

The Impact of the Covid-19 Pandemic on the Labor Market in Vietnam

Ha Nguyen-Van, Le Hoang Nam, Pham Minh Giang, Tran Nguyen Hoan, and Do Van Thang

Abstract—This article explores the effects of the COVID-19 epidemic on Vietnam's labor market, thereby pointing out the advantages and disadvantages facing the labor market. The article uses qualitative methods and analysis, thereby giving results on the impact of the pandemic on Vietnam's labor market. The study results show that the Vietnamese labor market faces many difficulties in both human and financial resources. The closure (total or temporary) of activities has increasingly enhanced job loss. According to a survey by the General Statistics Office (2020), there are 2900 businesses temporarily closed and 30.8 million workers are affected. These impacts both create opportunities for the market but also cause it to face other challenges. The article also offers solutions that the Government implements to help businesses overcome the crisis.

Index Terms—COVID-19 pandemic, labor market, Vietnam.

I. INTRODUCTION

The beginning of 2020 witnessed an outbreak of the COVID-19 pandemic. It has an adverse influence on the economy of Vietnam as well as other countries in the world. The labor market in Vietnam also has negative changes in the structure of human resources. The article uses qualitative methods and analysis, thereby giving results on the impact of the pandemic on Vietnam's labor market. The research results provide suggestions for businesses in finding solutions to overcome difficult times. Besides, it also helps the Government implement activities to support businesses to overcome the crisis due to the impact of acute pneumonia COVID-19.

II. LITERATURE REVIEW

There are many studies on the effects of the COVID-19 pandemic on life, society, and the economy. However, the studies only stop at pointing out a few aspects such as 1) the impact of the COVID-19 pandemic on industries such as oil and gas tourism, logistics, real estate...; 2) Job search during the COVID-19 crisis; 3) Inequality in income and gender employment in the context of the pandemic; 4) The role and response of the Government to need equal labor market. Research on the labor market in the context of a pandemic mainly follows the direction of the disease's impact on each specific profession or a macro analysis of the entire labor

market in the period.

The Korean economy became sluggish for six months from the first MERS outbreak on May 20, 2015. About one in every 3,000 Koreans was isolated due to the MERS outbreak, making people psychologically unstable. Existing studies showed that a pandemic has behavioral effects (changes in behavior) due to the fear of contagion rather than direct effects (ex: labor supply decrease due to death), decreasing the demand for goods and services and lowering domestic income and employment. Therefore, it can be estimated that MERS' impact on the Korean labor market was huge despite the low incidence and mortality rate [1] (Ayoung Lee & Joonmo Cho 2016).

In another study in the context of pandemic H1N1, using sick leave data from Chile's private health insurance system, the author points out the adverse effects of a flu pandemic on short-term labor market dynamics. Unlike previous studies of pandemics (cancer), pandemic influenza can spread and affect a more extensive public health range. According to the author's estimate imply that the pandemic reduced work productivity by 700-800% and labor supply in Chile decreased at least 0.2% [2] (Fabian Duarte, Srikanth Kadiyala, Samuel Masters, David Powell, 2016).

In the United States, the labor market saw a sharp decline, with more than 20 million jobs lost between March 2020 and May 2020. Besides, the increasing trend in the rate of permanent job loss and time unemployment, especially for Blacks and Hispanics, shows the long-term damage of the pandemic [3] (Brad Hershbein & Harry J. Holzer, 2021).

In Sweden, Labor markets are significantly impacted, with unemployment soaring and vacancy posting falling. 1) New vacancy postings drop by 40% compared to the last year; 2) job seekers respond by searching less intensively, to the extent that effective labor market tightness increases during the first three months after the COVID outbreak; 3) They redirect their search towards less severely hit occupations, beyond what changes in vacancies would predict. Overall, these job-search responses have the potential to amplify the labor demand shock [4] (Lena Hensvik, Thomas Le Barbanchon, Roland Rathelot, 2020).

III. METH

This study seeks to understand the difficulties facing the Vietnamese labor market under the impact of the COVID-19 pandemic. With the exploratory nature of the research, qualitative research methods, namely phenomena research methods, were used to perform this study. The research method mainly synthesizes articles, previous studies, observes and collects data, which gives information about the impact of the pandemic on the Vietnamese labor market.

Manuscript received June 22, 2021; revised October 23, 2021.

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IV. THE IMPACT OF COVID-19 PANDEMIC ON THE LABOR MARKET

In the short term, COVID-19 has a robust and direct influence on Vietnam's entire labor market. The pandemic has reduced economic activities such as services, industry... International trade was seriously affected, causing adverse consequences for Vietnam's production, export, and import. A series of businesses must close and shut down. The labor force structure on the market has also had significant changes.

According to the Vietnam General Statistics Office (GSO) [5], 2020, in the first six months of 2020, there are about 2,900 enterprises temporarily suspending their business, and up to 30.8 million workers are affected, such as job loss, salary reduction, working hours. 69% of workers have incomes reduced, nearly 40% must reduce their working hours, and about 14% have to take a break. COVID-19 has strongly influenced labor in some service industries such as transportation, accommodation and catering, art, and entertainment. Specifically, as of September 2020, the COVID-19 pandemic has affected workers working in most industries, in which some industries have an enormous impact on the labor rate, such as art, entertainment, and entertainment (88.6%), accommodation, and catering services (81.7%), transportation and storage (79.7%), administrative activities and support services (72.7 %), processing and manufacturing (70.1%), wholesale and retail, repair of automobiles, motorbikes and motorcycles (68.5%), education and training (68.5%), real estate (67.8%).

With businesses all facing financial difficulties when businesses activities are interrupted, many potential employees, such as university students, colleges, young workers, have not been exploited. The business regimes are directly related to the employees. The change in income will make life exceedingly difficult.

According to the World Trade Organization (WTO) [6], 2020, the economic recession and job loss caused by the COVID-19 pandemic could be more severe than the recession caused by the global financial crisis in 2008.

According to PWC, [7] 2020, Vietnam's economy in the coming period is forecasted to be one of the few countries in the world's high growth group. Up to now, Vietnam's economy is still heavily dependent on other major economies such as Europe, the United States, and China. Consequently, scenarios and projections related to the impacts on the Vietnamese economy are also correlated with those of other countries during the COVID-19 pandemic outbreak. In the coming year, when the EVFTA free trade agreement between Vietnam and the European Union is strongly promoted, the gradual elimination of tariff barriers in the two regions will facilitate economic and cultural development, society. However, Vietnam also faces challenges when the pandemic diseases in EU countries are still highly complicated, possibly disrupting trade relations, and affecting Vietnam's economic development. Vietnam's labor trend is forecasted to recover due to effective disease prevention policies, creating positive economic growth and employment opportunities. With such potentials, in the coming time, the Vietnamese labor market will welcome new investment waves due to the production shift in the global supply chain.

Foreign businesses will redistribute their supply chains to minimize risks such as the first outbreak in China, and Vietnamese workers have the practical advantages to meet those requirements [8] (Nhat Duong, 2021).

According to My Trang [9] (2020) point out "the labor market during the pandemic is also undergoing a career shift. It is a move to another profession that may happen in all people, in all fields. Individuals operating in sectors affected by pandemics tend to change into new occupations that will change the labor market structure when the economic situation stabilizes. Therefore, individuals need to be equipped with the necessary skills and continuously learn to adapt to the changing market".

V. ASSESSING THE OPPORTUNITIES AND CHALLENGES OF THE LABOR FORCE

A. Opportunity

Despite the pandemic's impact, Vietnamese businesses can still see opportunities to develop and improve their capacity. The repulsion of the pandemic helps our country become a reliable address for foreign investors, a potential and safe destination for the reallocation of investment capital globally, especially the shifting trend factories out of China corporations in the world. With a large workforce and cheap labor costs, good infrastructure, and a geographical location close to China, Vietnam will be paid more and more attention by corporations wishing to move.

1) The shifting wave

The relocation of factories out of China has been in progress since the US-China tensions. COVID-19 could be the new catalyst for the accelerated production shifts. Therefore, Vietnam will be the next stop for businesses that want to move factories to avoid the risk of depending on a country's price (WTO, 2020). In 2021, IMF predicts that the economy will grow 6.5%. This shows that Vietnamese businesses have flexibility, have good resilience, and help the economy recover quickly from the pandemic.

Vietnam have both the old and the new advantages. There are a number of significant advantages in political security, economic security, stability, macroeconomics, low inflation, high growth, stable currency, and abundant workforce... There are new advantages, after COVID-19, Vietnam is emerging as a country that has succeeded in preventing and suppressing pandemics. That proves we are completely proactive and serious in pandemic prevention, thereby attracting foreign businesses.

2) Trade agreements

In the context of pandemic COVID-19 happened, it greatly affected the economic situation of the world in general and Vietnam in particular. Recognizing this difficulty, the European Council has ratified the EVFTA agreement, which is expected to boost Vietnam's exports strongly in the second half of 2020. EVFTA is a comprehensive, high-quality and guaranteed agreement balancing benefits for both Vietnam and the EU, contributes to promoting job creation for workers

The free trade agreement (EVFTA) officially came into

effect on August 1, 2020. It benefits the number of jobs and can increase workers' wages through more efficient market performance and wage spillover effects from FDI enterprises. According to research by the Ministry of Planning and Investment, 2020, the EVFTA Agreement is expected to increase jobs by about 146,000 per year, focusing on labor-intensive industries and high export rates to the EU market. The increase in job creation in some industries is expected: textiles and garments increased by 71,300 (in 2025) and 72,600 (in 2030), respectively, compared to 2018 by 1.2%, 2.3%, and 2.4. %; the leather and footwear industry has an employment growth rate of 4.3% and 3.8% in 2025 and 2030. Some other sectors with many jobs are air transport (1.5% in the year 2016), waterway transport (0.9% by 2025). However, some industries will be affected by job reduction such as forestry, mining, and rice production with a decrease of 0.26% to 0.36% per year.

EVFTA brings benefits in terms of the number of jobs and can increase workers' wages through more efficient market operations and spillover effects on wages from FDI enterprises. According to calculations, the salaries of FDI enterprises will be approximately 1% higher than domestic firms

3) *Improving the quality of labor*

The COVID-19 epidemic caused recruitment demand of industry groups in information technology, e-commerce, artificial intelligence and automation to increase sharply in the coming time. This shows that if employees and enterprises know to innovate and apply information technology, they can easily adapt to the needs of society as well as the epidemic situation.

Forecasts by the World Economic Forum say that about 49% of current jobs will disappear in the next 20 years. The professions that are developing at present are unlikely to be chosen in the future. Therefore, it can be seen that COVID-19 is an opportunity for businesses and employees to change their thinking and working ways to adapt to the development of the economy.

The International Labor Organization has recommended that in order to restore and develop production and business in the context of an epidemic, the vital requirement is to train, retrain and improve occupational skills for workers to increase labor productivity. Accordingly, proposing and advising the Government to spend about VND 3-5 trillion from the unemployment insurance balance to retrain the labor force. It is expected that about 1 million workers will be retrained. Regarding the method of implementation, will focus on training and retraining in enterprises associated with vocational schools, associated with direct production activities, at the same time enterprises will directly issue certificates [10] (Le Nguyen, 2020).

B. Challenges

The heavy influence of COVID-19 is making businesses fall into the "hardships" situation, along with the great competition in the current labor market. The workforce in the service, tourism, and aviation sectors are the sectors most affected. To minimize costs, companies have to narrow the cost structure by cutting the workforce to reduce wages and social security. This causes a large number of workers to lose

their jobs.

The workforce in 2020 is about 54.6 million, a decrease of 1.1 million compared to the same period in 2019. This is a record decrease in recent years. As noted above, the services sector workforce is most affected, with 68.9% of the workforce affected. Also, employees are also forced to cut wages to suffer losses due to the company's disease. According to General Statistics Office, 2020, the average monthly income of employees is 5.5 million, down 2.3% over the same period last year. Income of service workers decreased the most, by 215.000 VND, followed by agriculture, forestry and fishery, by 156.000 VND. The income reduction rate of workers in industry and construction is lowest, by 100.000VND/ person/ month.

After peaking in the largest unemployment rate in the past ten years in the second quarter of 2020, the unemployment rate tended to decline in the third quarter, when the labor force increased by 1.4 million. Besides, in the third quarter, the employees' average salary improved compared to the second quarter, but still lower than the same period last year. The above statistics show that Vietnam is in a positive recovery period during COVID-19 pandemic [4] (General Statistics Office, 2020).

However, the pandemic situation in the world is still complicated. Vietnam is still at an elevated risk of the COVID-19 pandemic when Vietnam is an open economy. Unexpected events such as the resurgence of COVID-19 in Da Nang could create a "shock" on the economy. Therefore, during this period, businesses are still in a cautious state, defending against unexpected events, so the economy and the job market have not recovered as before. From there, employees will be forced to adapt to the fluctuations in the job market. Although there is investment from multinational companies, pandemic diseases and the situation of "Excess but lack of quality" still cause a high unemployment rate. According to the General Statistics Office of Vietnam, 2020, trained workers from "elementary" level up in September 2020 are estimated at 13.0 million people, accounting for only 24.1% of the total number of employees. This is a much lower number than other countries in the world or even lower than other countries in the same region. This is one of the weaknesses of the Vietnamese workforce compared to the world.

VI. RECOMMENDATIONS FOR GOVERNMENT

Facing opportunities and challenges from the market in the "new era" the Vietnamese Government needs to make efforts to provide support solutions for businesses and employees to maintain social stability.

During the peak period of the pandemic in April 2020, the Government issued a resolution on measures to support people facing difficulties caused by the Covid-19 pandemic. Accordingly, about 20 million people affected by this pandemic will benefit from the social security support package with a cost of more than 62 trillion dong. However, a big problem that is clearly shown is that the group of unskilled workers is a group that is heavily injured and difficult to access, so the government bailout package has not actually come to the right object. Therefore, it can be said

that the measures taken by the government are positive for the employees, but still ineffective.

Some proposals to the government [11] (Viet Nam Government, 2020):

Initially, the Government should develop financial support packages such as delaying the imposition of multiple taxes on businesses that are severely affected by translation in more than 30 sub-sectors of the manufacturing, processing and services sectors. To help businesses maintain operations under challenging times, indirectly maintain current jobs for employees. Support packages should be divided into small batches because it is necessary to ensure that businesses are encouraged to avoid too much dependence on the state and ensure that there are reserves of money, reducing risks before new outbreaks.

The tax delay can be thought of as a zero-interest loan for businesses to help them maintain operations and stabilize their workforce during the crisis. And, once businesses have recovered from the crisis, the government continues to receive the deferred loan, which reduces the risk of businesses going bankrupt while still owing state taxes.

In addition, for personnel operating in the tourism sector, it is also necessary to pay special attention when this target group is considered to be the most affected when the countries are closed to the border, restricting freedom of movement. In the coming time, the government will introduce measures such as the use of vaccinated passports for foreign tourists, and financial subsidies to help businesses get back into the industry, which can be implemented in the near future

The issuance of vaccine passports aids in the reopening of the tourism industry, which has been closed for more than a year. Businesses in the tourism sector will find it difficult to re-enter the market after the crisis, so financial subsidies are required to reactivate the tourism service system across the country.

VII. CONCLUSION

The outbreak of the Covid 19 epidemic had a terrible impact on the labor market in Vietnam. The labor force structure has changed significantly, directly affecting the life and income of the employees. The research indicates the opportunities that the labor market presents and the challenges it faces.

In order for the labor market in Vietnam to be calm again, the government and enterprises must have policies and solutions to overcome this difficult period, recover and develop in the future.

CONFLICT OF INTEREST

The authors declare no conflict of interest.

AUTHOR CONTRIBUTIONS

The main research paper is the contribution and wisdom of all team members. The first is the contribution of Dr. Nguyen Van Ha with the establishment of the group, giving suggestions and supporting the group in the process of finding the topic as well as completing the research paper.

Pham Minh Giang and Le Hoang Nam contributed in finding relevant studies, topics, and relevant data. Tran Nguyen Hoan and Do Van Thang contributed in the analysis of the searched data. Finally, the conclusion and practical significance of the study were discussed and agreed upon by the whole group through many research processes.

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Vietnam. She also had completely practical knowledge of strategic management.

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