Foreign Companies Report Labor and Skills Shortage in Vietnam

By: Dezan Shira & Associates

HCMC – Despite a still recovering economy, demand for workers in Vietnam is seeing strong growth. However, supply and skills have not kept up with this increasing need. Demand has seen the strongest growth for experienced team leaders, supervisors, managers and directors, while demand for new graduates has remained low.

However, many companies have not found it easy to recruit mid-level and senior staff –this is due to a low supply of these types of workers in the labor market. Additionally, many Vietnamese laborers tend to lack necessary skills such as language, cognitive, behavioral, and technical skills – Singaporean, Malaysian, and Thai workers are often ranked much higher by foreign companies.

According to Vietnam Works, a Vietnam-based recruiting firm, the number of job postings increased by 23 percent in the first half of 2014 compared to the same period last year. The top three job categories are sales, IT & software and marketing.

According to a recent World Bank report, Vietnam currently ranks on the bottom half of the rankings about ASEAN labor force development. In Hanoi, less than 15 percent of the labor force is competent in English and have decent computer skills. According to the Hanoi Institute for Socioeconomic development studies, unskilled laborers account for 41.4 percent of the labor force in Hanoi, 64 percent in Hai Phong, 54.5 percent in HCMC and 62.9 percent in Vung Tau.

The shortage of engineers and managers can be seen in most sectors in Vietnam. Local engineers are not up to date with the latest information and technology, as well as foreign language skills. Managers remain weak in management skills and lack important knowledge about law and finance.

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As a result of the labor and skills shortage in the country, many firms in Vietnam are forced to spend a sizable amount of money every year on employee training programs. According to Nicola Connolly, Vice Chair of the European Chamber of Commerce, foreign companies in Vietnam have to retrain 40 to 50 percent of their Vietnamese labor force. She also emphasized that the lack of qualified workers is one of the biggest problems which foreign companies face and is also the main hindrance to further investment in Vietnam.

A key reason for Vietnam’s lack of high-skilled workers lies in the country’s education system – education traditionally focuses on pure theory rather than practical skills. Therefore, if Vietnam wants to attract more foreign investors, an education reform is definitely necessary.

While there are a number of issues with the current workforce in Vietnam, many foreign firms say that local laborers are capable of becoming very efficient workers once they have completed training courses at their companies.
Additionally, the Vietnamese government is pushing ahead with skills training programs which are intended to build a more competitive workforce. Foreign companies are also investing in the future of the country’s workforce. For example, Intel is leading a group of technology companies, including Siemens, to train Vietnamese workers by funding training programs intended to develop a high-tech workforce within the country.

Vietnam is adding more than one million laborers to its workforce every year, it has a growing consumer class, and it is becoming a key manufacturing location – all of these factors point to the country quickly overcoming these HR problems and becoming highly competitive in the region.

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Dezan Shira & Associates is a specialist foreign direct investment practice, providing corporate establishment, business advisory, tax advisory and compliance, accounting, payroll, due diligence and financial review services to multinationals investing in emerging Asia. Since its establishment in 1992, the firm has grown into one of Asia’s most versatile full-service consultancies with operational offices across China, Hong Kong, India, Singapore and Vietnam as well as liaison offices in Italy and the United States.

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