and Quang Binh. According to statistics of 20 centers nationwide, more than 9,500 people have been matched jobs at enterprises in industrial parks and export processing zones. Moreover, employment centers in Ha Noi, Quang Binh and Vinh Phuc have also introduced youth to jobs in fishing, mechanics and electronics in Malaysia, Korea, Japan, and other countries (VietnamNet Bridge, 2015).

2.5. Income-support Measures or Unemployment Insurance (UI)

To cope with job loss and decreased earnings during and after the global economic meltdown, Vietnam government has introduced unemployment insurance policy since 2009. Its objectives are summarized in the figure 1a.



Source: Unemployment and Insurance, Challenges and Adjustments (Ngo, 2016)

Considered to be a passive and an alternative income support for unemployed people, unemployment allowance plays an important role to protect workers in time of needs and to enhance the adjustment of the labor market in the downturn. However, this scheme only applies to formal employment, implying that the informal workers left uninsured if they are jobless.

Table 4: Contribution rates of UI in social security system

	Social insurance	Health insurance	UI	Total
Employee	8%	1.5%	1%	10.5%
Employer	18%	3%	1%	22%

Source: PwC Vietnam NewsBrief, 2016

The table 4 shows that the contribution of UI is the smallest in the social protection system and equally shared by the employer and the employee. The first collection of UI was on Jan 2009 and the first payment was in 2010. Since January 1st 2015, participants include all employers that hire or employ workers under labor contracts and employees who have labor contracts or working contracts of indefinite term; labor contracts or working contracts of definite term; and seasonal or job-based labor contracts with a term of between full 3 months and under 12 months (ADB, 2011 & Vietnam Law and Legal Forum, 2015). If a worker has signed more than one labor contract, “the worker and the employer under the first-signed labor contract shall be held responsible to participate in unemployment insurance” (ADB, 2011).

Table 5: UI Collections and Payments

TT	Details	2009	2010	2011	2012	2013	2014	2015	First 7 months of 2016
1	Total UI contributions (in billion VND)	3,510.60	5,400.30	6,747.10	8,664.80	10,094.70	11,812.70	9,939.50	6,325.30
2	#cases received UI allowance (case)		156,765	289,181	421,048	454,839	514,853	526,309	187,166
3	Total UI payments (in billion VND)		145.2	1,120.70	2,428.20	3,553.90	4,528	4,833.30	2,688.50
4	Balance (in billion VND)		5,255.10	10,881.50	17,118.10	23,658.90	30,943.60	36,049.80	39,686.60
	Size of balance against respective annual payments		36.19	9.71	7.05	6.66	6.83	7.46	

Using exchange rate: USD1=VND22,300: the balance of VND36,049 billion at the end of 2015 is equivalent to about USD1.62 billion

Source: Unemployment and Insurance, Challenges and Adjustments (Ngo, 2016)

The table 5 illustrates that the accumulated balance of UI is substantively large with USD 1.78 billion at the end of July 2016. Regarding the benefits of UI, they include three months of benefits after one year of working, six months after three years, nine months after six years and 12 months after 12 years. Apart from that, according to current provisions such as unemployment allowance, vocational training support and job search assistance, the Law on Employment has been amended, aiming to support training, retraining, and improving qualifications of occupational skills to maintenance employment for workers (ADB, 2011). This provision has linked UI with ALMPs as a comprehensive approach to protect unemployed workers and assist them to get back to work for income generation. For example, in addition to UI, unemployed workers receive benefits of up to 6-month vocational training support, which is based on cost of a specific vocational training and as regulated by Prime Minister. Qualified participants also obtain job seeking assistance such as free service of employment counseling and introduction. They further receive health care insurance during the insured period (MOLISA, 2013).

Table 6: UI Processing and Settlement

No	Content	2010 (person)	2011 (person)	2012 (person)	First 9 months of 2013 (person)
1	Number of registers	189.611	335.901	482.128	371.170
2	Number of participants having claim decisions	156.765	291.302	421.048	346.763
3	Number of participants having changes in claim address	26.666	56.797	91.066	29.404
4	Number of participants receiving job seeking support and job counselling service	125.562	217.721	342.145	301.304
5	Number of participants receiving vocation training support	270	1.037	4.776	7.517

Source: MOLISA, 2013

The table 6 shows that the number of UI beneficiaries receive ALMP support such as job seeking assistance and vocational training were smaller than that of claiming UI. This situation would be caused by lack of information or insured workers could find jobs by themselves.

Challenges and Future Directions

Extended UI participants, in which employees engaging in seasonal contracts, labor contracts of less than 3 months or self-employed can participate in UI scheme as regulated by laws (MOLISA, 2013). Although there is no limitations on the UI contributions, the UI benefit level is limited of maximum one year. The strict regulations on conditions for UI benefits would not be fair to employees and create a large balance of UI fund. The vocational training support and job assistance in ALMP components should be re-evaluated to make them more effective for unemployed labors. In terms of claim processing, employees prefer one door processing to approach many departments, from registration to claim receiving. Regarding operation, VSS should continue managing UI fund and collecting contributions and MOLISA manages unemployment registration, job counseling and seeking, vocational training support, UI benefit payment. To improve management of employment status of participants, employee turnover in enterprises should be regulated in order to manage labor force in the locality, measures to minimize UI frauds (MOLISA, 2013).

3. ASSESSMENT of ALMPs in VIETNAM (POLICY ISSUES)

As discussed, the poor, disadvantaged groups, unemployed and underemployed normally face constraints of lacking information as well as access to ALMPs and decent work with stable earnings and good working conditions (Luu, ADB, 2012). The main reasons include low education level, poor health, limited labor market information and weak coordination between employers and training providers. The effectiveness of these ALMPs in Vietnam has not yet

rigorously evaluated by researchers or policymakers through conducting advanced research methodologies as in developed countries such as experiment and quasi-experiment evaluations or cost-benefit analysis. Thus, the assessment of Vietnam ALMPs' impact on labor market variables in this part is mainly based on my own analysis and non-experimental evaluations of some studies by tracking post-program results of participants, without considering the "counter-factual" nor selecting a control group in measurement. For evidence, it might not be able to conclude which part of ALMPs (employment programs, labor export, skill training, employment services and unemployment insurance) generates more positive labor market effects, i.e. jobs and income, for participants in Vietnam and whether each of them creates negative effects or general equilibrium effects, relating to indirect effects on non-beneficiaries. Besides, there has not yet an empirical research to examine the competition between *labor market insiders and outsiders, displacement, deadweight, substitution, productivity, and tax effects* (Calmfors, 1994). These concepts in evaluation will be explored in part II, which will discuss and assess the effectiveness of ALMPs in the global context.

It is essential for the government to tackle challenges of the labor market in order to properly design policies to cope with labor market risks. Firstly, the combination of passive and active policies should be considered to create employment, improve skills, increase job quality, labor productivity, and protect workers against both structural and cyclical shocks (Betcherman & Islam, 2001). Secondly, given a high rate of informality, a balance between formal and informal instruments should be adopted. Moreover, policymakers must identify the appropriate industrial relation institutions, fitting the culture, and social and economic stage of development (Betcherman & Islam, 2001).

Contrary to the breadth of low coverage, the depth of ALMPs in Vietnam is rather high (0.832) as compared to that of the social insurance (0.330) and especially the social assistance programs (0.055) (Luu, ADB, 2012). This implies that the ALMPs' expenditure level for each beneficiary on average is higher than that of other social protection categories. However, these expenditures on ALMPs are moderate, accounting for 3.2% of total social protection spending.

On a yearly basis, ALMPs are considered to generate 250,000-300,000 jobs (Luu, 2012). In addition, 400,000 rural laborers, especially the youth and poor, have been supported to participate in short-term vocational training courses to improve their employability skills. However, the beneficiaries of these programs are still much lower than total unemployed and underemployed. Furthermore, during the crisis, the share of rural unemployment to total unemployment increased from 47.7% in 2006 to 58.0% in 2009 (ADB, 2011). Nearly two-thirds of workers, especially in rural areas, are self-employed and 70.5% of non-agricultural employment was in the informal sector in 2009 (Luu, 2012).

The government might find that employment-creation programs, including labor export, are an immediate tool to relax the constraint on the labor market to reduce poverty and boost incomes for unemployed workers, whereas the role of skill training as an effective ALMP in developed countries has been challenged due to the low rates of economic return associated with training programs (Betcherman & Islam, 2001). Nevertheless, the social benefits of skill training, especially for disadvantaged and vulnerable groups, should be evaluated. In the meanwhile, job search assistance programs are considered to be relatively cost effective, the government may implement them to diversify ALMPs during the economic recovery period.

3.1. National Employment Generation Program

In spite of some achievement, the NEGP faces certain difficulties. Although there were 4.6 million unemployed and underemployed people in 2009, the NEGP created 250,000 employment, which was only 0.4% of the potential beneficiaries. Thus, the Social Protection Index (SPI) breadth is small due to a large number of underemployed in Vietnam (ADB, 2010). Moreover, the program did not attract enterprises to generate new employment. Although it provides loans up to \$20 million for small and medium enterprises, especially household enterprises, some households faced challenges in preparing documents and accessing to loans from SPB or the Job Creation Fund due to low educational levels, complicated procedures and limited public service supports (Dufhues et al., 2001). Challenges remain in the requirement of “social” collateral such as approval by the commune’s head, instead of physical or financial collateral, which could lead to heavy bureaucratically issues. Another setback is the short-term duration of loans, resulting in overdue debts and non-performing loans (Nguyen & Loi, 2006).

Nevertheless, the underlying issues of these programs may include objective setting, targeting and institutional capacity for designing, implementing, and monitoring job creation programs (Betcherman & Islam, 2001). Firstly, although the main objective of ALMPs is to provide income and employment, it can support to build infrastructure and social capital. In this regard, ALMPs can act both as a social security tool in the economic downturn and as a *long-term means of creating assets* (Betcherman & Islam, 2001). For instance, if the government carefully select and approve labor-intensive infrastructure projects, they can enhance *economic efficiency in low-wage situations*. However, the objectives need to be clearly communicated in designing and evaluating the programs. Secondly, targeting is another challenge. Only 0.4% of potential beneficiaries are targeted and offered employment, while the majority are left without support. The reason would lie in the small budget for ALMPs whereas there is a large number of

informal workers, unemployed and underemployed laborers. Moreover, the employment programs may not reach the much-needed poor and disadvantaged people. Thus, the government should further research and adopt various targeting tools, involving local communities in selecting and recruiting beneficiaries to increase the coverage and efficiency of the employment generation programs. Thirdly, the final issue would be the institutional capacity for designing, implementing, and monitoring these programs. The public service and government administration are still considered highly bureaucratic, corrupted and authoritative, leading to inefficient and ineffective implementation and monitoring. For example, it is well-known in Vietnam that workers need to pay red tape and “under-table” money to get access to public works, loans and government programs. Moreover, investors or entrepreneurs could have to pay a large amount of budget unofficially as a bribe to obtain an investment license for labor-intensive infrastructure projects. This situation could dis-intensivize them to build these projects for employment creation. Policymakers must address these issues to mitigate risks during a crisis and then establish *the necessary organizational machinery* (Betcherman & Islam, 2001).

3.2. Labor Export

Besides a small proportion of workers involved in hi-tech categories (in Japan market), the labor exchange jobs are generally low-skilled jobs at low wages. For example, the average salary is around US\$ 300 – 500 per month (China), and is US\$ 750 – 1,100 per month in Korea and Japan (Phung, 2008). The largest number of people works in assembly and manufacturing industries (Taipei), construction (Malaysia, UEA, Qatar) and fishing (Chinese Taipei, Korea).

Among 400,000 workers in international labor markets, 85% of whom from rural areas, have generated one fourth of 1.6 million new jobs (Phung, 2008). This program is one of ALMPs to combat unemployment in urban and rural areas during the crisis. For instance, it reduced

0.19% urban unemployment and 20% of rural unemployed labors in 2008. More importantly, labor export programs positively creates a number of jobs for related service sectors such as vocational training, foreign language teaching, which partly contributes to generate jobs for laborers in the country (Phung, 2008). Economically, international migrant workers have also earned a good income. According to Phung, overseas workers sent home US\$ 1.6 billion in 2004, adding US\$ 1 billion to the national income. This amount comprised 3.3% of GDP. Moreover, labor export firms contribute VND 10 billion to the government budget every year. Nevertheless, to strengthen the quality of labor export program, a number of issues need to be addressed, including low labor quality, poor capacity and cooperation.

Low Labor Quality

There is only half of laborers participating in pre-departure short training program about on general knowledge or orientation. Most of the training institutions lack understanding job requirements of international markets and the ability to train high-skilled jobs (Phung, 2008). The language training conducted by these institutions does not match the requirement of the international market. Moreover, the rate of return is much lower than Indonesia, the Philippines and India (table 7). For example, Indonesia sent 80,000 laborers abroad and their contribution to national revenue reached US\$ 4.67 billion, whereas that number of workers were 5 times but the GDP contribution was only one fourth compared to Indonesia.

Table 7: Labor Export Contribution in some Asian countries

	Annual Exported Labor Volume	Contribution to National Revenue (US\$ billion)
Indonesia	80,000	4.67
The Philippines		9
India	50,000	11
Vietnam	400,000	1

Source: <http://www.molisa.gov.vn>

Poor Capability and Coordination

Labor export companies in Vietnam are not competent. As evidence, only 15 out of 150 businesses can send over 1,000 workers each year. They lack a research based labor market information and forecast system (Phung, 2008). The coordination between business training institutions and labor exporting firms is also weak and loosely connected so the export companies are not able to provide the better quality of workers. For instance, only few cases in which labor exporting firms have plans to order supplies from vocational services (Phung, 2008). Additionally, the majority of export laborers come from rural areas, but funding policy and practice are still a constraint. For example, the government sets the budget of VND 2 billion (\$125,000) for Nghe An to fund job training for 1.5 million workers in the province, equaling to US\$0.08/person (DOLISA, 2008). Another issue is that 57% of workers bear a debt due to high recruitment and migration fees. The average debt varies from US\$ 370 to 2,300 at the interest rate of between 0 – 60% in 1 to 3 years.

In order to tackle these constraints in this program, the government should strengthen the quality of vocational training; enhance international economic relations to seek for new labor exporting channels; enforce the Law on Overseas Vietnamese Labor and relevant regulations; offer preferential bank loans and fees policies, especially for rural workers; and develop a national labor export strategy (Phung, 2008).

3.3. Skills Training

Skill training intervention has not either thoroughly evaluated. The direct impact of training programs on employment and earnings is not clearly identified. For instance, participants may find a job on their own during the training period and obtain a higher pay because of their negotiation skills or an improved economic condition. Moreover, some results

show that the training completion and job creation do not meet. For example, although the objective of job placement after training was met, the issue is whether the objective is made explicit and rigorously established against a benchmark. Also the number of participants completed training was 87% only (Luu, 2012). These issues would be explained by a lack of qualified trainers, training equipment and limited access to ALMPs for unemployed and underemployed people. It could be also examined by poor coordination between training centers and employers as well as lack of public employment services, especially in rural and remote areas. For example, the training centers do not either investigate the needs of employers, nor have a connection with employers for job placement after training. As a result, the trained workers do not have suitable skills for a required job or they need to find a job by themselves. Therefore, policymakers for skill training intervention need to analyze the needs of the labor market and connect training centers with employers in order to help unemployed, underemployed and vulnerable people accumulate necessary skills, which match the labor demand of employers in the market, as well as return to the workplace immediately after training.

3.4. Employment Services

The government needs to address several issues in public employment services including geographic reach, service categories, and capabilities of staff. Normally the job search assistance centers locate in big cities in Vietnam. Rural and remote areas in small provinces might lack these services. The services should be also expanded and diversified including career counseling, skill training, job orientation, job matching, career fairs and labor market information. To do so, staff needs to be trained properly to ensure the quality of assistance services. However, during the crisis, this intervention may not be as effective as the employment program or unemployment

insurance because of business scale down and mass laid off. New job opportunities may revolve in a recovery period so preparation may help match labor demand and supply more effectively.

3.5. Unemployment Insurance

During the first year of application in 2009, the UI scheme faced many constraints such policy gaps, procedure and performance difficulties. Firstly, the coverage was not reaching seasonal workers (less than 1-year contract) and those who work for small businesses (less than 10 employees) (Ngo, 2016). Secondly, enterprises generally deal with employees to set a low base salary in the labor contracts to avoid high contribution of UI. Thus, the level of UI monthly benefit is low when workers become jobless. In terms of payment process, it was required to register for an UI claim withing 7 working days which was very tight. A company where laborers work might not communicate clearly about this process as well as the benefits they would receive after leaving the labor market involuntarily or voluntarily. Thus, workers would not have enough information about the UI scheme to meet the time line of the procedure, resulting in losing their benefits unexpectedly. This could be one of the reason leading to the large balance of UI contribution. Thirdly, performance constraints refer to low coverage (due to a large share of informal employment) and enterprises' delays of UI payment to the UI fund. Consequently, the outstanding debt in the UI fund in 2011 was VND172 billion (\$7.7 million) and dramatically rose to VND311.034 billion (\$14 million) in 2015 (almost double in 4 years). This has negatively affected the benefits of workers to claim their unemployment insurance (Doan, MOLISA, 2016). Apart from that, the challenge lies in the lack of awareness among employees and employers about their rights and responsibilities in participating the UI fund. For instance, many workers may not disclose their working conditions and many employers "fail to notify authorities about the true number of workers working for them, their wages, and other

related issues” (VietnamNet Bridge, 2016). Moreover, there is not sufficient training facilities to bring unemployed people back to work immediately.

To address those issues, the government has amended the Law on UI and adjusted some provisions. The tables 8, 9 & 10 in the appendix summarize those adjustments.

The administrative sanctioning is based on the number and frequency of violations to deal with delays or evasions in remitting UI contribution. Also the Criminal Act for evasions is revised in November 2015, which was supposed to be effective from 1 July 2016 but it was postponed further (Ngo, 2016).

Table 11: Address the Challenge of Limited Impact of Vocational Training

TT	Details	2010	2011	2012	2013	2014	2015	First 7 months of 2016
	Number of UI claims	162,711	295,416	432,356	464,573	516,483	527,332	216,544
	<u>Among which</u>							
1	People with new jobs introduced		17,240	70,656	106,600	125,736	115,199	49,767
2	People received vocational trainings	270	1,036	4,763	10,610	19,796	24,363	9,594
	% among UI claimers	0.2%	0.4%	1.1%	2.3%	3.8%	4.6%	4.4%

Source: Unemployment Insurance in Vietnam, Challenges and Adjustments (Ngo, 2016)

The Employment Law 2013 approved the increasing budget of VND 1 million per month per course for vocational training component of UI from Jan 2015. Besides, unemployed people can participate in any registered vocational training center. However, improving quality and access to quality courses for unemployed still face certain challenges, including the limitation of

training quality in a broad context; perception about short training to improve soft skills different from “vocational training”; and limited availability of national skills standards (Ngo, 2016)

3.6. Governance and Dialogue

Labor markets are of a crucial role in reducing external economic shocks and adapting to structural changes (Goldfarb & Adams, 1993). In this role, labor statistics and the information are an important tool and channel to support decision making, because “well-informed decisions that improve the efficiency with which labor markets function are important to economic growth and poverty reduction” (Goldfarb & Adams, 1993). For example, LMSI helps policy makers, researchers and program managers design evidence-based labor market policies; assisting job seekers make an informed education, training and career choices; and supporting employers in planning, operating and staffing.

The role of governance and dialogue with civil society is important in the stage of development. Lee (1999) argues that "the strengthening of democratic institutions is central to the post-crisis economic model that is required" (p. 64). However, it is difficult to implement the democratic concept in current political institutions in Vietnam. The role of union and civil society is very weak and usually suppressed if their ideas and actions are against the government. Generally, international experiences illustrated the negative consequences of poor labor rights and social protection system in the precrisis period, and the “role of labor standards and social dialogue in ensuring smooth adjustment to structural change and in coping with economic crisis” (Betcherman & Islam, 2001). Thus, open and effective dialogue in the area of labor policies emerges and requires strong labor market institutions as well as a reformed political and social environment. The government therefore needs to adopt immediate strategies to gradually “institutionalize a culture of cooperation and dialogue” in Vietnam (Betcherman & Islam, 2001).

PART II - GLOBAL CONTEXT

4. EXPLORING THE EFFECTIVENESS OF ALMP

4.1. Definition

Active labor market programs (ALMP) are defined as policies for unemployment risk prevention and wage earnings expansion (Betcherman, Dar, & Olivas, 2004).

Major programs consist of employment services, training, public works, wage and employment subsidies, and self-employment assistance. These interventions are designed to increase labor supply through training; grow labor demand through public works or subsidies; and enhance the functioning of the labor market through employment services.

4.2. Objectives and Functions

The objectives of ALMP include “reducing unemployment during cyclical downturns, correcting structural imbalances, improving labor market functioning, and assisting disadvantaged groups of workers” (Betcherman et al., 2001). Generally, ALMP targets *the long-term unemployed, poor workers, and vulnerable groups with labor market disadvantages* in order to “increase the probability that the unemployed will find jobs or that the underemployed will increase their productivity and earnings” (Betcherman et al., 2004).

According to Nguyễn et al. (2013), ALMP includes the legal framework, regulations, programs, projects and measures in which governments or organizations enhance the labor market to assist laborers to find jobs for income generation. Thanks to these policies, the government assures minimum earning for the people, especially the poor, disadvantaged people, rural laborers and the youth. Thus, the standard living can be improved, the unemployment rate can be reduced and the social stability can be fostered.

4.3. Bridging Roles of ALMP

In most developing and transition countries, there is a large share of informal employment, so labor supply is usually higher than (formal) labor demand. Thus labor markets face a major constraint about both quantitative and qualitative mismatches, which need to be balanced by building institutions as bridges between supply and demand (Auer, 2008). He calls it a "labor market intermediation", consisting of a wide range of labor market institutions, with labor market policies at the core, including passive and active LMPs and their delivery institutions. They refer to both public and private employment services, training institutions, municipalities, non-governmental organizations (NGOs) and even private companies, who are to match supply and demand on the labor markets. Labor market information systems are considered to be part of this intermediation structure.

Although there are different viewpoints about the bridging roles and features of ALMP, they share many common characteristics. Firstly, it is of crucial importance in providing employment opportunities with stable and high wage earnings through *vocational training, employment creation credits and access to labor market information*. Basically, ALMP functions as one pillar of social protection program with 3P role model: Prevention - Protection – Promotion (Nguyễn et al., 2013, p.35) :

- Prevention function: the policies on *labor market*
- Protection function: the policies on *cash or in kind assistance to help people to recover from risks in combination with other community-based assistance*
- Promotion function: the policies on *micro-credits, training and labor markets, to promote the development of human competencies*

Secondly, Betcherman & Islam (2001) discussed the roles of ALMP in terms of strengthening the quality of the labor supply by retraining, facilitating the labor demand through direct job creation and related programs, and brokering jobs for workers and employers by expanding job search assistance.

Thirdly, Bista (2006) pointed out that ALMP promotes “active labor market policies for full, productive and fully chosen employment”, in which ALMP focuses on upgrading skills and matching labor demand and supply. Finally, Nativel (2004) identifies ALMP’s features as following:

- Complementary: support other policies (i.e: PLMP) to address market failures
- Temporary: “the bridging function is only optimal if regular jobs are available” (Brinkmann, 1995). It acts as a buffer to mitigate the shock of systemic transition and the pre-requisite for an effective ALMP is the management of public employment service
- Selectivity: targeting groups, the so-called “hard-to-place”. They may vary from countries to countries, but they generally refer to “unskilled, younger or older workers and more often female than male” (Schmid et al., 1996).

4.4. Description of ALMPs

Depending on the need of the economy, different ALMPs will be tailored to achieve it. Betcherman et al., (2000) identified five objectives for customizing the program and targeting orientation. Firstly, for tackling the moderate cyclical downturns, the programs could be implemented including direct job creation (e.g., public works), wage subsidies, training (subsidies or grants to workers or employers) and self-employment support. These programs will target vulnerable groups (with least resiliency), and hard-hit regions and industries. Secondly, for reducing structural imbalances, employment services, training and wage subsidies could be

provided to target proximate regions, industries, or occupations. Thirdly, for improving general labor market functioning, employment services and training for all targeting groups (e.g., apprenticeship, school to work transition) could be implemented. Fourthly, for reinforcing skills and productivity, training and retraining for those who are at risk or disadvantaged. Finally, for supporting disadvantaged or at-risk workers, employment services, training and wage subsidies could be offered.

The detailed description of ALMPs below is generally based on the work of Betcherman & Islam (2001).

Job creation

It aims to support the creation of new jobs or the retention of existing ones, including:

- **Public works**: refer to *temporary community and labor-intensive projects, and workfare*, which involve “direct job creation through public works or other activities that produce public goods or services” (Betcherman & Islam, 2001).

The public work programs can fight unemployment or reduce short-term poverty by generating temporary jobs. They also support to bring *disadvantaged, poor, and long-term unemployed workers* back to the labor market. To do this, governments may connect with NGOs or private businesses to monitor the projects. These programs have both positive and negative impacts. On the one hand, they act as a short-term safety nets tool and enhance the development of social infrastructure. On the other hand, public works jobs may not have the long-term impact on the employability of participants.

- **Wage and employment subsidies**: refer to direct wage subsidies or social security payment offsets. For employers, subsidies relax their finance constraints in terms of recruiting new workers or retaining current employees. The target groups include the *long-term*

unemployed, areas/sectors with high unemployment, and special groups of workers (e.g., youth). Because there remains negative effects such as deadweight losses and “substitution” effect, programs should be designed in a cost-effective manner.

- ***Micro-enterprise development/self-employment assistance***: refer to financial and advisory support for start-up enterprises of newly or long-term unemployed workers. The financial assistance are paid through an initial lump-sum payment or periodic allowances. Generally, the business plan will be assessed to assure the likelihood of success. Positively, small business loans can remove distortions from credit rationing. However, most unemployed prefer to obtain a job offer to venturing in businesses. Moreover, small businesses which do not receive support might be less competitive than those that do.

Employment services

Employment services function as a broker, who matches available jobs with job seekers. They including *initial interviews at employment offices, in-depth counseling during an unemployment spell, job clubs and labor exchanges*, etc. Nowadays, public employment services target the disadvantaged and the long-term unemployed, while private agencies serve the employed, skilled, and white-collar workers. These services have lower cost-benefit ratio than other ALMPs and they can fight unemployment. However, these policies can also have the negative effect such as “deadweight losses”, referring to job placement for those who are generally more qualified than most job-seekers and many could find jobs by themselves.

Labor Market Training

Training intervention refers to a public funded program, usually through public training institutes or funding training costs and subsidizing trainees. In many countries, private providers do the training instead of the governments. Training programs may facilitate employability skills

or vocational skills. Their coverage includes *the long term-unemployed, workers displaced in mass layoffs, or young people, often with special attention to school drop-outs*. Although training programs can improve productivity and employability, they can be expensive and less effective if there is no labor demand.

4.5. Effectiveness of ALMP

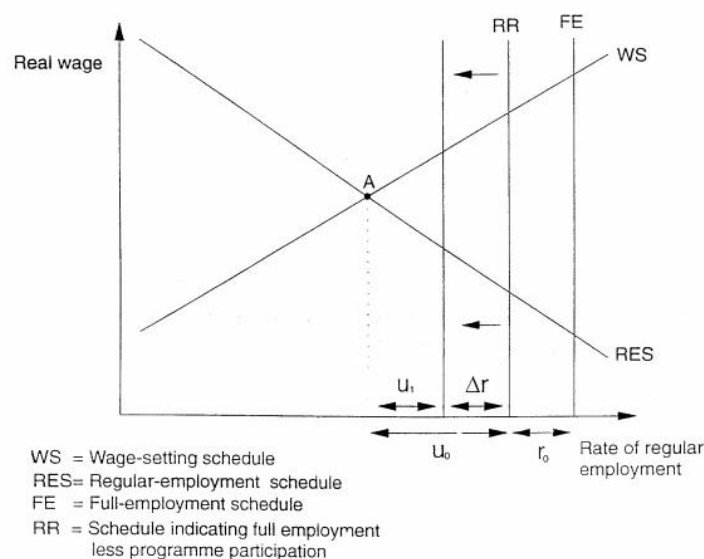
Labor market policy interventions have played a vital role in public policy in the US, Europe and OECD countries. Auer (2008) argues that “ALMPs are a potentially important weapon in the fight against unemployment and poverty, but produce mixed results” (p.2). Since 1997, EU countries has provided young and adult unemployed *retraining, work practice or another employability measure* before reaching 6 and 12 months of unemployment respectively (Sianesi, 2007). This emerging in ALMP’s interest and public expenditure has posed a question of what are the gains and net effects of ALMP through different programs such as job brokering, re-training, job creation in the public sector and job subsidies. In other words, ALMP concept is challenged by the question of “do they indeed work, and whether they all work equally well” (Sianesi, 2007).

Similarly, Betcherman (2015) examined that ALMP such as employment services, training, wage subsidies, and public works, have shown a mixed performance in terms of impact on employability, earnings, and the functioning of the labor market. “When they are well designed and implemented, they can improve job matching, fill skills gaps, and help disadvantaged groups but many program evaluations conclude these benefits are not always realized” (Betcherman, 2015).

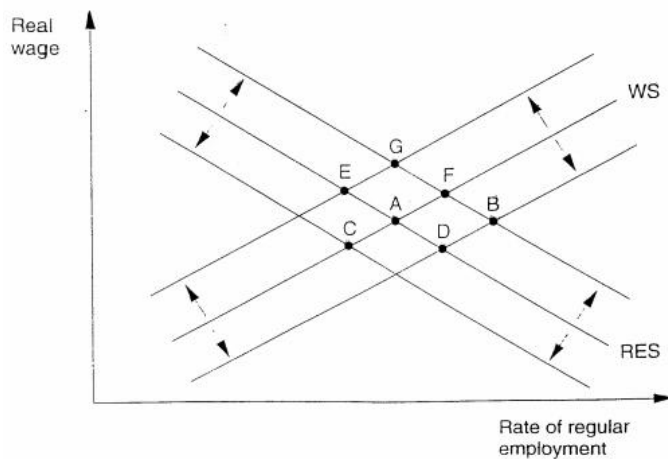
Nativel (2004) studied that ALMP can have certain effects on wages and employment, which relies on the measurement methods. He supposed that the ALMP’s objective is to

“maintain a higher supply of labor relative to demand” (p30). Training and employment allowances increase the labor supply, leading to lower wages and shift the regular employment curve to the left and the initial equilibrium in point A to point C. This new equilibrium has two effects: increasing open unemployment and enhancing employment growth with lower wages. Another assumption refers to the matching effects of training programs. Presumably, ALMP matches employers and workers’ requirements, resulting in expanding output (thanks to more productive labor force) and shifting the regular employment schedule outwards to E. Nevertheless, the positive effects of higher regular employment at higher wage rates might depend on “the substitution effects due to technological development” (Calmfors, 1994,. p20).

Figure 1c: A Revised Layard-Nickell Framework



Source: Calmfors, 1994

Figure 1d: Various effects of labor market policies on wages and regular employment

Source: Calmfors, 1994

Sianesi (2007) explored differential effects of six Swedish ALMPs for the unemployed, including *short- and long-term employment probability and un-employment-benefit dependency*. For example, employment subsidies outperforms trainee replacement and labor market training.

Another research of Escudero (2015) discovered that ALMP has an impact on the aggregate level such as reducing unemployment and increasing employment and labor market participation. The author conducted the empirical analysis of an aggregate effectiveness “based on a pooled cross country and time-series database for 31 advanced countries during the period 1985–2010”. It is identified that the performance of ALMP depends on different implementation characteristics such as the allocation of resources to program administration. Moreover, the findings disclose the particularly positive benefits for low-skilled workers and effective start-up incentives in reducing unemployment than other ALMPs. However, the negative effects for analyzed labor market variables might arise if there is “a disruption of policy continuity” (Escudero, 2015).

4.6. Evidence-based Assessment and Evaluation of ALMP

While ALMP has been implemented for many years in most countries, there is an increasing need to develop scientifically-justified measures of the effectiveness of different ALMPs (Klueve, 2010). A rigorous evaluation research of ALMP's effectiveness has many implications for policymakers and economists. According to ILO (2008), the factors influence the reliability of ALMP measures including achievement of policy goals, funding, monitoring and evaluation. Many studies have been conducted with different research methods and data types to gain evidence of the impact and estimate the causal relationship between ALMP and labor market outcomes.

Evaluation Methodologies

There are many methods to evaluate the effectiveness of ALMPs on labor market outcomes. Generally, they include three groups experimental, quasi-experimental and non-experimental (Meager & Evans, 1998). While experimental evaluations refer to random election of treatment and control groups prior to the intervention, in quasi-experimental studies, treatment and control groups can be selected before, during, or after the intervention. Specifically, a treatment group includes the beneficiaries or participants in the ALMP, and a control group consist of non-beneficiaries or non-participants. Betcherman, Olivas & Dar (2004) argue that the real net impacts of a program should approximate the “counterfactual”, or “what would have happened to these workers if they had not taken the program”, instead of simply tracking the post-program experiences of participants in non-experiment techniques. Thus, a valid and reliable evaluation should be conducted within two groups for comparing labor market outcomes such as the means or estimates of a program impact.

For example, in experimental techniques, if the mean post-program employment rate for participants in a training program is 60% and the rate is 50% for non-participants, then the net

program impact is 10% (Betcherman, Olivas & Dar, 2004). However, they suspect that it is difficult to observe and quantify some characteristics such as ambition and motivation. Moreover, Meager & Evans (1998) identifies several issues lie in this experimental tool such as ethical bias, cooperation, administration and a single approach. For instance, participants may change their behaviors under the experiment condition. Besides, experiment studies use the single approach of measuring the effectiveness of a typical program, rather an interacted policies with various programs (Björklund & Regnér, 1996).

In quasi-experimental techniques, a survey or administrative database can be conducted by using econometric techniques to take into account of differences in the effects of programs within the control and treatment groups (Smith, 2009). Recent research also uses longitudinal data that track the performance of individuals during a period to assess the effectiveness of a specific ALMP on such as post-participation earnings or job tenure (Meager & Evans, 1998).

Regarding non-experimental techniques, they use statistics or other relevant information compiled by program administrators, instead of selecting control groups to test the mean impact. Thus, they cannot conclude the impact of the program on the beneficiaries due to lack of “counter factual” estimates. However, non-experimental evaluation studies can gain some insights on deadweight losses, substitution and displacement effects as well as determine if a targeted-program reach a target group (Meager & Evans, 1998).

Smith (2000) also discussed the strengths and weaknesses of social experimentation, and non-experimental matching methods, which focus on propensity score matching. This method is very useful with available data, requiring strong assumptions to justify it and difficult judgments about matching variables. Consequently, Smith (2000) did not recommend the matching methods for solving the evaluation problem in every context.

Depending on available resources, each country chooses a specific technique to monitor results and evaluate the impact of ALMPs on labor market outcomes. In developing countries, they prefer non-experimental studies because of insufficient data collection and funding. The analysis and assessment of Vietnam ALMPs in the part I are an example. Whereas experimental evaluations, which are mainly conducted in North America, are considered to be costly and time-consuming, quasi-experimental evaluation designs become more popular in most OECD countries (Meager & Evans, 1998). Additionally, Betcherman et al. (2004) and Smith (2009) both argues that these techniques would be complicated, bias and cost-consuming, thus governments can provide and publish data for evaluations (with ethical consideration) to benefit the research community and policy makers.

Betcherman et al. (2004) and Smith (2009) both argues that these techniques would be complicated, bias and cost-consuming, thus governments can provide and publish data for evaluations (with ethical consideration) to benefit the research community and policy makers. Smith (2000) also discussed the strengths and weaknesses of social experimentation, and non-experimental matching methods, which focus on propensity score matching. This method is very useful with available date, requiring strong assumptions to justify it and difficult judgments about matching variables. Consequently, Smith (2000) did not recommend the matching methods for solving the evaluation problem in every context.

From another perspective, Kluve, Card and Weber (2010) investigate that selection biases could affect the validity of the program effects, resulting in a misleading result in ALMP research design evaluation. Thus, a random sample should be selected and “randomised designs account for nearly 10% of the estimates in the sample” (p.2). This random sampling technique identifies that the mean results of experimental and non-experimental effectiveness estimates are

similar and statistically insignificant ($t < 0.5$) (Kluve et al., 2010). On the other hand, Auer (2008) examines the approach of target-oriented evaluation, instead of program-oriented policy evaluation. He figures out the study of Schmid et al. (1996) in the International handbook that target-oriented evaluation as a “bottom-up approach” measures the effectiveness of different labor market policies on the specific target. For example, generated employment opportunities or strengthening training (school-to-work transition) may have various impact on at-risked and disadvantaged worker categories. As a result, labor market policies should designed, formed, implemented and interacted with each other to reach a specified target group. The outcome could be compared and evaluated in order that policymakers can design a better policy mix or adopt an integrated approach to improve the effectiveness on each target.

General Equilibrium Effects

A recent study of Heckman, Lochner and Taber (1998) discussed the issue of general equilibrium effects, which might impact on the outcomes and behavior of non-participants as well as participants. The difficult methodological issues remain controversial in both the academic literature and public policy. Heckman, LaLonde and Smith (1999) also raised the challenges of evaluating the effects of labor market programs by using general equilibrium effects, especially those with a large target population. While partial equilibrium evaluations measure the direct impacts of programs on participants only, the general equilibrium method assesses the overall effects on the labor market because of indirect effects on people who are not participants (Betcherman, Olivas & Dar, 2004).

Secondly, some complex general equilibrium analyses have been developed where the “link between labor market policies and wage formation has been emphasized” (Holmlund and Linden, 1993, Calmfors and Lang, 1993, 1995). Generally, two opposite effects include direct

effect of ALMPs (i.e effective labor-force participation) and an indirect one (unemployment reduction and increasing wage pressure; Forslund and Kolm, 2000). For example, an evaluation may overestimate the program impact without considering “the possibility that some employment gains might have occurred even without the program or that observed gains have been at the expense of non-participants” (Betcherman, Olivas & Dar, 2004). These include the deadweight, substitution, and displacement effects described in Box 1 (Appendix). Another potential effect involves the labor market impacts of taxes required to fund a program.

However, the general equilibrium effects do not occur in all ALMPs. For example, small-scale interventions or those that have no partial equilibrium impacts. In addition, evaluations might ignore this estimate because of the technical and data difficulties (Kluve and Schmidt, 2002). As Heckman et al. (1999) and Smith (2000) pointing out, accounting for these effects can require general equilibrium models of the labor market. Thus, the validity and reliability of these models relative to the more traditional evaluation methods remain an open question (Smith, 2000; Linden & Dor (2001).

Cost-Benefit Analysis

The evaluation should be assessed from many perspectives including participants, government, and society based on cost-benefit analysis model for an efficient policy. From the participants’ perspective, the program may benefit participants through employment or higher earnings. From the social perspective, it may not be worthwhile if the benefits are less than the costs involved (Betcherman, Olivas & Dar, 2004). As an example, Jespersen et al (1994) assessed the costs and benefits of ALMP for unemployed workers in the Danish labor market on a large scale during 1995-2005 period. With “long-term treatment effects’ estimate on a very detailed administrative dataset by propensity score matching”, the research revealed that both

public and private job training programs have significantly positive effects on employment and earnings. On the contrary, classroom training does not strongly generate employment or earnings in the long run. With cost analysis, private and public job training produce surpluses, while classroom training got a deficit.

It is challenging to actually quantify the costs of a program, involving gathering data from many sources including administrative databases. The major cost components in a typical ALMP evaluation will include the costs of administering the program, delivering the services, and the participants' opportunity costs. Unfortunately, most studies do not conduct a rigorous cost-benefit analysis (Heckman et al., 1999).

Distributional analysis

Eren & Ozbeklik (2013) adopted econometric techniques to estimate quintile treatment effects (**QTE**) and experimental data to explore the impact of Job Corps on earnings distribution. Basically, Job Corps was established in 1964 under the Economic Opportunity Act, which is the USA's largest and most costly ALMP to assist disadvantaged youths aged 16–24. This program has not drawn attention in the distributional sense. The study results show heterogeneity effects of Job Corps. For example, the QTEs illustrates an increasing pattern along the earnings distribution, with large differences at the upper quintiles for males, whites, and ages 20–24 (Eren & Ozbeklik, 2013). Moreover, it is found the QTEs to be very small at quintiles below the median for males, ages 16–17 and 18–19, and non-resident students. Thus, they suggest strong economic conditions and skill hypotheses to explain the heterogeneity observed over the earnings distribution.

Meta-Analysis

Card, Kluve & Weber (2010) conducted a meta-analysis of recent microeconomic evaluations. The sample contains 199 separate “program estimates” drawn from 97 studies conducted between 1995 and 2007. The analysis assumed the estimated post-program impacts as significantly positive, insignificant, or significantly negative. As a result, job search assistance programs are likely to have more positive impacts than public sector employment programs. In addition, “classroom and on-the-job training programs yield relatively positive impacts in the medium term, although in the short-term these programs often have insignificant or negative impacts” (Card, Kluve & Weber, 2010). Furthermore, it discloses the different impact on the measured outcome variables. Specifically, tests with registered unemployment variable give more positive impacts than those based on other outcomes such as employment or earnings. Finally, a subset of studies that focus on post-program employment are conducted to “compare meta-analytic models for the “effect size” of a program estimate with models for the sign and significance of the estimated program effect” (Card, Kluve & Weber, 2010). They found that two approaches result in similar conclusions about the determinants of program impact.

Evaluation Results

According to Auer (2008), LMP evaluation studies have illustrated that each ALMP tool has different benefits for targeted groups, different cost structure and even produces negative impact. Thus, evaluation research may confuse policy-makers, because the evaluation results are mixed (either positive or negative) after implementing the policy intervention. In OECD countries, Auer (2008) identifies that the effects of ALMPs on employment and wages are usually small and positive, but they may sometimes include several adverse effects such as deadweight, substitution, displacement and creaming (only the most employable among the unemployed obtain access to jobs through policy intervention). Evaluation studies also disclose

that ALMPs generally may better benefit for women and labor market re-entrants than for young people (Auer, 2008). For example, women are offered additional childcare services or receive contributions to childcare costs. Besides, wage subsidies to employers or employees may have positive impact on the long-term unemployed (but substantial deadweight and substitution costs), while self-employment assistance and micro-enterprise development programs often serve the old better-educated workers and especially men (Betcherman et al., 2004). Above all, employment services are highly recommended during the unemployment period because they have the lowest cost-benefit ratio and post-program employment earnings of participants. On the contrary, evaluation results for training programs are controversial. Typically, training impact could be positive if training is certified, in which the content and skills closely match the labor demand; and the training centers has strong connection with private sector employers. Regarding public works programs, they are cost-consuming and have short-term safety net benefits for vulnerable groups with least resiliency in OECD countries. However, in developing countries, public works can have important multiplier effects (economic and social impact), especially in the construction industry (Auer, 2008). In addition, they are helpful for the poorest quintile to maintain a living standard, which is above the subsistence level in those countries where there is no passive income measures. Generally, an integrated policies with a range of different services seem to be more effective and efficient.

The objective of these measures is primarily economic, aiming to increase the probability that the unemployed will find jobs and that the underemployed will increase their productivity and earnings (Betcherman, 2015). More recently the case for ALMP has emphasized the potential social benefits (inclusion and participation) of productive employment. Kluve (2010) include measures such as *job search assistance, labor market training, wage subsidies to the*

private sector, and direct job creation in the public sector. In European countries, ALMP plays a role of combating unemployment and is a core component in their European Employment Strategy, with employment as one key objective of a joint economic policy (Kluve, 2010). Many evaluations of ALMP effectiveness has been conducted in Member States and other European countries such as Switzerland and Norway, by independent and government-sponsored researchers. Generally, these evaluations focus on the short-term employment effects of active measures for the treated population, “disregarding the possibility of positive or negative interactions between ALMP participants and other employed and unemployed workers”, which refers to "general equilibrium" effects (Kluve, 2010). However, there is little consensus on whether ALMPs actually reduce unemployment or increase employment, and which type of program produces the best outcome. Thus, it is evidently examined that ALMP experiences can be shared and learned among countries by policy makers (Martin 2000, Martin and Grubb 2001).

On the other hand, Betcherman et al. (2004) argue that many findings from industrialized countries are not always applicable for developing countries because of their larger informal labor markets and weaker implementation capacity. With the small samples of studies on program evaluations, the main impacts of ALMP are evaluated in terms of creating employment creation and increasing wages of participants. “The few evaluations in developing countries for employment services and training programs for the unemployed are less positive than the (much larger) body of evidence in the OECD and transition countries” (Betcherman et al., 2004). Contrarily, some youth training programs in developing countries are more effective than in developed countries because of insufficient supplies of skilled workers. “The sample of evaluations outside the OECD is still limited, especially in low-income developing countries, and further studies will be needed to confirm these initial observations. At any rate, the ingredients

for successful interventions seem to apply for all countries. Comprehensive packages of services, programs that are oriented to labor demand and linked to real workplaces, and careful targeting are good design features. Finally, the evaluations underline the fact that program impacts are usually more positive when the economy is growing” (Betcherman et al., 2004)

PART III

5. DISCUSSION OF FINDINGS AND POLICY IMPLICATIONS FOR VIETNAM

5.1. Discussion and Implications of Findings

Discussion of Findings

ALMPs can positively affect employment and incomes in many ways. However, substitution, deadweight, and displacement effects can dissipate or even eliminate their potential benefits (Betcherman et al., 2001). Similarly, Nativel also discovered the negative effects, which might decrease the net effects of ALMP, including displacement, substitution, deadweight, dilution and flexion effects (Calmfors, 1994; Schmid 1996b; Molcinikar, 1996). Regarding the dilution effect, he defined as the sum of the first three adverse effects or a lower net creation of jobs than the number of subsidized ones (Molcinikar, 1996, p.20). In terms of the flexion effect, Nativel identified that registered unemployed individuals exploit the employment subsidies, leading to higher participation rates and unemployment statistics. These adverse effects relates to the moral hazard problems, in which workers may voluntary quit their jobs without unemployment insurance or stay unemployed longer (Schmid and Reissert, 1996). From the employers’ perspective, a subsidy might increase the employee turnover or relocate their business operation into the region where they are subsidized. From the trade union side, the subsidy could encourage them to negotiate for higher salaries (Sperling, 1994; Siebert, 1997).

Several researches examined the relationship between ALMP and PLMP. Betcherman et al. (2001) identified this relationship as an important strategic challenge. Normally, countries with active programs also have passive policies such as unemployment insurance or income support, which play a direct role of redistribution (Nativel, 2004). He argued that the difference between active and passive measures relates to a “preventive and a curative type of policy”.

Betcherman et al. (2001) also identified the loose relationship between the two types of policies. While some countries such as Austria, Germany, Japan, Norway, and Spain, have integrated systems, others such as Canada are shifting towards coordination between active program options with unemployment insurance. The integration system may be driven political motives to deliver positive economic outcomes and drive (Betcherman et al., 2001). For example, in the United Kingdom, the public employment service began interviewing unemployment insurance claimants after implementing the labor market policy. The agency found that even minimal contact reduced the number of claims (OECD 1994). Furthermore, coordinating benefits distribution with job search assistance can save on administrative costs.

From the findings of Escudero (2015), ALMPs have positive impact on the aggregate level regarding reduction of unemployment and generation of employment and participation. Interestingly, start-up incentives are more effective in reducing unemployment than other ALMPs. The positive effects seem to be particularly beneficial for the low-skilled. In terms of implementation, he finds that the most favorable aspect is the allocation of resources to program administration and a disruption of policy continuity is associated with negative effects for all labor market measured variables.

According to Robinson (2000), his study also shows the unclear result of ALMPs as an instrument of evidence-based policy-making. For instance, while simple and cost-effective

initiatives to improve matching and to enhance job search positively impact employment, the training program generally do not produce better outcomes. He assumed that there is no convincing evidence that work program enhance employment and “recruitment subsidies often suffer from low take-up” (Robinson, 2000). However, a strategy emerging in the UK and the USA, use job search-focused program to “move people into regular employment and then to subsidize households, especially with children, so that their net incomes can come above the poverty line” (Robinson, 2000). He claimed that this approach is considered a traditional fiscal redistribution to the poor.

Implication of Findings

Several evidences from the evaluations suggest that policymakers should be realistic and cautious about the investment in ALMPs due to controversial and mixed effectiveness. The findings from Nativel (2004) implies that ALMP “must be consistent with Simplicity, Transparency, Equity and Productivity” (p.35). It should be implemented together with other policy framework, such as localization and decentralization in order to customize the programs from the national designed framework. He argues that local programs would be initiated in an effective way with local actors, agency networks, expertise, and resources. If there are measured effects, they could be expanded or justified to optimize the labor market outcomes.

In addition, the policies design and implementation should address the issues including priority setting, the roles of the public and private sector, the partnerships and dialogue, "infrastructure" for the labor market, coordination within government, policy and administrative and operational capacity, financing, monitoring and evaluation (Betcherman et al., 2001).

As an example, if ALMPs are to be useful policy instruments, it is important to improve the infrastructure services, including labor market information, a viable and complete network of

employment service offices, and certification and accreditation systems. These services act as the bridges among the labor market, service deliverers, workers, and employers (Betcherman et al., 2001; Goldfarb & Adam, 1993). Because they are primarily considered public goods, governments should be responsible and giving priorities in establishing an effective infrastructure system, especially in developing countries. Another concern is financing in terms of balancing the public and private funding due to the nature of public goods, market failures and private gains. For instance, employers and employees benefit from training and other ALMP interventions. Thus, government can innovate financing arrangements such as income-contingent loans that address market imperfections with private returns. Regarding public finance, it is an essential choice for policymakers with general revenues or creating a fund financed by employer and employee contributions (Betcherman et al., 2001). OECD countries with a full range of funding arrangements provide practical lessons for countries in East Asia.

Generally, many considerations should be taken into account in developing a strong ALMP. The experience of developed countries with extensive resources recommends that East Asian countries should move carefully and slowly to build on what already exists. In the long run, the capacity to implement ALMPs will be crucial in the economy where “formal labor markets grow and the need for a skilled workforce increases” (Betcherman et al., 2001). Countries should carefully discuss priorities, the role of government, and tackle many challenges in implement the most effective ALMP. Given its significance, labor market "infrastructure" demands immediate action. As the East Asian economies continue to grow quickly, ALMP becomes part of the overall policy instruments.

5.2. Policy Implications

To maximize the effects and minimize these losses of ALMP impact, policymakers must address various issues in designing and implementing active programs, including the overall strategy as well as specific details of program design (Betcherman et al., 2001). The overall strategy for ALMPs involves identifying clear objectives, determining the composition of programs, targeting priorities, and establishing an effective balance with passive policies. An active strategy can be designed to moderate cyclical downturns, reduce structural imbalances, or otherwise improve the functioning of the labor market. It may also aim to increase productivity, support disadvantaged or at-risk workers, assist at-risk employers or industries, or achieve more than one of these goals.

Action 1: Improve labor market institutions, statistics and information system

The government should create a comprehensive labor market information system with a rich database which is accessible to *policymakers, enterprises, job-seekers, researchers and other stakeholders engaged in the advancement of decent work in Vietnam*. Furthermore, labor market institutions should facilitate job matching for *job seekers from poor households, workers in the informal economy, domestic and international migrant workers, young new entrants into the labor market, the elderly and the disabled and people affected by economic and structural reforms* (MOLISA & ILO, 2010). This system “should track and forecast trends in the labor market and provide quality, reliable and up-to-date information on workforce skills and training needs and new opportunities for job-seekers” (MOLISA & ILO, p.44). According to Betcherman (2012), labor market institutions can have much impact on productivity, including overall *labor productivity and a number of intermediate variables* such as labor productivity (level, growth); multi-factor productivity (level, growth); training; adoption of new technologies; efficiency of reallocation of labor and size structure of firms.

Besides, labor market governance (i.e: Labor Code) is a fundamental building block to *foster sustainable and inclusive development* through promoting decent work, creating “a favorable environment for economic development, foreign investment and the capacity to compete internationally” (MOLISA & ILO, 2010). In order to balance labor market flexibility and concerns of workers about security, reforming legislation and policies should be implemented. They include developing collective bargaining, unemployment insurance, workplace relations, minimum wage policies, gender wage gap and labor dispute settlements, strengthening the sex-and age-disaggregated data collection and analysis of informal employment, working poverty, labor migration and working conditions. These information would provide the number of the decent work deficits that Vietnam must prioritize and address.

Finally, it is necessary to reform and complement labor law, simultaneously, focusing on labor market institutions in order to tackle relevant issues with labor market and society in Vietnam, including informal and rural unemployed people. It is also important to implement policies for employment subsidies, protection and job creation for vulnerable and disadvantaged groups (MOLISA, 2010). Moreover, the government should improve these policies which comply with international standards; approve conventions such as the convention 122 about employment strategies and recommendations of international organizations about jobs, employment policies, employment services and minimum wages.

Action 2: Employment creation

Majority of rural laborers do low-skilled jobs with low income in remote areas due to lack of education and training. Moreover, the working population in rural areas has been increasing, thus, job creation for vulnerable and disadvantaged groups is given priority while there is still not enough social protection (MOLISA, 2010). Responding to the labor market with

high informality in Vietnam, a comprehensive employment package and re-training services need to develop in order to support formal job creation and improve job quality. The channel includes employment centers, public and private employment service centers (MOLISA & ILO, 2010). In addition, the national employment strategy should be designed to generate a large number of jobs in “high labor productivity sectors; speed up the labor market transition from agriculture to industry and from the informal to the formal economy; develop non-farm jobs in rural areas; and support rural workers to prepare for new occupations as agricultural land use diminishes” (MOLISA & ILO, 2010).

The Government should play a vital role in *creating coordination mechanisms for institutional “linkages” or “bridges” between training providers and employers* (OECD, 2013). The entrepreneurs should be encouraged to introduce their demands for future job seekers and necessary skills that they are looking for. For example, some foreign firms have partnered with Vietnamese universities such as Unilever, Proctor & Gamble and Intel Vietnam. They have a recruitment program to take top graduates at the University of Economics and University of Technology in Ho Chi Minh City.

Secondly, the government should provide *incentives on land, taxes, training equipment* to promote *foreign and private investment* in higher education and training system. For instance, FPT Corporation, one of Vietnam's top technology companies in Ho Chi Minh City, establish its own university in 2006. Those companies which are granted land for business development should contribute to the expenses of higher education and vocational training, if they recruit trained workers or sign training contracts. Enterprises should also be encouraged to participate in designing the training curriculum, listing the jobs to be trained and assessing the results (UNESCO, 2009). More importantly, schools and enterprises should coordinate with each other

on a regular basis to design co-op programs and to provide internships for students with paid or unpaid jobs. Through practical training, students can earn wages to finance their studies and gain valuable experiences to prepare them joining the labor force after graduation.

Finally, these policies might include lower interest rate, concessional loans for labor intensive industries and household businesses, investment in developing infrastructure and economic activities in rural areas (Dang et al., 2013). Moreover, enterprise development will create formal employment and grow productivity. According to MOLISA, it is vital importance that the government should reform state-owned enterprises and initiate to invest in SME firms in both industrial and rural areas as well as to lower cost of doing business through supporting business registration and expansion, land for production and access to credit. Additionally, the government should introduce incentive scheme to develop *higher productivity industrial sectors that attract more laborers from domestic and foreign entrepreneurs*. These sectors should be encouraged to adopt modern processes and technologies and invest in human resources. This approach needs to be accompanied with a relevance and quality of education and training systems to improve employability skills of the labor force.

6. CONCLUSION WITH SUGGESTIONS FOR FURTHER RESEARCH

Development is considered to be triggered through jobs. In other words, employment is a key for the labor force to open a door to improve earnings, living standards, productivity and for the economy to move up to a higher stage of development. Currently, Vietnam is seen to fall into a low-middle income trap, so a pro-poor and inclusive growth strategy should be properly developed to benefit the poor and disadvantaged people through employment. “People work their way out of poverty and hardship through better livelihoods. Economies grow as people get better at what they do, as they move from farms to firms, and as more productive jobs are created and

less productive ones disappear. Societies flourish as jobs bring together people from different ethnic and social backgrounds and nurture a sense of opportunity” (Betcherman, 2015, p.2).

Therefore, employment policies should be given priority in setting development objectives for Vietnam. A rigorous assessment and evaluation about the effectiveness of ALMPs in Vietnam should be scientifically conducted to seriously measure the labor market effects of these intervention. An empirical evidence and an analytic framework should be developed to examine both economic and social impact of ALMPs on beneficiaries and non-beneficiaries in order that policymakers can design and implement evidence-based employment policies. In doing so, researchers need to be publicly funded to undertake further experimental and quasi-experimental studies on the role and effectiveness of different categories of ALMP intervention for a more efficient labor market in Vietnam. These research measures strongly support the government and policymakers in terms of developing key design features of ALMPs in combination with UI and aligning with the National Development Plan, which may strengthen and maximize the positive labor market effects while minimizing the negative ones.

The global economic crisis has changed the context and required an adjustment of the labor market. In Vietnam, the crisis has urged for a reform of labor market institutions to respond to fluctuating conditions. Training systems, job creation, employment services and income support measures play a crucial role in responding to structural transformations. Even in a regular economic condition, while Vietnam face challenges of structural reforms and low job quality, the government must provide the active and passive labor programs to ensure the minimum income, improve productivity, job quantity and quality. To achieve this, it is given priority to reform labor market institution and infrastructure as well as reinforce the coordination among providers and integrate the labor demand into the training systems.

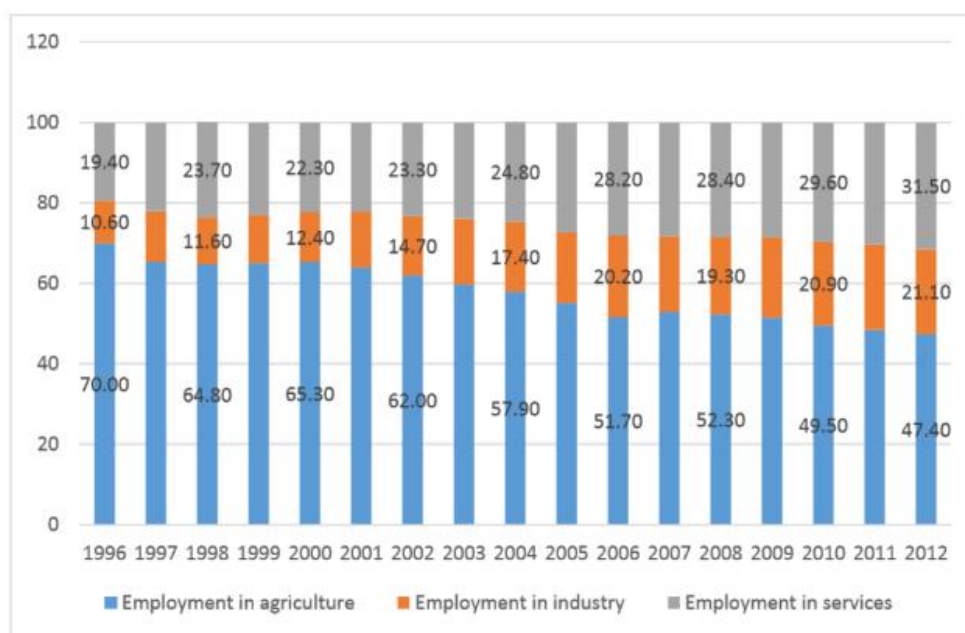
APPENDIX

Table 1a: Key Indicators (as of October 2015)

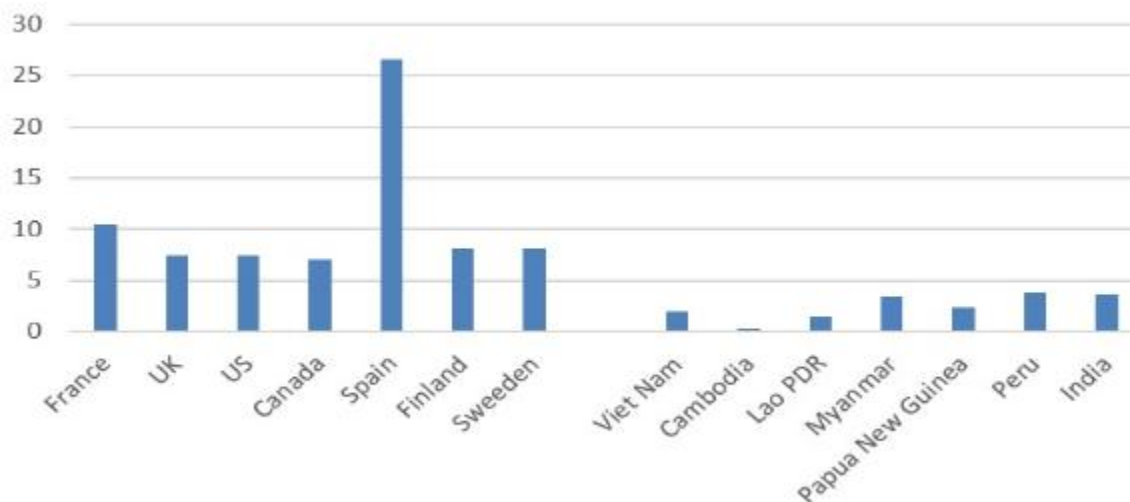
Population (M)	90.7	HDI Index	0.638	Poverty	13.9 %
Pop. Growth (% p.a)	1.1	HDI rank of 187	121	GDP p.c., PPP \$	5629.0
Life expectancy (years)	75.8	UN Education Index	0.513	GDP growth (annual %)	6.0
Urban population (%)	33.0	Gini Index	38.7	Aid per capita (\$)	\$ 45.5
Inflation, GDP deflator (annual %)	3.7	FDI, net inflow (% of GDP)	4.9	External debt (% of GDP)	38.6

Sources: The World Bank, World Development Indicators 2015 | UNDP, Human Development Report 2014.

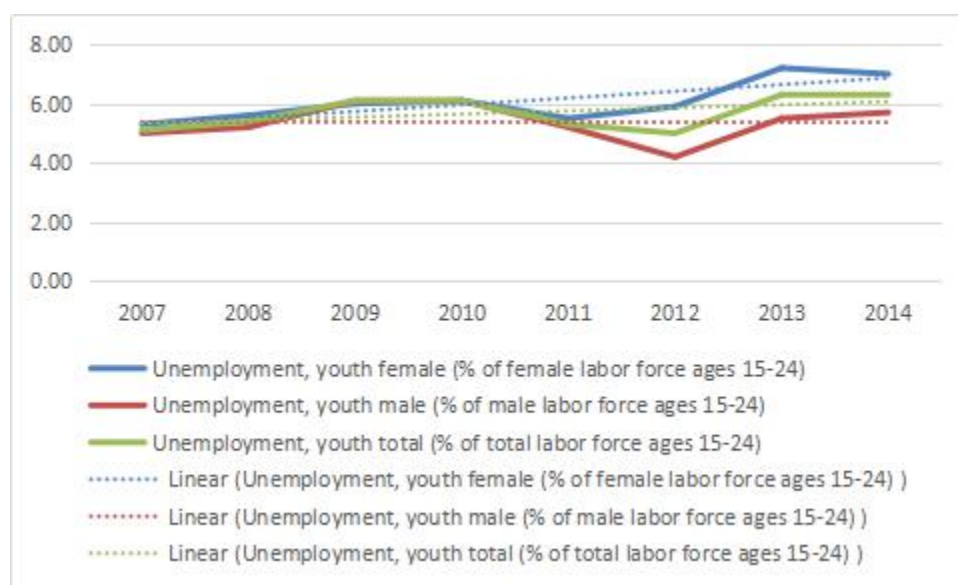
Figure 1: Employment by Sector



Source: WDI 2014, and Statistical Yearbook 2013.

Figure 2: The unemployment rate in some countries in 2013 (%)

Source: ILO, Econometric Models, 2013

Figure 3: Youth Unemployment Rate in Vietnam 2007 - 2014

Source: the author's graph based on data from World Development Indicators, 2016

Table 2a:

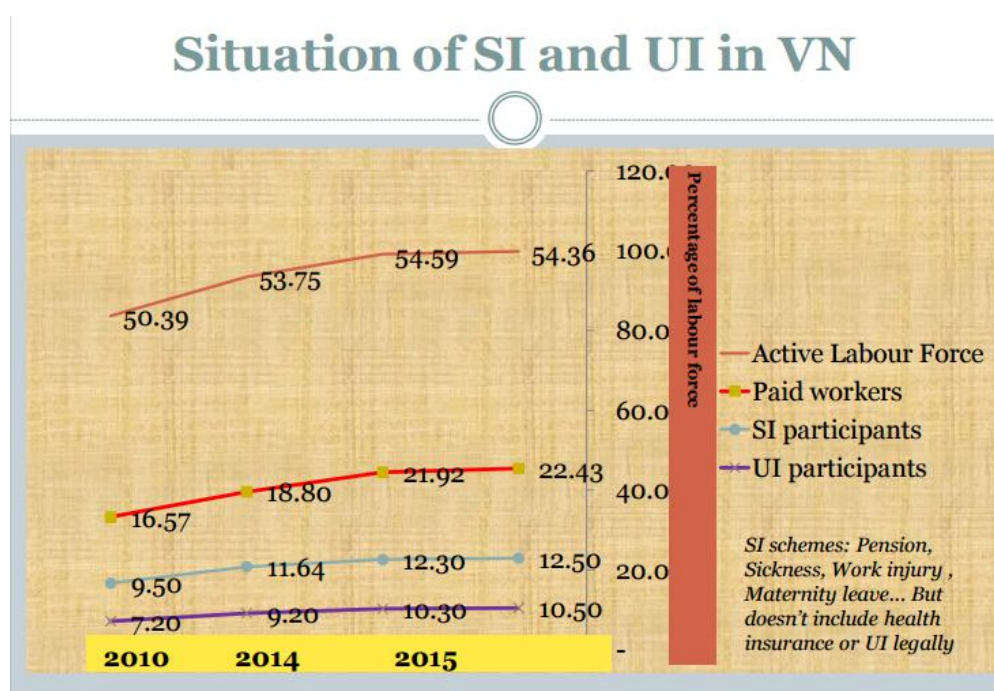
Evolution of the household income and savings & households having to cut expenditures (% of IHBs' heads)

	Hanoi			HCMC		
	Increased	Decreased	Balance (1)	Increased	Decreased	Balance (1)
Evolution of income	34.5	23.3	11.2	10.6	45.6	-35.0
Evolution of savings	10.5	36.0	-25.5	3.2	48.1	-44.9
Households having to cut expenditures	Food	Health	Education	Food	Health	Education
	9.5	7.5	5.8	36.8	16.7	6.7

Source: HB&IS survey, Hanoi and HCMC, 2009, GSO-ISS / IRD-DIAL; authors' calculations.

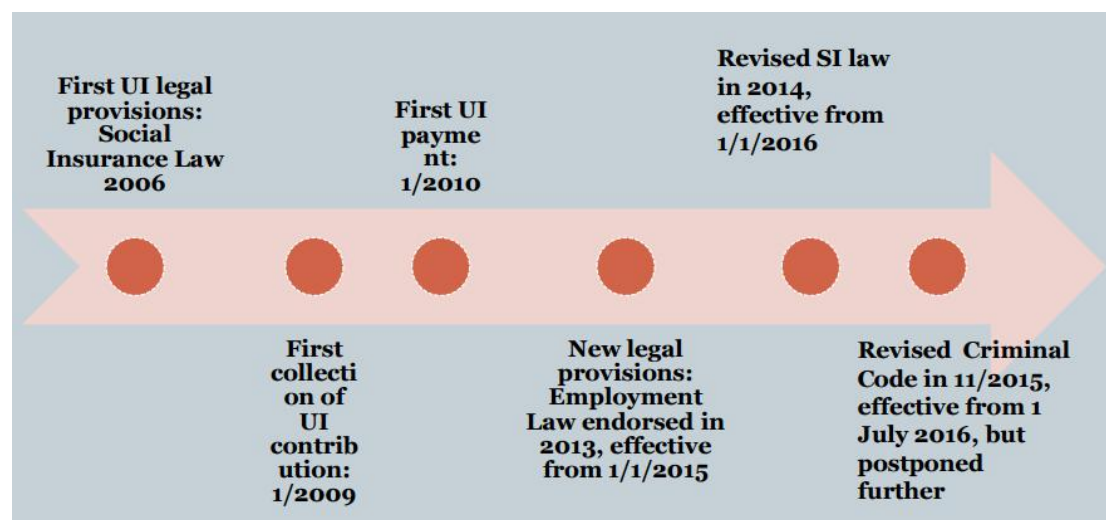
(1) Increased-Decreased

Figure 4



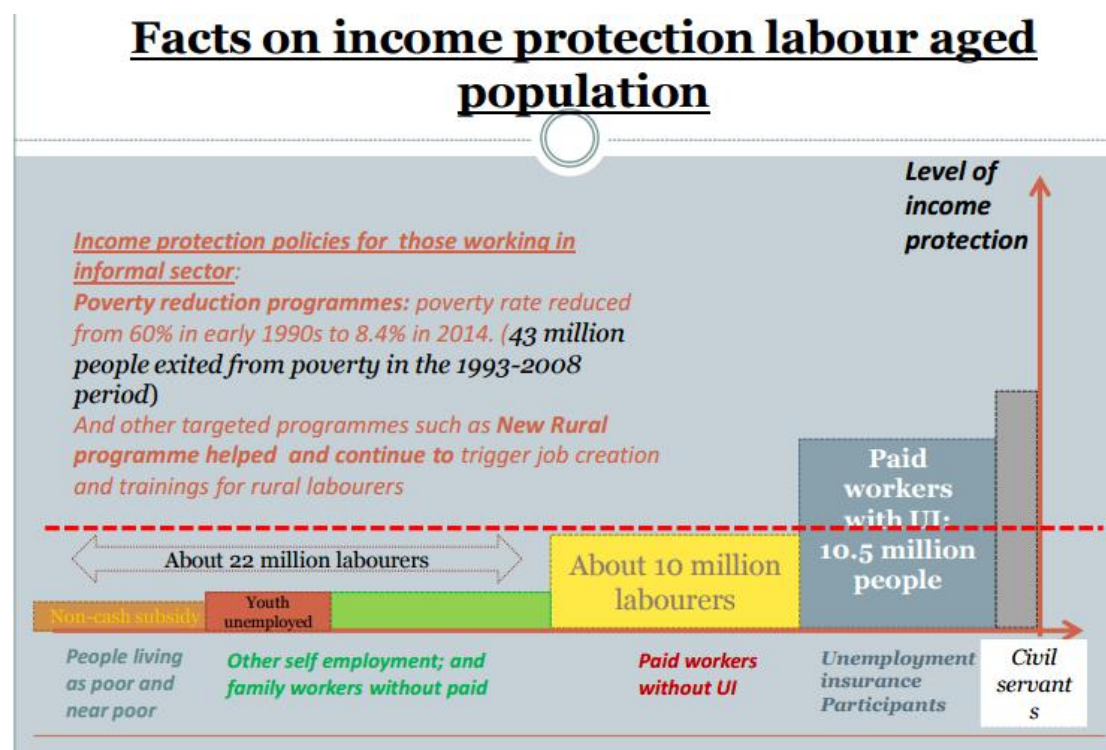
Source: Unemployment Insurance in Vietnam, Challenges and Adjustments (Ngo, 2016)

Figure 5: History of UI in Vietnam



Source: Unemployment Insurance in Vietnam, Challenges and Adjustments (Ngo, 2016)

Figure 6:



Source: Unemployment Insurance in Vietnam, Challenges and Adjustments (Ngo, 2016)

Table 8

Adjustment 1- EL2013: Revision of UI provisions and put it under Employment Law			
		Started in 2009	Revised in 2013, effective from 1/2015
	Coverage		
Workers	Civil servants	No	No
	Public employees	Yes	Yes
	Informal workers	No	No
	Workers with contract from 3 months to less than 1 year	No	Yes
	Workers with contract from 1 year	Yes	Yes
Employer	Employing <10 labourers	No	Yes
	Employing from 10 labourers	Yes	Yes
	UI contribution		
	Gov.	1%	up to 1%
	Employer	1%	1%
	Worker	1%	1%
	UI benefit regimes		
	UI allowance	Yes	Yes
	Job search	Yes	Yes
	Vocational training	Yes	Yes
	Employment retention	No	Yes

Source: Unemployment Insurance in Vietnam, Challenges and Adjustments (Ngo, 2016)

Table 9

Addressing Challenge 2: Low UI allowance		
Adjustment 2: Revised SI law in 2014, effective from 1/1/2016 on the base salary for which UI and SI contributions are made		
Base salary for UI premiums	Old provisions	New Provisions
Basic salary	Yes	Yes
Hardship allowance or similar	No	Yes, from 2016
Bonuses for innovative ideas; meals between shifts; telephone, transportation, housing, childcare, child raising; ...	No	Yes, from 2018
UI monthly allowance is equivalent to 60% of the average salary of the consecutive 6 months before unemployed		

Source: Unemployment Insurance in Vietnam, Challenges and Adjustments (Ngo, 2016)

Table 10

Addressing Challenge 4: Delays or evasions in remitting UI contribution								
Facts on late payments of UI contributions								
Evasions of SI/UI contributions were considered as violations to administrative procedures, thus was treated by administrative sanctioning measures involving a fine.		2009	2010	2011	2012	2013	2014	2015
	Total collected UI contributions (billion VND)	3,510.60	5,400.30	6,747.10	8,664.80	10,094.70	11,812.70	9,939.50
	Total late payments/debts of UI contributions caused by employers (VND billion)	43.20	76.47	96.48	173.74	157.76	184.40	273.84
	% debt	1.2%	1.4%	1.4%	2.0%	1.6%	1.6%	2.8%

Source: Unemployment Insurance in Vietnam, Challenges and Adjustments (Ngo, 2016)

Box 1: Some Commonly Used Terms in the Impact Evaluation Literature

Additionality: This is the net increase in jobs created. It is the total number of subsidized jobs less deadweight, substitution and displacement effects.

Deadweight Loss: Program outcomes are no different from what would have happened in the absence of the program. For example, wage subsidies place a worker in a firm that would have hired the worker in the absence of the subsidy.

Displacement Effect: This usually refers to displacement in the product market. A firm with subsidized workers increases output but displaces output among firms without subsidized workers.

Randomization Bias: This refers to bias in random-assignment experiments. In essence, this says that the behavior of individuals in an experiment will be different because of the experiment itself and not because of the goal of the experiment. Individuals in an experiment know that they are part of a treatment group and may act differently, as could individuals in the control group.

Selection Bias: Program outcomes are influenced by unobservables not controlled for in an evaluation process (e.g. individual ability). Such factors can arise as a by-product of the selection process into programs where individuals "most likely to succeed" are selected into the program.

Substitution Effect: A worker hired in a subsidized job is substituted for an unsubsidized worker who otherwise would have been hired. The net employment effect is thus zero.

Treatment and Control Group: Program beneficiaries are the "treatment" group. In a scientific evaluation, their outcomes are compared with a "control" group of non-participants.

Source: World Bank (2002a)

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