

**The 14<sup>th</sup>**  
**ASIA CONSTRUCT CONFERENCE**

23-24 October,2008

---

***VIETNAM Report***

---

---

Country Report & Theme Paper

**PREPARED BY**

**Institute of Training Research and International Relations  
Academy of Managers for Construction and Cities  
Ministry of Construction, Vietnam**



## CONTENTS

<b>IMPROVEMENT OF THE PRODUCTIVITY OF THE CONSTRUCTION SECTOR IN VIETNAM</b>	
<b>SECTION 1: VIETNAM REPORT</b>	
<b>1.1 Executive summary</b>	
<b>1.2 Macro Economic Review and Outlook</b> <b>1.2.1 Macro Economic Review</b> <b>1.2.2 Economic Outlook</b>	
<b>1.3 Overview of the Construction Sector</b> <b>1.3.1 Profile of Vietnam construction sector</b> <b>1.3.2 Construction investment</b> <b>1.3.3 Construction companies</b> <b>1.3.4 Employees and construction labour</b> <b>1.3.5 Construction cost</b> <b>1.3.6 Import and Export of Construction Sector</b>	
<b>SECTION 2: LABOUR PRODUCTIVITY OF CONSTRUCTION SECTOR IN VIETNAM</b>	
<b>2.1 Labour productivity and wages</b> <b>2.2 Improving the Productivity of Construction Sector</b> <b>2.3 Outlooks</b> <b>2.4 Conclusion</b>	
<b>REFERENCES</b>	

# IMPROVEMENT OF THE PRODUCTIVITY OF THE CONSTRUCTION SECTOR IN VIETNAM

*Dr. Pham Van Bo*

*Head,*

*Institute of Training Research and International Relations*

*Academy of Managers for Construction and Cities*

*Ministry of Construction, Vietnam*

*Email: [phamvanbo@yahoo.com](mailto:phamvanbo@yahoo.com)*

## SECTION 1

### VIETNAM REPORT

#### 1.1 Executive summary

Vietnam locates in South-eastern Asia, bordering the Gulf of Thailand, Gulf of Tonkin, and South China Sea, alongside China, Laos, and Cambodia. Its area is 329,560 sq km. Land boundaries are 4,639 km with Cambodia 1,228 km, China 1,281 km, Laos 2,130 km, and coastline is 3,444 km (excludes islands).

Vietnam's history spans also over 4,000 years. Vietnam's identity has been shaped by long-running conflicts with foreign forces. In 111 BC, China's Han dynasty conquered northern Vietnam's Red River Delta and ancestors of today's Vietnamese. Chinese dynasties ruled Vietnam for the next 1,000 years, inculcating it with Confucian ideas and political culture until in 939 AD, Vietnam achieved independence under a native dynasty. The conquest of Vietnam by France began in 1858 and was completed by 1884. It became part of French Indochina in 1887. Independence was declared on 2 September 1945, but the French continued to rule until 1954 when they were defeated by Communist forces under Ho Chi Minh, who took control of the North. The United State of America had invaded South Vietnam since the early year 1955. Vietnam defeated US and reunified the country in 1975. Despite the return of peace, for over ten years the country experienced little economic growth because of conservative leadership policies.

Since 1986, Vietnam has embarked on the course of DOIMOI (Renovation Policy) "the comprehensive economic renovation (doimoi process) which aims to eliminate the subsidy-based, bureaucratic, centrally-planned mechanism and develop a socialist-oriented multi-sector market economy"<sup>1</sup>. Vietnam became a full member of ASEAN on 28 July 1995. Vietnam entered Asia-Pacific Economic Cooperation (APEC) in November 1998 and has participated ASEAN Free Trade Area. Vietnam joined World Trade Organization on 11, January 2007. At present, Vietnam has established diplomatic relationship with over 179 countries in the world (The World & Vietnam Report – Ministry of Foreign Affairs).

Population of Vietnam in 2007 stood at 85.195 million and ranking 13<sup>th</sup> among 207 countries<sup>2</sup>. Population growth rate was 1.18%. Life expectation at birth is 71.07 years in 2007 (est.) higher than the average of developing countries. Adult literacy rate (ages 15

---

<sup>1</sup> Communist party of Vietnam (1986) "6<sup>th</sup> National Congress Documents", Thegioi Publishers, Hanoi.

<sup>2</sup> The 2008 world factbook, Vietnam people 2008 -

[http://www.theodora.com/wfbcurrent/vietnam/vietnam\\_people.html](http://www.theodora.com/wfbcurrent/vietnam/vietnam_people.html)

and above) is as high as 90.3% in 2002. Human development index is 0.733 ranking 105 among 177 countries in 2005<sup>3</sup>.

Labour force of Vietnam rises year by year reaching around one million each year i.e. averaging growth rate was 2%. Urban unemployment was around 5.3% to 6.44% duration of 2000-2007.

## **1.2 Macro Economic Review and Outlook**

### **1.2.1 Macro Economic Review**

Vietnam is a poor, densely-populated country that has had to recover from the ravages of war, the loss of financial support from the old Soviet Bloc, and the rigidities of centrally-planned economy.

Substantial progress was achieved from 1986 to 1990 in moving forward from an extremely low starting point – growth averaged around 9 percent per year from 1993 to 1997. The late 1997 Asian financial crisis heightened the problems in Vietnamese economy, GDP growth of 8.5 percent in 1997 fell to 6 percent in 1998 and to 5 percent in 1999 and rose more than 6 percent in 2000 and 2001. Vietnam has been one of the fastest-growing economies in Asia over the past five years; averaging growth rate approximated 8.0 percent per year. Vietnam economy has suffered recession since the beginning 2008. The first half year of 2008, GDP growth rate accounted only 6.5 percent.

The structure of economy has also gradually shifted towards industrialization and modernization. The proportion of agriculture, forestry and fishery in GDP has declined from 40.5 percent in 1991 to 23.6 percent in 2001 and 20.36 percent in 2006, share of industry and construction in GDP has risen from 23.8 percent in 1991 to 37.8 percent in 2001 and 38.08 percent in 2006, and services have increased from 35.7 percent of 1991 to 38.6 percent in 2001 and 41.56 percent in 2006<sup>4</sup>.

Vietnam has made significant the achievements under the Doimoi process such as second ranking of rice export in the world, eradicating hunger and alleviating poverty with the official poverty rate in the country falling from 58 percent in 1993 to 20 percent in 2004, FDI increasing; but the predominance of agriculture is one of main characteristics. The living standard is still low, namely, GDP per capita just attained at \$US 726 in 2006. Infrastructure of Vietnam is still poor. Goods exportation are almost crude materials such as crude oil, coffee, rubber, rice etc. Increasing regional and international integration of the economy will present major challenges to less competitive of the economy.

In 2008, Vietnam economy seems to be worse namely, high inflation, decline of stock exchange and real estate, weakness of finance system...Reason of this above-mentioned consequence may be that Vietnam government take easy to establish a new bank of non-fiscal institution such as FPT, EVN, VP... and governed system is unsuccess of regulation, control, supervision and coercion on stock market, real estate market, bank, finance institution.

---

<sup>3</sup>WIKIPEDIA – The Free Encyclopedia, List of Countries by Human Development Index  
[http://en.wikipedia.org/wiki/List\\_of\\_countries\\_by\\_Human\\_Development\\_Index](http://en.wikipedia.org/wiki/List_of_countries_by_Human_Development_Index)

<sup>4</sup> General Statistics Office (from 1986 to 2006), Statistical Yearbook of Vietnam, Statistical Publishing House.

**Table 1: Main Economic Indicators**

Year	2000	2001	2002	2003	2004	2005	2006	2007	1 <sup>st</sup> half of 2008
<b>GDP and components</b>									
GDP at 1994 prices (Billion)	273666	292535	313247	336242	362435	393031	425135	461189	222158
GDP at current market	441646	481295	535762	613443	715307	839211	973790	1143442	625738
GDP growth (%) <sup>5</sup>	6.79	6.89	7.08	7.34	7.79	8.44	8.17	8.48	6.50
Agriculture, Forestry and Fishing	63717	65618	68352	70827	73917	76888	79505	82212	40233
% growth	4.63	2.98	4.17	3.62	4.36	4.02	3.40	3.41	3.04
Manufacturing Sector	51492	57335	63983	71363	79116	89338	100396	113237	56727
% growth	11.35	11.35	11.60	11.53	10.86	12.92	12.38	12.79	11.43
Service sector	113036	119931	127770	136016	145897	158276	171392	186273	91179
% growth	5.32	6.10	6.54	6.45	7.26	8.48	8.29	8.68	7.60

<sup>5</sup> V V G - *Economic Indicators* - [http://www.vvg-vietnam.com/economics\\_cvr.htm](http://www.vvg-vietnam.com/economics_cvr.htm)

The Ministry of Finance of the Socialist Republic of Vietnam, Vietnam Records 2007 GDP growth at 8.44 percent, CPI at 12.63 percent  
<http://www.mof.gov.vn/DefaultE.aspx?tabid=356&ItemID=49786>

Construction sector	20654	23293	25754	28481	31053	34428	38232	42824	15047
% growth	7.51	12.77	10.57	10.59	9.03	10.86	11.05	12.01	0.90
<b>Demographic Indicators</b>									
Population (thous. person)	77,635.4	78,685.8	79,727.4	80,665.7	82,069.8	83,121.7	84,203.0	85,195.0	N/A
Population growth rate (%)	1.36	1.35	1.32	1.18	1.44	1.33	1.13	1.18	N/A
Total labor force (thous. person)	37,609.6	38,562.7	39,507.7	40,573.8	41,586.3	42,526.9	43,347.2	44,171.9	N/A
Labor force growth rate (%)	4.54	2.53	2.45	2.70	2.50	2.26	1.93	1.90	N/A
Unemployment rate (%)	6.44	6.13	6.0	5.6	5.8	5.3	5.5	5.5	N/A
<i>Source: <a href="http://www.vietpartners.com/Statistic.htm">http://www.vietpartners.com/Statistic.htm</a></i>									
<b>Financial Indicators</b>									
Short term interest rate <sup>6</sup> (3-M deposits, period-end)	5.9%	5.9%	7.0%	6.3%	6.7%	7.7%	7.5%	7.8%	16.8%
Long term interest rate <sup>7</sup>	13.1%	13.1%	13.1%	13.4%	13.8%	14.2%	14.4%	16.2%	16.8%
Changes in consumer price index	7.0%	0.8%	4.0%	3.0%	9.5%	8.4%	8.0%	12.63%	20.34%
Change against US\$	14,504	15,068	15,368	15,608	15,739	15,872	16,020	16,084	16,830

Source: Estimate on the basis of data of State bank of Vietnam, general statistics office, [http://siteresources.worldbank.org/INTEAPHALFYEARLYUPDATE/Resources/550192-1143237132157/Key\\_Indicators\\_Tables\\_Vietnam.pdf](http://siteresources.worldbank.org/INTEAPHALFYEARLYUPDATE/Resources/550192-1143237132157/Key_Indicators_Tables_Vietnam.pdf)

<sup>6</sup> [http://siteresources.worldbank.org/INTEAPHALFYEARLYUPDATE/Resources/550192-1143237132157/Key\\_Indicators\\_Tables\\_Vietnam.pdf](http://siteresources.worldbank.org/INTEAPHALFYEARLYUPDATE/Resources/550192-1143237132157/Key_Indicators_Tables_Vietnam.pdf)

<sup>7</sup> Estimates on the basis of data of state bank of Vietnam

## 1.2.2 Economic Outlook

### Medium-Term Economic Outlook for Viet Nam

Vietnam will experience a brief slowdown in 2008 and 2009. GDP growth rate forecasts for 2008 and 2009 to 7 percent and 7.5 percent respectively, but should remain one of the world's fastest-growing economies over five-year period of 2010-2015 will be averaging 8.5 percent. Foreign direct investment will continue to be raised in the next years. Therefore, infrastructure investment progressing will be steady space. However, Vietnam will still lag most of its neighbors in GDP per capita which is forecasted at 971 USD in 2008 and 1138 in 2009<sup>8</sup>.

Inflation in 2008 and 2009 will be double digits higher GDP growth rate namely ADB staff project consumer price inflation reaching 18.3 percent in 2008 and 10.2 percent in 2009. Inflation will return to single digits in 2010.

Growth merchandise exports forecast increase of 18.7 percent in 2008 and reaching 23.5 percent in 2009<sup>9</sup>.

Curb inflation before high inflation becomes persistent

- Bring inflation down without damaging the economy's medium-term growth prospects
- Ratchet up growth in the medium term, while keeping inflation under control
- Increase the supply of skilled labor
- Remove infrastructure bottlenecks
- Improve efficiency of public investment
- Manage strong inflows of foreign capital
- Strengthen institutional capacity of government agencies for macroeconomic policy management
- Strengthen prudential regulation and supervision of banks
- Continue market-oriented reforms

### Medium- to Long-Term Economic Prospects

Viet Nam's medium- to long-term economic prospects are bright

- Government is committed to macroeconomic stability and market-oriented reforms
- Economic fundamentals are strong
- FDI inflows are likely to remain strong
- Economic growth is likely to rebound after a moderate slowdown

## 1.3 Overview of the Construction Sector

Construction sector, in particular, has large number of common features. Construction sector includes all type of works that are predominantly civil engineering nature. They may be both large and small. It consists of various activities such as building construction, engineering construction, industrial construction and so on.

### 1.3.1 Profile of Vietnam construction sector

---

<sup>8</sup> Vietnam economic portal – [www.vnep.org.vn](http://www.vnep.org.vn)

<sup>9</sup> General Statistics Office and ADB staff estimates and projections



After three years North Vietnam was liberated, President Ho Chi Minh signed the Order of founding the Ministry of Architecture on April 29<sup>th</sup>, 1958, now Ministry of Construction.

The process of development of Vietnamese Construction Sector may be divided into two stages.

***First Stage: 30 years under Centrally Planning Mechanism***

During the period of 1958 – 1964 the ministry performed the main function of managing and organizing the construction of industry and civil engineering projects, directly monitoring and supervising the execution of the State's key projects.

During the period of 1965 – 1973, in order to fight against the US destructive air attacks in the North, a major part of sector's labour force was shifted to build national defense and transport projects while the remaining force was retained with the key construction sites in order to make use of suitable times to go on with construction work.

During the period of mid-1973 till early 1986, the ministry's function was management and organization of industrial construction and non-production projects including those of manufacturing building materials and urban and housing development overall country.

***Second Stage: Development under Market Mechanism with State Administration (From Late 1986)***

This marked the Sector's transition, at the age of 30, to a new period of all-round renewal. The Vietnamese construction sector from now includes all economic sectors, at all levels, at different localities working in the fields of construction projects, units, and development urban and rural areas. After this reorganization, the construction sector has made remarkable contribution to national economy. It is now poised for implementing the new schemes of industrialization and modernization. Several mechanisms and policies worked out by the ministry in this period have created a rather comprehensive legal framework for a strong deployment of strategy, planning and development orientation such as construction law in 2003, housing law in 2005, real estate law in 2006 etc. and other regulations. It is now contributing immensely for improving management efficiency of the sector at macro level. Production forces have been rearranged. General corporations, strong companies have been established and consolidated for continued intensive investment to renovate technologies, to increase production capacities, to create competitive environment, preparing prerequisites regional and international economic integration.

Up to now, the master plans for most cities and provincial urban areas have been approved and carried out. As for housing problems, the ministry has proposed new points of view on development and management of housing stock such as gradually abolishing the subsidies regime, establishing housing ownership, considering housing to be merchandise etc. As for rural areas development, the ministry has started experimental projects to develop rural infrastructure in a number of localities, worked out the strategy for rural areas development, programs of clean water supply and environment sanitation in the country.

Promotion of industrial diversification in building materials is encouraged for instance cement, ceramic tile, porcelain, glass, refractory brick, steel, aluminum, tiled roof and mechanical product... Every economic sector and every citizen is encouraged to invest on developing production of common goods, traditional goods and high-value goods. Almost all the provinces and cities have worked out plan to develop building materials in their own territory; some provinces have set up new production units in new technology. With multifarious types, advanced qualities and patterns, building materials are actually

becoming popular goods in the market satisfying every need of construction in comparison with the past time.

Expenditure incurred construction work such as dams, irrigation and power projects, establishment of heavy industries, housing urban development, communications etc. is more than 40 percent of GDP.

For duration of 1986-1990, Vietnamese economy just reformed from the central planning economy to market economy, hence, there is absence of stable policy of incentive foreign investment as well as encouraged domestic investment leading not mobilize technical progress from abroad as well as internal potential. The result of GDP growth only accounted for 2.25 percent.

The period 1991-1995, the sectoral GDP growth obtained 11.98 percent. The law on foreign investment revised twice on June 30<sup>th</sup> 1990 and December 23<sup>rd</sup> 1992 to attract FDI flow to bring advantage technology and management and high innovation of construction enterprises.

The period 1996-2000, increase in GDP growth continued to attain high figure of 6.95 percent although it was lower than that of period 1991-1995. The sectoral GDP growth has affected by finance crisis of Asia in 1997-98.

After 2000, from 2001 to 2007, average GDP growth accounted 10.99 percent. This period, Vietnam put forward encouraged policies as well as completed some law to help construction sector has good opportunities to development.

### **1.3.3 Construction investment**

Investment in construction sector from 2001 to 2006 almost increased every year. In particular total investment in 2001 raised peak of figure of 153 percent, of which state investment growth rate was 70.4 percent and non-state investment growth rate reached 272.57 percent. Some great projects was approved and carried out this year for example National Conference project, National sport center, Cam Pha Cement project, Thanh Tri bridge and New Urban Area projects such as South Thang Long, Trung Yen, South Tran Duy Hung, Nghia Do, Ha Dinh. Situation of investment in construction sector in 2004 decreased - 7.23 percent compared with 2003. While state investment in construction declined - 0.77 percent, non-state investment in construction reduced - 6.86 percent compared with previous year of 2003.

**Table 2: Construction investment**  
**Billion dong**

	2001	2002	2003	2004	2005	2006	2007
<b>Total investment at constant 1994 prices</b>	6868.3	7752	8061	7478	8426	9395	N/A
<b>Index (previous year = 100)%</b>	253.25	112.87	103.99	92.77	112.68	111.50	N/A
<b>Total investment at current prices</b>	9046	10490	11508	11197	13202	15243	N/A
<b>State investment at constant 1994 prices</b>	2727.6	4450	4823	4786	5256	5891	N/A
<b>Index (previous year = 100)%</b>	170.40	163.15	108.38	99.23	109.82	112.08	N/A
<b>State investment at current prices</b>	3592	5890	6394	6369	7375	8695	N/A
<b>Non-state investment at constant 1994 prices</b>	4140.7	3302	3238	2692	3170	3504	N/A
<b>Index (previous year = 100)%</b>	372.57	79.75	98.06	83.14	117.76	110.54	N/A
<b>Non-state investment at current prices</b>	5454	4600	5114	4828	5827	6548	N/A

*Source: General Statistics Office*

Foreign Direct Investment (FDI) in Vietnam has had progress. We examines 3 and half year displayed in table 3 as follows

**Table 3: Foreign Direct Investment in Vietnam**

SI No	Activity	2005 (01/01 - 15/12/2005)		2006 (01/01-18/12/2006)		2007 (01/01- 22/12/2007)		The first six months in 2008	
		Number of licensed projects	Registered capital ('000 USD)	Number of licensed projects	Registered capital ('000 USD)	Number of licensed projects	Registered capital ('000 USD)	Number of licensed projects	Registered capital ('000 USD)
1	Oil & gas	1	20000.0	4	106600	7	1868320	4	6789500
2	Light industry	245	638739.5	237	762782	441	2474304	127	1313780
3	Heavy industry	221	1557362.2	235	4104448	337	3477021	113	8620984
4	Food industry, manufacturing	28	80436.0	14	77360	38	243066	21	240408
5	Construction	24	43700.0	40	120185	87	979609	33	188147
6	Fishery	9	15450.0	2	3130	16	101931	1	200
7	Transport ,communication	16	675670.0	20	448475	26	571250	5	36076
8	Culture, health & education	24	230191.2	23	55748	42	235734	7	1975
9	Office, apartment construction	10	286012.4	11	478520	28	4721042	16	7975872
10	New urban area construction	1	85000.0	2	526091	3	400000	2	1268750
11	Industrial zone infra-structure construction	1	26000.0	1	51000	7	333500	5	163580
12	Agriculture & forestry	66	107114.0	53	119910	63	180540	24	167082
13	Hotel, tourism	10	36700.0	12	482687	48	1872796	18	3915334
14	Finance-banking			2	17000	1	20000		
15	Services	115	93821.1	141	211741	301	376782	102	265221
	<b>TOTAL</b>	<b>771</b>	<b>3896196.4</b>	<b>797</b>	<b>7565675</b>	<b>1445</b>	<b>17855895</b>	<b>478</b>	<b>30946907</b>

*Source: General Statistics Office*

In general, after Doimoi, especially, when Law on Foreign Investment in Vietnam promulgated, FDI follow in Vietnam grew significantly, that contributes economic development of Vietnam. In 2005, Number of licensed projects obtained 771 and attained 3,896,196.4 thousand USD. In 2006 total projects licensed 797 and accounted 7,565,675 thousand USD. Up to 2007 number of licensed projects increased nearly two folds compared with 2006; Vietnam has got 1,445 projects with registered capital reaching 17,855,895,000 USD. Within first 6 months of 2008, total projects were 478 but total value attained 30,946,907 thousand USD. According to Ministry of Investment and Planning, the first 7 months FDI got 45 billion USD.

In the table 3 shows that FDI in Construction, Office, apartment construction, New urban area construction, and Industrial zone infra-structure construction rose year by year. In 2005 number of projects in four activities were 36 with accounting 440,712,400 USD; and reaching 54 licensed projects accounted 1,175,796,000 USD in 2006. But in 2007 number of licensed projects in four activities increased more than two times to be 125 projects and obtained 6,434,151,000 USD that means capital raised nearly 6 times. Although, the first six months of 2008, Vietnam economy face serious inflation, FDI achieved fairly satisfactory, we have got 56 licensed projects with registered capital accounted for 9,596,349,000 USD.

Table 4 shows top 10 countries and territory invested in Vietnam from 1988 to 2006.

**Table 4: Top ten FDI counterparts in Vietnam from 1988 to 2006**

	Number of projects	Registered capital ( <i>Mill. USD</i> ) <sup>(1)</sup>			
		Total	Of which: Legal capital		
			Total	Of which	
				Foreign side	Vietnam side
<b>Total</b>	<b>8266</b>	<b>78248.2</b>	<b>34945.4</b>	<b>29613.7</b>	<b>5331.7</b>
<b>Of which:</b>					
Taiwan	1743	9502.3	4163.1	3783.6	379.5
Hong Kong SAR (China) and China, PR	1056	7642.6	3186.3	2609.8	576.5
Korea Rep.	1438	9251.9	3852.2	3441.3	410.9
United States	374	3121.2	1648.6	1437.9	210.7
Malaysia	239	1863.8	817.6	686.0	131.6
Japan	838	8397.6	3653.9	3183.0	470.9
France	236	2902.5	1605.7	1370.2	235.5
British Virgin Islands	329	5361.0	1901.2	1626.1	275.1
Thailand	199	1783.7	633.7	501.5	132.2
Singapore	543	10002.9	3489.8	2799.6	690.2

<sup>(1)</sup> Including supplementary capital to licensed projects in previous years.

Source: General Statistics Office of Vietnam

### 1.3.3 Construction companies

**Table 5: Construction companies in Vietnam**

	<b>Corporation</b>	<b>Company</b>
<b>Ministry of Construction</b>	<b>19</b>	<b>0</b>
<b>Other Ministries</b>	<b>12</b>	<b>34</b>
<b>Local provinces</b>	<b>3</b>	<b>2609</b>
<b>Total</b>	<b>34</b>	<b>2643</b>

*Source: construction yellow pages, 2007*

According to construction yellow pages, 2007 total construction companies and corporations estimated 2,677, in which corporations of construction under Ministry of Construction are 19; other ministries and local provinces are 15 and construction companies accounted about 2,643. Number of private construction companies increased after promulgating the enterprise law on 29 November 2005.

Present construction companies of Ministry of Construction still occupies large market share. We must mention corporations and companies under Ministry of Construction as follows:

1. Vietnam national cement corporation
2. Song Da Construction Corporation
3. Vietnam construction import-export joint stock corporation
4. Housing and urban development corporation
5. Hanoi construction corporation
6. Vietnam machinery installation corporation
7. Construction pottery and glass corporation
8. Construction machinery corporation
9. Vietnam construction consultancy corporation
10. Vietnam infrastructure development and construction corporation
11. Vietnam water supply, sewerage and environment construction investment corporation
12. Song Hong construction corporation (36 members)
13. Bach Dang Construction Corporation (22 members)
14. Central Construction Corporation (26 members)
15. Construction Corporation No. 1 (23 members)
16. Building Materials Corporation No. 1 (12 members)
17. Vietnam Industrial and Urban Development – Investment Corporation (14 members)

In 2007, output of state-owned enterprises accounted 103,153 billion Vietnam dong; total revenue was about 69,079.878 billion Vietnam dong and profit in pre-tax had 2,618.334 billion Vietnam dong. Total projects carried out 501 with value of 29,368 billion Vietnam dong in

2007<sup>10</sup>. Projects concentrate on housing development, urban infrastructure, cement, hydro electricity and industrial area.

### 1.3.4 Employees and construction labour

Labour is one of the most critical resources in general and construction sector in particular. Labour of construction sector increased 8.96 percent per year during period of 1996-2007. Share of construction sector in employment occupied the small portion as 2.88 percent in 1995 and 2.83 percent in 2000 and 4.76 percent in 2007. Traditional part of construction sector is characterized by the predominance of migratory and unskilled labour. It provides employment during the idle time when it is off-season in the farming sector. In order to improve upon this situation, Ministry of Construction and Construction Corporations establishes, reinforces, and opens technical secondary school and vocational schools to improve quality of its labour forces. There are three universities, Academy of Managers for construction and cities, 10 colleges of construction and 26 technological secondary schools and vocational schools throughout country, of which Construction University belongs to Ministry of Education and Training; Academy of Managers for Construction and Cities, two architecture universities and 7 colleges, 1 technological secondary schools are managed by Ministry of Construction; and the remains of Colleges, technological secondary schools and vocational schools were established by corporations of construction and the department of construction of provinces.

### 1.3.5 Construction cost

General goods price as well as the housing and construction materials of prices were very fluctuant from 2001 to 2007. General consumer price index and housing construction materials CPI increased only 0.8 percent in 2001 and continued to increase lesser 10 percent up to 2006, but General CPI increased 12.63 percent, of which CPI housing, construction materials increased 17.12 percent in 2007. Figure 1 display trend of fluctuation of CPI in general and housing, construction materials.

**Table 6: CPI Performance, 2001-2007 % increase compared to previous year (end-period compared to beginning of the year)**

Fluctuations of CPI	2001	2002	2003	2004	2005	2006	2007
General	0.8	4.0	3.0	9.5	8.4	8.0	12.63
Housing, construction materials	0.8	7.1	4.1	7.4	9.8	5.9	17.12

Source: State bank of Vietnam 2006; General Statistical Office 2007

<sup>10</sup> Ministry of Construction in Vietnam (2007), Annual Report.

Figure 1

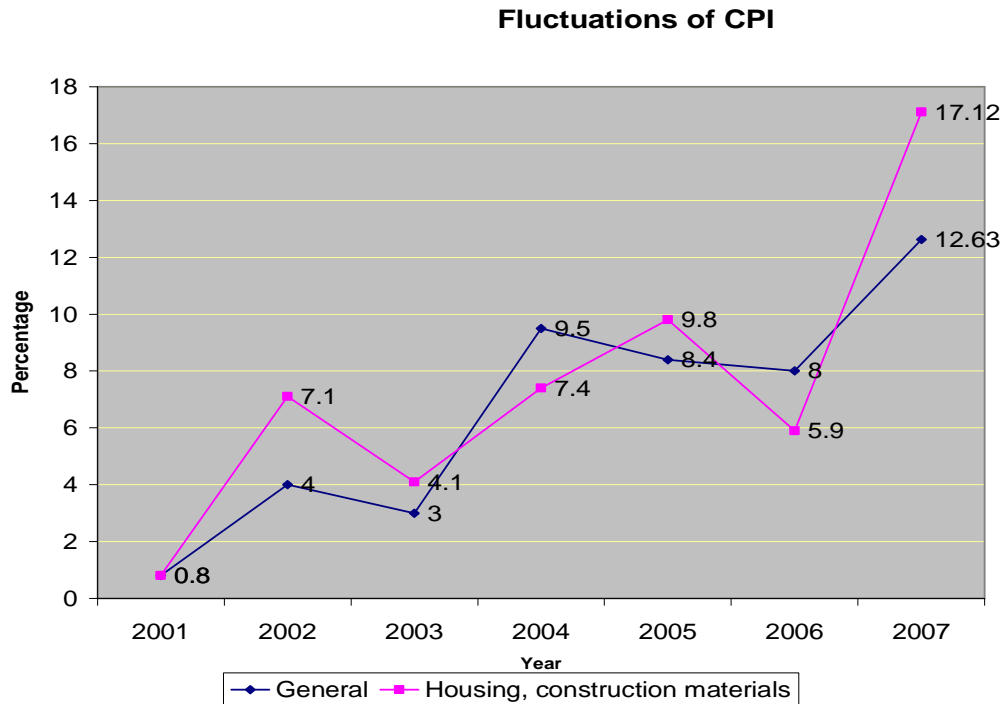


Table 7: Consumer price index of housing and construction materials

	General price index		Housing & construction materials	
	2007	2008	2007	2008
Previous month = 100%				
Month				
1-Jan	101.05	102.38	103.08	102.88
2-Feb	102.20	<b>103.56</b>	101.90	101.89
3-Mar	99.80	<b>102.99</b>	99.90	103.55
4-Apr	100.50	<b>102.20</b>	101.00	102.62
5-May	100.80	<b>103.91</b>	100.90	101.20
6-Jun	100.90	<b>102.14</b>	101.30	101.93
7-Jul	100.40	N/A	100.73	N/A
8-Aug	100.55	N/A	100.15	N/A
9-Sep	100.51	N/A	100.43	N/A
10-Oct	100.74	N/A	101.51	N/A
11-Nov	101.23	N/A	101.87	N/A
12-Dec	102.91	N/A	103.28	N/A
December of report year compared with December previous year	112.63	<b>118.44*</b>	117.12	<b>114.34*</b>
Average CPI vs. previous year = 100	108.30	<b>120.34**</b>	111.01	<b>120.49**</b>
Year 2005 = 100	121.83	<b>144.30***</b>	127.10	<b>145.33***</b>

\* June 2008 vs. December 2007

\*\* CPI of 6 months in 2008 vs. same period 2007

\*\*\* CPI June 2008 vs. 2005

Source: General Statistics Office 2008



As table 7 shows that consumer price index of months in 2007 and 2008 with previous month almost increased except CPI of March, 2007. The first half of year 2008, the economy of Vietnam has faced serious difficulty because the unfavorable happenings in the world's economy in 1<sup>st</sup> half of the year 2008 together with natural disasters and diseases occurred in the country have been having negative effects on the country's social and economic situation. CPI in June 2008 grew at 2.14 percent against last month, being the month of lowest growth rate in 6 beginning months of 2008, at compared with December 2007, consumer prices grew by 18.44 percent, average CPI vs. previous year also reached highest 120.34 percent i.e. increased 20.34 percent, and compared with base year 2005 was 144.30 percent, that means grew at 44.30 percent. CPI June 2008 compared with December 2007, housing and building materials increased by 14.34 percent, CPI of 6 months in 2008 vs. same period 2007 increased 20.49 percent. And compared with base year 2005, CPI June of 2008 of housing and construction materials increased 45.33 percent. Some enterprises of construction sector have postponed executive work for construction project because of fast grew prices.

### 1.3.6 Import and Export of Construction Sector

**Table 8: Export-import construction goods**

Construction goods export-import from 2002- 2007  
(Corporations and companies under Ministry of Construction )

Unit: million USD

Year	Trade deficit	Export		Import	
		Value	Growth rate (%)	Value	Growth rate (%)
2002	277.052	45.965	- 6.19%	323.017	6.96%
2003	454.972	64.706	40.77%	519.678	60.88%
2004	502.630	68.781	6.30%	571.411	9.95%
2005	492.075	87.431	27.12%	579.506	1.42%
2006	704.251	100.938	15.45%	805.189	38.94%
2007	509.808	156.440	54.99%	666.248	- 7.26%

*Source: Annual report of Ministry of Construction 2001 - 2007*

Exported construction commodity and service value of enterprises under Ministry of Construction from 2002 to 2007 always increased excepting 2002 declining by 6.19 percent. The highest value was 156.440 million USD in 2007 rising by 54.99 percent against 2006. Imported construction commodity and service turnovers of enterprises under Ministry of Construction during period of 2002-2006 have grew year by year, but import goods decreased 7.26 percent in 2007. Import value reached the peak figure of 805.189 million USD in 2006. Highest import growth rate was 60.88 percent in 2003. Import value has had bigger than export value since 2002 (in table 8). Excess of imports over exports of 704.251 million USD reached the top figure during study. Import value and trade deficit during period of 2002-2007 raised highly is due to high demand for imports for construction economic development, specially, importation of machinery, apparatus and parts for construction, cement construction; construction projects have developed that is reason of high demand iron and steel while production capacity did not meet needs...The table 9 is as follows to show some main goods for exportation and importation of construction sector.

**Table 9: Some main goods for exportation and importation***Unit: USD million*

Year	2001	2002	2003	2004	2005	2006	2007
Exportation							
Pottery and glassware	117.1	123.5	135.9	154.6	255.3	264	330
Wood and wooden products	343.6	460.2	608.9	1101.7	1561.4	1904	2364
Importation							
Machinery, apparatus and parts for construction	197.8	294.2	280.2	254.9	255.8	N/A	N/A
Machinery, apparatus and parts for cement construction	67.9	86.5	61.4	52.8	63.3	N/A	N/A
Iron, steel (Thous. tons)	3870.1	4945.9	5152	5495.1	5706.9	5624	N/A
<i>Of which: Steel, rough</i>	1772.0	2217.0	1855.0	2278.3	2239.7	1988	N/A
Aluminum	140.5	179.3	247.1	348	357.4	N/A	N/A
Glass	7.6	10.8	9.3	8.3	14.2	10.7	N/A
Clinkers (Thous. tons)	1498.6	3500.5	4131.1	4084.4	4375.5	3615.5	N/A
Wood and wooden products	N/A	N/A	N/A	522	667	760	1022

*Source: General Statistical Office*

## SECTION 2

### LABOUR PRODUCTIVITY OF CONSTRUCTION SECTOR IN VIETNAM

#### 2.1 Labour productivity and wages

Labour productivity is defined as the ratio of output to labour input. Labour is one of the most critical resources in general and construction sector in particular. Labour productivity is a partial productivity with labour as variable input and all other inputs are kept constant.

Based on nature of construction sector, we may accept measurement of labour productivity as follows:

- Output can be measured in terms of money value corrected for changes in prices. Physical quantities cannot be used since construction sector has diverse products, so we could not add houses to bridges or roads etc., and thus output has been expressed in money value units. The money value of output could be taken either in terms of gross output or value added in the process of production. However, the value added concept is being increasingly used because of its great suitability for comparison.
- Input is measured in physical terms namely number of employment.

Therefore, Labour productivity = Value added/ Number of employment. This indicator reflects how much money worth of output each person of construction sector contribute to national economy.

Table 10 shows the ration of sectoral GDP to employment i.e., labour productivity, and wages for construction sector of Vietnam during thirteen years from 1995 to 2007 assuming base year 1995.

**Table 10: Labour productivity and wages of Construction Sector in Vietnam**

*At 1994 constant prices*

Year	GDP (billion)	Employments (hundred)	Labour productivity	Labour productivity index (%)	Wages (hundred)	Wages index (%)
1995	14590	7927	1.84	100.00	4266	100.00
1996	16938	8199	2.07	112.50	4500	105.49
1997	18855	8486	2.22	120.65	5445	127.64
1998	18761	8783	2.14	116.30	5466	128.13
1999	19211	9084	2.12	115.22	5091	119.34
2000	20654	9388	2.2	119.57	5334	125.04
2001	23293	10681	2.18	118.48	5842	136.94
2002	25754	15263	1.69	91.85	6455	151.31
2003	28481	16881	1.69	91.85	6912	162.02
2004	31053	19229	1.62	88.04	6898	161.70
2005	34428	19988	1.72	93.48	7338	172.01
2006	38232	19940	1.92	104.35	7684	180.12
2007	42824	21024	2.04	110.87	7864	184.34

*Source: Estimate on the basis of data from general statistical office*

As may be seen from table 10, labour productivity of construction sector in Vietnam at 1994 prices fluctuated over period as compared to the base year of 1995. The productivity ratio from 1995 to 2001 always were higher than based year 1995, in particular, reached the big figure of 2.22 in 1997 and second figure of 2.20 in 2000. Consequently, productivity index with 1995 as the based year worked out at 120.65 percent in 1997 and obtained at 119.57 percent in 2000.

During period of 2002 -2005, labour productivity decreased, namely, productivity ratio was 1.69 in both year 2002, 2003, and lowest ratio at 1.62 in 2004 and reached 1.72 in 2005. Therefore, labour productivity index was lower than base year 1995, was only 91.85 percent in 2002 and 2003 and lowest figure at 88.04 percent in 2004 and attained 93.48 percent in 2005. After then in 2006 and 2007, labour productivity achieved little progress in comparison with 1995, ratio index accounted for 1.92 and 2.04 respectively. Correspondingly, its percent indices were 104.35 percent in 2006 and 110.87 percent compared to the based year.

Reasons of labour productivity fluctuation and little progress during past year are lack of skill labour, number of labour was trained to provide construction sector about 25 percent of total labour. This lack of training is due to practical concerns such as employers completing the increased percentage of nonunion work. In general, the workforce of contractors is highly mobile. Contractors are often reticent to invest capital to train those who may soon be someone else's employees. The result may be a decrease in the construction workforce average capability level.

Structure of worker in Vietnam construction sector is irrational (engineers/ technicians/workmen = 1/1.3/3 in which reasonable ratio must be 1/4/10), therefore off-season workers worked at many great projects even they did jobs of technicians<sup>11</sup> while construction projects are more complex day by day to require high technology and professional workers in high level.

Besides, weakness of management led to corruption almost state investment projects, for instance, in 2002-2003 the department of construction inspection in Ministry of Construction examined 31 construction projects which were the value of investment being 17,300 million dong, result showed that 31 projects were violated and lost 2,070 million dong<sup>12</sup>.

Backward technology in construction sector is one of reasons of low labour productivity. Inefficient investment as well as poor assets utilization in Vietnam related to shortcoming and weakness of management in state-owned enterprises. An organization of labour in state-owned enterprises as well as construction projects is unreasonable. .

Labour productivity reflects contribution of each worker to sectoral GDP, this much, workers of Vietnam construction sector contributed to growth rate of economy being not steadily.

In the meantime, average wages almost moved up during period of study 1995-2007. We must admit that labour productivity even declined, but wages still increased. In base year 1995, average wages were only 4266 hundred Vietnam dong, after then average wages were higher than not only base year but also previous years except year of 1999 and 2004. Workers received payment of 1995 being 4266 hundred Vietnam dong in 1996 up to 7864 hundred Vietnam dong in 2007. Correspondingly, average wages index also raised fair significantly, with

---

<sup>11</sup> <http://fastmoney.vn/Home/Lanh-dao-Quan-tri/Nhan-su/2008/05/2FFB64CF/>

According to Nguyen Van Lien, Vice Minister of Construction

<sup>12</sup> <http://www1.mt.gov.vn/thanhtragtvt/Search.asp?psearch=kh%E1%BB%91ng>

According to senior lieutenant-general Le The Tiem, Vice Minister of Public Security

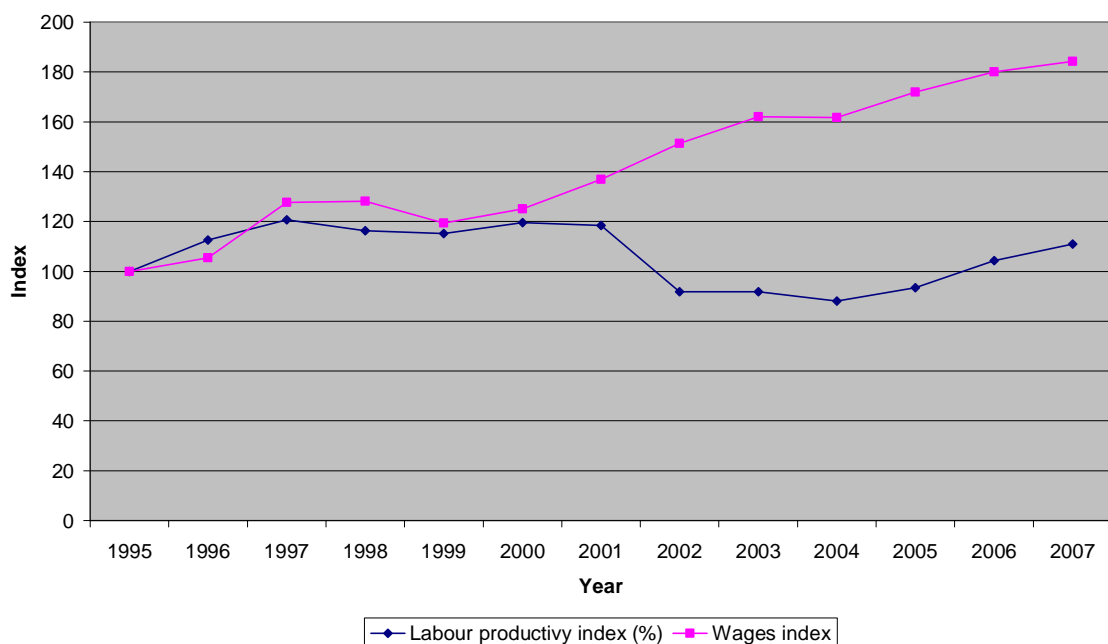
base year 1995 at 100 percent, they accounted for 184.34 percent in 2007, like this, average wages of 2007 equaled nearly two folds of average wages of base year 1995.

This reason is wages policy of Vietnam. The Government of Vietnam has always adjusted regulation of minimum of salary and wages.

However, policy of payment labor for many skills is relatively low. There is less motivation to automate a task. Evaluation, examination for workers to divide grade of professional has been not carried out usually in enterprises. For this reason, the payment is not reasonable yet.

Figure 2 illustrates the previously mentioned discussion

**Figure 2: Trends of labour productivity and wages of Vietnam construction sector**



It is evident the growing tendency of wages is faster than that of labour productivity.

## 2.2 Improving the Productivity of Construction Sector

Productivity in general and labour productivity in particular plays a vital role in the process of economic development of a nation. It constitutes the real measure of economic growth and prosperity and ultimately, determines the standard of living of the people in a country. When discussing productivity, MIT's Paul Krugman (1990) points out "Productivity isn't everything, but in the long run it is almost everything"<sup>13</sup>

To improve the productivity, we should give important policy implications as follows:

### *- Human resource development in construction sector*

Investment in human resource to improve its quality is a prerequisite for achieving high standards in industrialization and modernization.

<sup>13</sup>Paul Krugman (1990), "The Age of Diminished Expectations" MIT press, Cambridge, Mass., p.9.

The construction sector of Vietnam is characterized by predominance of migratory and unskilled labour. Therefore, there is need to expend the training and skill certification programmes at technological secondary schools and vocational schools or the firms providing on-the-job training for construction workers.

In certain areas of operation of the construction sector in Vietnam encountered the shortcoming and weakness of management. The poor management, lack experience of technology of cadres of the state-owned enterprises in the construction sector of Vietnam led to use ineffectiveness of resources. Thus, the technicians and managers of construction work should be regularly further trained in the construction methods of situation, new management and trends of development of each field of construction science and technology in the country and in the world. Management complicates progress in productivity within the construction industry. Past studies found that poor management was responsible for over half of the time wasted on a job site<sup>14</sup> (Business Round Table, 1983). Good management is required for profitability and success.

Besides, educating young generation to produce technicians, scientists and managers suitable for modern age construction sector is necessary. This can be fulfilled by providing different types of technical training courses at universities, research institutes, scientific centers, or even abroad.

To accompany with the above, we need to recompile textbooks on construction engineering at vocational schools and universities in keeping with the new management mechanism and new engineering and technology. To renovate as quickly as possible the research institutes and universities in the direction of equipping integrate up-to-date facilities in correspondence with their leading position in studying the technologies, sciences and training specialists.

To create training and retraining fund by firms and the government because one of the best ways to increase productivity is training and development.

Contract conditions could carry a stipulation that a minimum percentage of trained/certified workers would need to be employed. The percentages stipulated could be increased over time.

#### ***- Promotion of technological progress***

For big projects, it is necessary to stipulate high technical conditions for units who want to bid these projects that can encourage the firms to adopt superior technology in construction activities. We should improve the policy to attract advance technologies at home through encouraging investment by foreign firms, as foreign countries arrive and leave for us technological frontier, expertise by establishing operations.

The construction sector adopts best-practice techniques in relation with local, regional and national requirements and their investment abilities as well as in general directions of whole sector's modernization and industrialization.

#### ***- A Rationalized Policy of Salary and Wages and using talents***

Implementation of payment to labour based on labour productivity, but the method of payment to skilled labour should be suitable to work to stimulate professional ability as well as greater efficiency of workers.

Whatever the system of wage payment may be, there must be an adequate compensation for labour put in the work and they should be given opportunity to improve the living standard of labour. Therefore, wages should be linked to the cost of living index. However, in our urge to

---

<sup>14</sup> Business Roundtable. (1983). *More Construction for the Money*. Business Roundtable. New York, NY

link wage with the cost of living index, we should not lose sight of linking wages with productivity.

We should attract and retain talents by priority policy. First of all, we should use and encourage workers in unit to create good ideas. Besides, we should attract talents from outside of unit even foreign experts.

#### ***- Reorganization of state-owned enterprises in construction sector***

It is necessary to investigate utilization of capital of state enterprises. Important policy change is required to minimize waste in utilization of capital that exists in these enterprises as well as to remove bottlenecks of bureaucratic management. The construction sector may push up process of privatization for less efficient state-owned enterprises. Inefficient state-owned enterprises must be dissolved by concerned law.

#### ***- Removing bureaucratic hurdles and fighting corruption in construction sector***

Vietnam should have a law of corruption denouncement. We create transparent environment in tenders. Construction inspectors have qualification and sense of justice.

### **2.3 Outlooks**

The Construction sector may be down in 2008 and 2009 because of inflation. In 2008 government paused to deploy some projects which are not really necessary and less effectiveness and postpone building projects such as headquarters, meeting-halls, museums and cultural houses which were made plan in 2008, but they do not start working yet. Besides, consumer price index of construction materials makes some companies could not carry on construction projects that affects value added in construction sector. So, output of construction sector will decline while employment of construction sector little increase, technology still does not renew, that brings labour productivity tends to decline. It may be anticipated of - 2% productivity growth in 2008, and it will be restored in 2009. The positive outlook of labour productivity in construction sector will be from 2010. This time, Vietnam economy will overcome recession. However, we want to break through labour productivity in construction sector of Vietnam to get higher, we may apply some above-mentioned suggestions in 2.2.

### **2.5 Conclusion**

Construction sector of Vietnam plays important role in economic development. During period of 2000 -2007, sectoral GDP growth rate mostly attained more than 10 percent, excepting 2000 and 2004. Up to 2008, construction sector of Vietnam has affected by inflation, the first six months in 2008, GDP growth rate of construction sector increased only 0.9 percent. Some projects have to delay, because the price of construction materials grew and tighten policy of money of government as well as government policy of pausing unnecessary projects in 2008 to curb inflation.

Labour productivity of construction sector in Vietnam from 1995 to 2007 with based year 1995, we realized that 2002 -2005, sectoral labour productivity is less than based year and remaining years one is greater than based year. Although sectoral labour productivity increased interruption, wages of construction sector grows year by year. However, salary and wages of construction sector did not encourage skilled labour and a talent that is one of reason making labour productivity is not improvement in last years. Weakness in management and corruption in almost projects and backward technique and technology in construction sector in Vietnam are caused low productivity leading weakness of competitions in the international market even domestic market.

To improve labour productivity, we should train construction workers, foster construction staffs in management, fight corruption and adopt best-practice techniques and technology.



## REFERENCES

1. Business Roundtable. (1983). *More Construction for the Money*. Business Roundtable. New York, NY
2. Chiang Y.H.; Anson M.; & Raftery J. (2004), *The Construction Sector in Asian Economies*, Spon Press.
3. Communist party of Vietnam (1986) "6<sup>th</sup> National Congress Documents", Thegioi Publishers, Hanoi.
4. Construction yellow pages, 2007.
5. Fast Money for Smart Investors, Ngành xây dựng thiếu nhân lực trầm trọng (Serious shortages of Construction Manpower) - <http://fastmoney.vn/Home/Lanh-dao-Quan-tri/Nhan-su/2008/05/2FFB64CF/>
6. General Statistics Office (from 1986 to 2006), *Statistical Yearbook of Vietnam*, Statistical Publishing House.
7. General Statistics Office of Vietnam - [http://www.gso.gov.vn/default\\_en.aspx?tabid=501&thangtk=06/2008](http://www.gso.gov.vn/default_en.aspx?tabid=501&thangtk=06/2008)
8. Ministry of Construction in Vietnam (from 2000 to 2007), Annual Report.
9. Ministry of Finance of the Socialist Republic of Vietnam, Vietnam Records 2007 GDP growth at 8.44 percent, CPI at 12.63 percent <http://www.mof.gov.vn/DefaultE.aspx?tabid=356&ItemID=49786>
10. Ministry of Transport, Phòng chống tham nhũng trong xây dựng cơ bản (Anti – corruption in capital construction) <http://www1.mt.gov.vn/thanhtragtvt/Search.asp?psearch=kh%E1%BB%91ng>
11. Paul Krugman (1990), "The Age of Diminished Expectations" MIT press, Cambridge, Mass., p.9.
12. State Bank of Vietnam (from 2000 to 2006), Annual Report
13. The 2008 world factbook, Vietnam people 2008 - [http://www.theodora.com/wfbcurrent/vietnam/vietnam\\_people.html](http://www.theodora.com/wfbcurrent/vietnam/vietnam_people.html)
14. Vietnam: Key Economic Indicators - [http://siteresources.worldbank.org/INTEAPHALFYEARLYUPDATE/Resources/550192-1143237132157/Key\\_Indicators\\_Tables\\_Vietnam.pdf](http://siteresources.worldbank.org/INTEAPHALFYEARLYUPDATE/Resources/550192-1143237132157/Key_Indicators_Tables_Vietnam.pdf)
15. Vietpartners, Social & Economic Indicators of Vietnam Country - <http://www.vietpartners.com/Statistic.htm>
16. V V G ~ *Economic Indicators* - [http://www.vvg-vietnam.com/economics\\_cvr.htm](http://www.vvg-vietnam.com/economics_cvr.htm)
17. WIKIPEDIA – The Free Encyclopedia, List of Countries by Human Development Index [http://en.wikipedia.org/wiki/List\\_of\\_countries\\_by\\_Human\\_Development\\_Index](http://en.wikipedia.org/wiki/List_of_countries_by_Human_Development_Index) <sup>1</sup> The 2008 world factbook, Vietnam people 2008 - [http://www.theodora.com/wfbcurrent/vietnam/vietnam\\_people.html](http://www.theodora.com/wfbcurrent/vietnam/vietnam_people.html)