



DEZAN SHIRA & ASSOCIATES

Your Partner for Growth in Asia

Labor Market Study in Quang Ninh

August, 2021



Table of Contents

Executive summary	03
Part 1 Labor Availability	05
Labor Supply	06
Labor Demand	09
Future Development	11
Part 2 Labor Cost and Productivity	12
Labor Cost	13
Labor Productivity	16
Future Development	17
Part 3 Key Labor Issues faced by Companies in the Region	18
Ease of Recruitment	19
Labor Turnover	20
Skill Shortage and Skill Mismatch	21
Part 4 SWOT Analysis of the Labor Market	23



Executive Summary

- ◆ **Part One: Labor Availability**
- ◆ **Part Two: Labor Cost and Productivity**
- ◆ **Part Three: Key Labor Issues faced by Companies in the Region**
- ◆ **SWOT Analysis of the Labor Market**

Executive Summary

Quang Ninh Province is a strategic investment location in northern Vietnam and part of the economic triangle in the North (Hanoi – Hai Phong – Quang Ninh). It is also located in the Vietnam-China economic cooperation area with "Two Corridors and One Belt", inter-regional cooperation of extended Gulf of Tonkin, ASEAN-China connection point and Nam Ninh-Singapore economic corridor. As a result, Quang Ninh posts great potentials to develop cross-border trade, sea trade, and commercial services.

Quang Ninh has abundant workforce with young labor structure and high labor productivity. The quality of labor in recent years has also gradually improved; the trained labor has partly met the requirements of the business and the labor market. The labor demand is expected to rise significantly as more industrial parks are likely to be inaugurated in the next few years; in particular, the demand for unskilled labor is likely to rise further. Labor cost in Quang Ninh is considered to be lower compared to its peer regions, such as Bac Ninh – Bac Giang or Binh Duong – Dong Nai.

The government has been continuing to improve the investment and business environment in Quang Ninh. Tax incentives have been one of the key elements in this metro area's tax policy, helping it to become an attractive investment destination for foreign direct investment. Along with tax incentives, a number of infrastructure improvement and upgrading projects have been completed and put into use, thereby gradually improving the quality and safety of the infrastructure in the city.

With its geographical location and access to highways and seaports, close proximity to China, and the government's push to attract FDI, Quang Ninh bodes well for investors looking to shift equipment, save costs, and expand trade with its ASEAN neighbors.



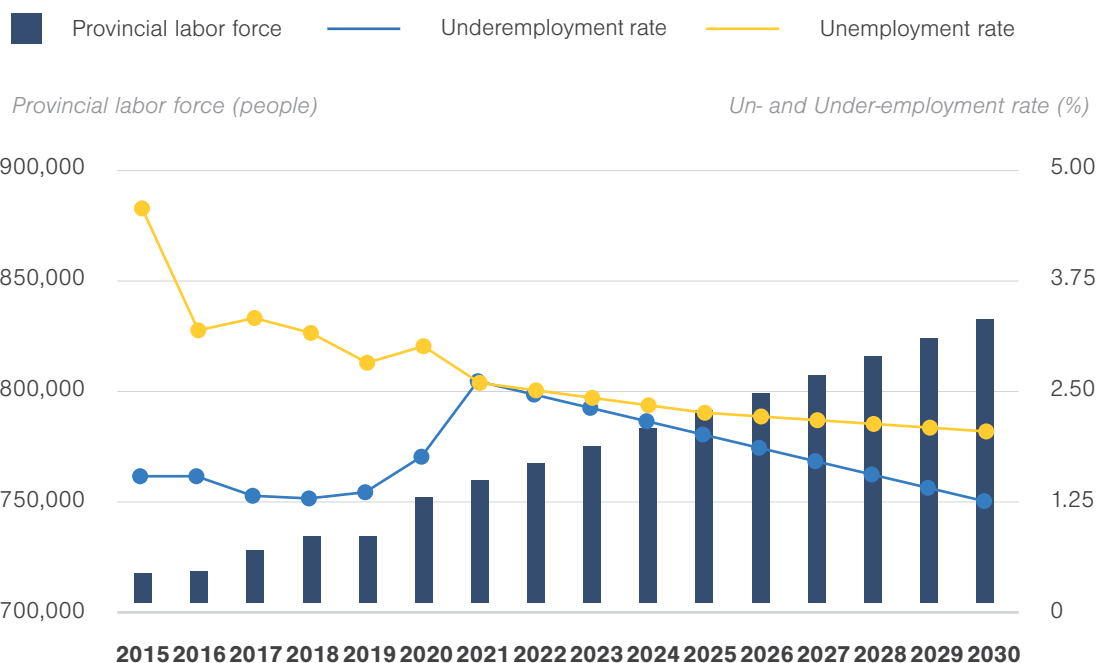
Labor Availability

- ◆ Labor Supply
- ◆ Labor Demand
- ◆ Future Development

Labor Supply

Quang Ninh is a province along the northeastern coast of Vietnam, with nearly 80% of the area is mountainous with abundant land, forest water and mineral resources. Roughly 90% of coal output in the country is extracted in this province. Being in the northern economic triangle (Ha Noi – Hai Phong – Quang Ninh), the province has abundant resources and has immense potential to develop the economy in tourism, agriculture and industry sectors.

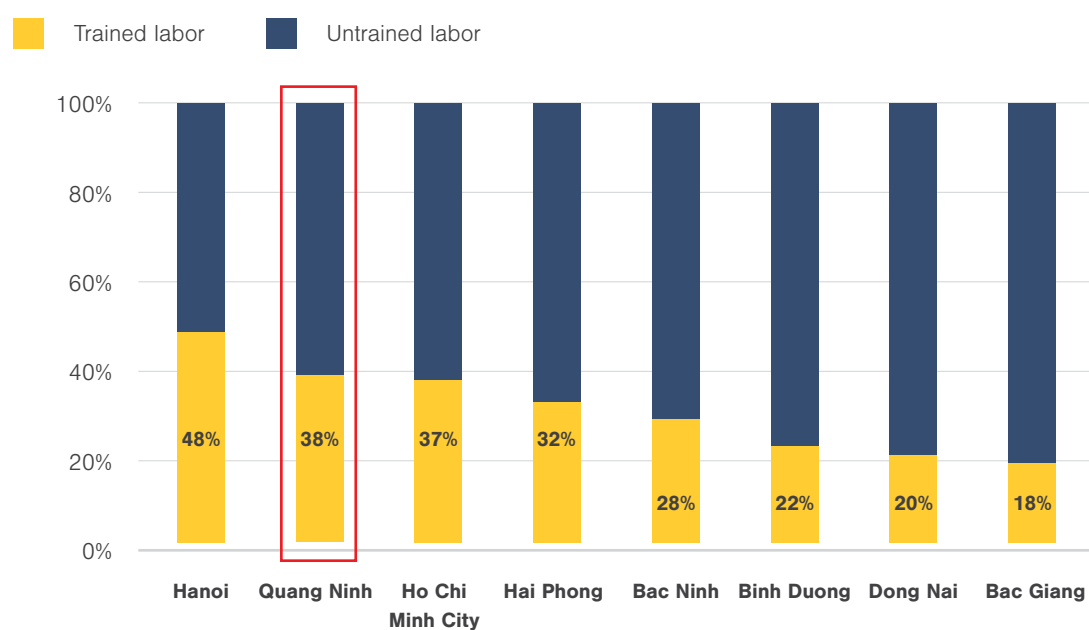
Labor Supply in Quang Ninh, 2015-2030



Source: General Statistics Office of Vietnam (GSO)

Quang Ninh has abundance of well-trained labor force from the local community. Percentage of trained labor at 15 years of age and above in Quang Ninh is 38%, which is a high percentage among other provinces in Vietnam.

Percentage of trained labor aged 15 years and above



Source: Provincial Competitiveness Index (PCI) 2020

Education and Training indicators, 2020

Universities and Colleges

Number of universities	4
Number of colleges	8
Annual number of graduates from universities and colleges	5,000 – 6,000

Vocational Training

Number of vocational training institutions	42
---	----

The province's labor supply comes mainly from the locality. About one third of current labor force in industrial parks coming from other provinces. They come from not only the surrounding areas, such as Hai Duong, Hai Phong, Lang Son Province but also from northern mountainous areas such as Tuyen Quang, Lao Cai, Yen Bai, Dien Bien, etc.

The labor structure by economic sectors in the recent period has shown a relatively clear shift. This shift is in line with the economic restructuring of the province, meeting the demand for human resources for the key development sectors in the area.

Quang Ninh's labor structure, 2015-2020

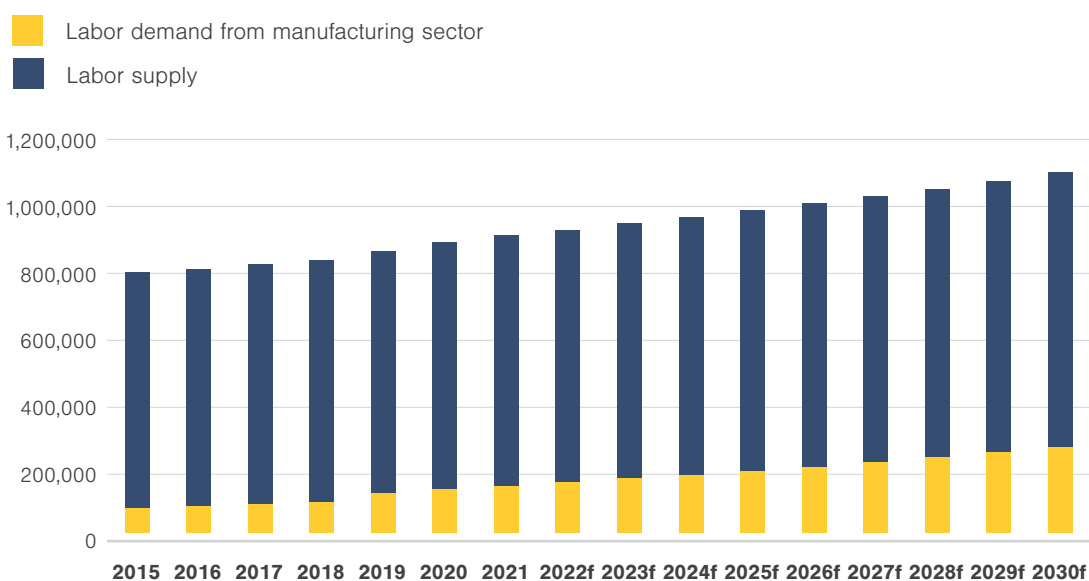
Sector	Percentage of labor force (%)	
	2015	2020
Agriculture, forestry and fishery	32.5	28.1
Industry and Construction	30.8	30
• <i>Manufacturing</i>	15.7	22.8
• <i>Others</i>	15.1	7.2
Services	36.7	41.9

Source: Quang Ninh Portal

Labor Demand

Labor demand in manufacturing sector in Quang Ninh is growing over the years. In 2020, percentage of annual employed population in this sector accounted for 22.8% of total labor demand. Going forwards, this demand is forecasted to rise faster and account for an increasingly larger share.

Quang Ninh's labor demand and supply



Source: DSA calculation based on data of General Statistics Office (GSO)

Quang Ninh has quite many industrial parks in different sizes and they were put into operation in different timelines. Currently, there are 11 industrial zones included in the development plan of the government, of which 6 are operating. According to Quang Ninh Labor Federation, human resources in industrial parks continuously increased in the period 2015-2020. Migrated labor are increasingly important in these locations.

Labor demand in Quang Ninh's industrial park, migrated and local, 2015-2025

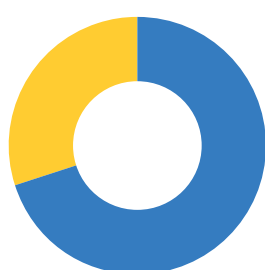
Labor in industrial parks	2015		2020		2025	
	Number of labor	Percentage of total labor	Number of labor	Percentage of total labor	Number of labor	Percentage of total labor
Total labor	11,700	100.0%	33,000	100.0%	132,000	100.0%
Migrated labor	3,300	28.2%	10,000	32.4%	48,312	36.6%
Local labor	8,400	71.8%	23,000	67.6%	83,688	63.4%

Source: Quang Ninh Portal

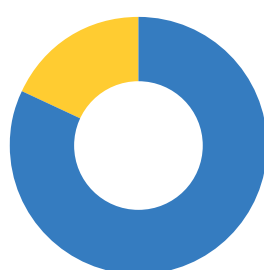
Over the last 5 years, the biggest increase in demand is for untrained workers. However, according to the Quang Ninh Department of Labor, War Invalids and Social Affairs, recruitment demand of enterprises will increase sharply for skilled labor in manufacturing industries.

Labor demand in Quang Ninh's industrial park, untrained and trained, 2015-2025

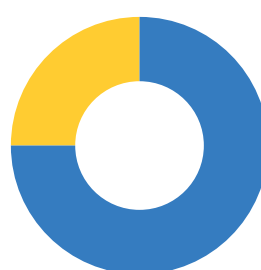
■ Untrained labor ■ Trained labor



Demand in 2015



Demand in 2020



Demand in 2025

Source: DSA estimation

Future Development

Labor competition in Quang Ninh is significantly lower than that in its peer regions, as there are not many industrial zones operating in the province. However, some enterprises still have certain difficulties in accessing labor supply in Quang Ninh due to limited labor resources. Nevertheless, the gap between labor demand and supply in terms of quantity is expected to be filled in the next decade, driven by decreasing labor outmigration rate.

One advantage in attracting labor supply to Quang Ninh is the establishment of many economic zones (EZ) in this province. Under government planning, the newly-established Quang Yen Coastal EZ is positioned to become one of the leading business hubs in Northern Vietnam, along with Van Don Coastal EZ. Quang Ninh is expected to attract a great number of investors from a variety of business lines, and simultaneously become the land of opportunity for labor. This recent development shall promote the improvement of business environment and living standards for people within and nearby the EZ. As a result, in the next decade, this trend shall reduce the number of immigrants from Quang Ninh to other areas. Local residents shall seek for opportunity at the hometown instead, providing a stable source of labor supply for investors in Quang Ninh.

Previously, Quang Ninh is known for labor export. However, in upcoming years, the current negative net migrant rate is forecasted to reduce further and even become positive, driven by local economic development. By 2025, labor supply from Quang Ninh is forecasted to reach 792,000. Meanwhile, labor demand from businesses in industrial zones is projected at 132,000 workers, accounting for roughly 16.7% of the future labor supply. Local workforce will play an increasingly



Labor Cost and Productivity

- ◆ Labor Cost
- ◆ Labor Productivity
- ◆ Future Development

Labor Cost

A salary is understood as an amount the employer pays the employee under an agreement for a work performed by the latter. Salary equals base salary plus allowances and any other additional amount. The base salary must not be less than the statutory minimum wages.

Comparison to Regional Peers

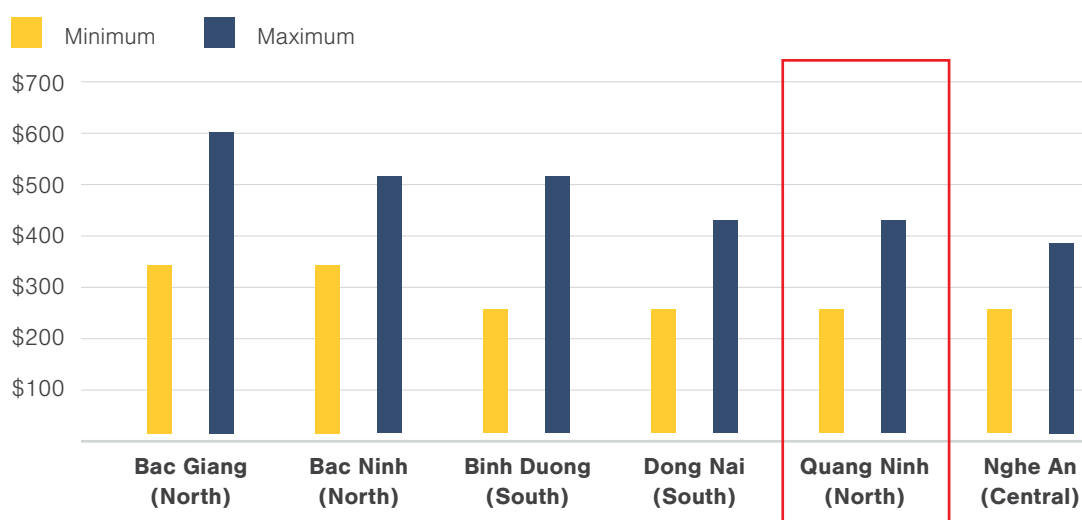
Vietnam is one of the countries whose lowest labor cost compared to other ASEAN manufacturing hubs. The table below highlights the top two countries in terms of labor cost for each job category.

Average wages of ASEAN countries					
Country	Monthly salary (US\$) (monthly amount of real obligation fees): Total liability for an employee (the total of annual base salary, benefits, social security, overtime allowances, and bonuses, excluding severance benefits, as of FY2020)				
	Manufacturing: Worker	Manufacturing: Engineer	Manufacturing: Manager	Non-manufacturing: Staff member	Non-manufacturing: Manager
Indonesia	508	730	1,541	664	1,571
Thailand	678	1,149	2,227	1,387	2,526
Vietnam	344	649	1,375	794	1,688
Philippines	399	618	1,561	837	2,068
Malaysia	587	1,140	2,173	1,250	2,679

Source: DSA estimation

Quang Ninh is among the industrial clusters that offer lowest salary in Vietnam. According to Navigos Search, labor cost in Quang Ninh is only slightly higher than Nghe An, its Central competing area, while remains lower than Bac Ninh, Bac Giang, Binh Duong and equals Dong Nai.

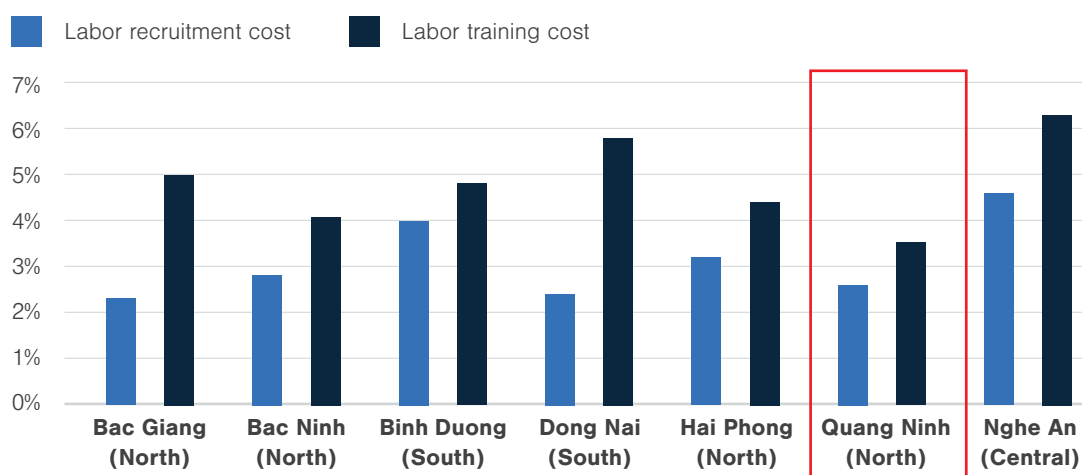
Monthly salary of operators in industrial clusters in Vietnam



Source: Navigos Search

Furthermore, Quang Ninh has relatively low recruitment and training cost, according to the Provincial Competitiveness Index 2020.

Labor recruitment and training costs as percentage of business cost

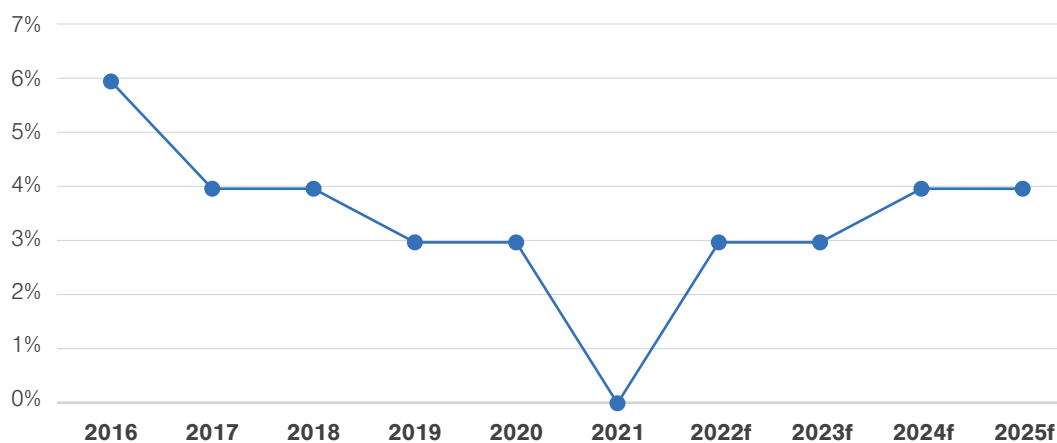


In this context, labor cost for investors in Quang Ninh in general remains competitive compared to other regional peers.

Forecasted Labor Cost Growth

Annual labor cost growth in the manufacturing sector (direct labor), Quang Ninh, 2016-2025

Growth



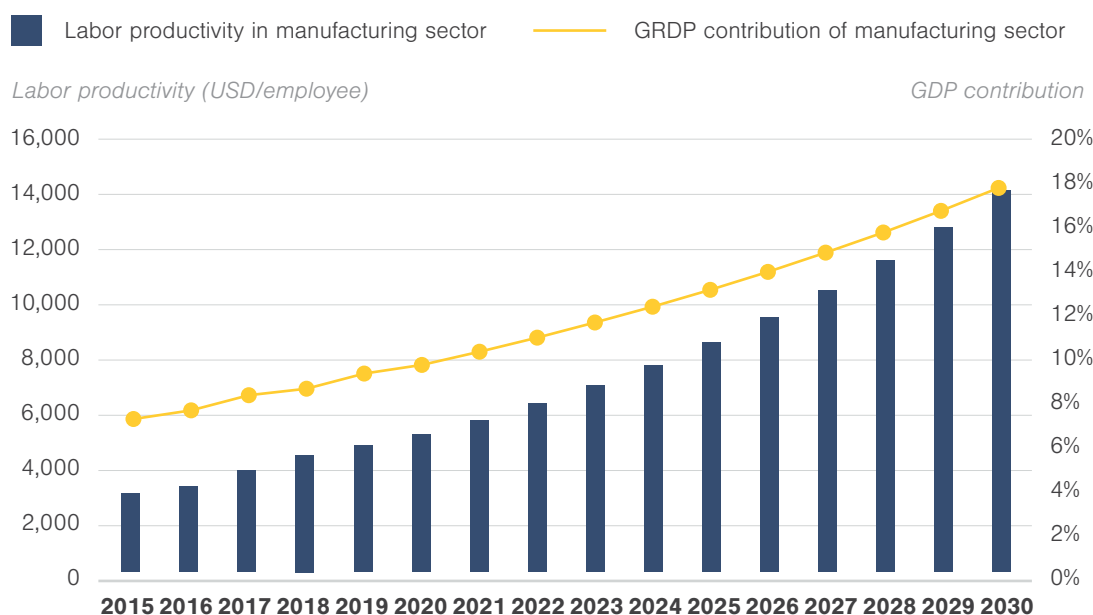
Source: DSA estimation

Due to economic challenges posed to businesses on account of Covid-19, the minimum wage is kept unchanged in 2021, and the labor cost is witnessed no increase this year. However, next year, with good disease control of the government, and most businesses have actively resumed operations, Labor cost is expected to gradually increase every year, but only around 4%. Skilled labor can get a higher raise between 7 -10%.

Labor Productivity

Labor productivity is the indicator reflecting the working performance of labor, measured by Gross Domestic Product to a worker on an average in a calendar year.

Labor Productivity in Quang Ninh



Source: DSA calculation based on data of General Statistics Office (GSO)

Over the years, Quang Ninh's labor productivity has continued to improve significantly by a steady increase. In particular, with GRDP in 2020 reaching 9 billion USD, labor productivity of the province at current prices was estimated at 5,300 USD/employee, showing an increase of 8% compared to 2019. On average, in the period 2015-2020, labor productivity increased by 11% per year, higher than the average growth rate of the whole country. According to Vietnam Chamber of Commerce and Industry, Vietnam's labor productivity in period 2015-2020 increased by only 5.8%, reaching 5,100 USD/employee.

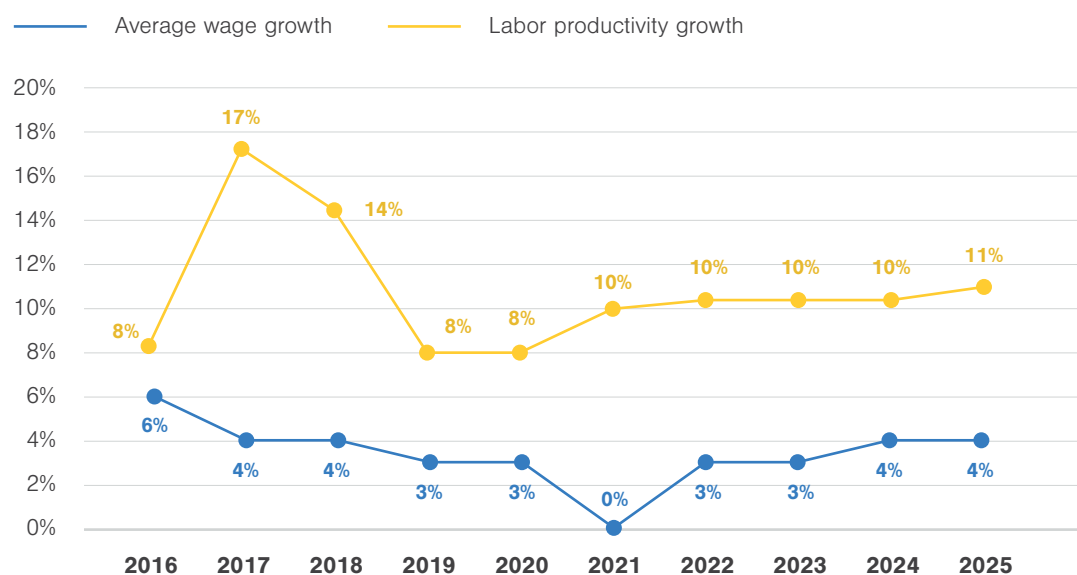
Statistics show that the majority of workers working 48 hours per week. Labor in manufacturing industries, particularly in FDI enterprises, has a rather high number of working hours, from 50-56 hours per week.

Future Development


Currently, manufacturing labor productivity in Quang Ninh is estimated at 5,300 USD per year, slightly higher than the national average. By 2025, labor productivity in Quang Ninh's manufacturing sector is projected to increase by over 1.5 times. Nevertheless, there will still be productivity gaps in niche positions, especially for technical workers.

However, in comparison to average labor cost, manufacturing labor productivity in Quang Ninh has a significantly higher growth rate. This trend is projected to continue in the next 5 years, driven by the increasingly qualified workforce.

Wage Growth vs Productivity Growth of the Manufacturing sector



Source: DSA estimation



Key Labor Issues faced by Companies in the Region

- ◆ **Ease of Recruitment**
- ◆ **Labor Turnover**
- ◆ **Skill Shortage and Skill Mismatch**

Ease of Recruitment

Employees are seen to prefer employment in areas close to their home provinces so that they can travel back to their home provinces on a day off. Providing workers, a means of transportation such as buses act as an incentive for them. Workers from the mountainous areas generally rent a place to live in Quang Ninh, and companies shall provide them monthly housing allowance.

According to DSA's survey, for manufacturing companies in Quang Ninh, it takes them around 1-2 months to recruit unskilled labors. Companies wishing to recruit large number of unskilled and semi-skilled labor (from 500 to 1000 people) should divide the recruitment process into two to three phases.

With regard to skilled labor, companies need around 2-3 months to recruit skilled labor positions. Positions such as accountants, admins are easy to recruit, but the position of mechanical engineering or quality management would be challenging. Foreign-invested companies tend to bring their current staff from abroad to work in such roles in Vietnam for at least for the first few years. They are expected to gradually transfer the knowledge and technology to local staff to enable them to takeover these roles subsequently.

Recruitment criteria of companies in Quang Ninh		
Unskilled workers	Semi-skilled workers	Skilled workers
<ul style="list-style-type: none">• Male / Female under 40 years of age• Secondary school degree (grade 9) or above• No experience required• Should be able to work in shifts• Should be available for free training after accepting job offer	<ul style="list-style-type: none">• Male / Female under 40 years of age• High school degree (grade 12) or above• Basic technical skills and knowledge is required. For example, welding.• Should be able to work in shifts• Should be available for free training after accepting job offer	<ul style="list-style-type: none">• Preferably male / female under 40 years of age• Bachelor's degree or above• More than 3-5 years of related working experiences• Professional skills and knowledge about the company's business line as well as other relevant industries are required. Leadership is also important for managerial positions• Proficiency of a second language (English, Chinese, Korean or Japanese)

Labor Turnover

There are two times in a year when labor often change their jobs, according to Navigos Search:

1. The highest peak occurs at the end of Q1, and at the beginning of Q2 every year, particularly in April-May after employees have received their 13th month salary, KPI bonus and expect a salary adjustment.
2. Low season from June to August, which is the season that companies deliver orders to clients.

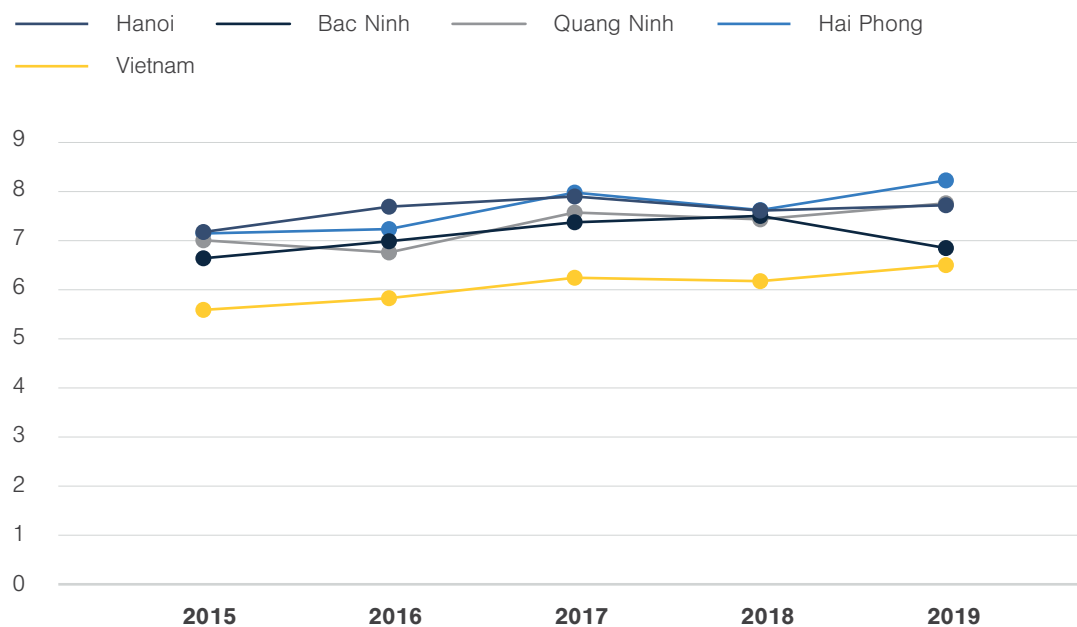
It has also been noted by this HR firm that new businesses should recruit from July to August and commence in October. From June onwards, students graduate, and it is the suitable time to recruit young workers with no intention of engaging in tertiary education.

For companies, not only monthly salary but also other welfares are key factors for attracting labor. In order to retain employees and avoid labor turnover after Tet Holiday, in addition to the 13th month salary bonus, companies organize buses take the workers home for Tet Holiday and then pick them up from their hometown to back to work in Quang Ninh. Some other companies also offer bonuses for those who come to work in the first 3 days of the new year. This has encouraged employees, helped them feel secure, stick to their work and return to work right at the beginning of the new year.

Skill shortage and skill mismatch

It can be seen that Quang Ninh has a full system of vocational education and training centers, contributing to vocational training for the labor force inside and outside the province. This is also reflected in the Labor Training Index - one of the 10 component indexes of the Provincial Competitiveness Index (PCI). The Labor Training Index measures the province's efforts to promote vocational training and skills development to support local industries and help workers find jobs.

Labor Training Index in Quang Ninh



Source: Provincial Competitiveness Index (PCI)

During the period 2015-2019, the Labor Training Index of Quang Ninh was always ranked in the high group. In 2019 it rose to the second position of the Red River Delta region, behind Hai Phong (8,24). This index of the province is always higher than the national average and of the whole Red River Delta region. On average for the whole period, Quang Ninh ranked 5th in the country on the Labor Training Index (after Da Nang, Hanoi, Hai Phong and Thai Nguyen). The results of PCI Vietnam's report show that the percentage of labor in the province that can meet the requirements of enterprises in Quang Ninh is relatively high, reaching over 70%. This can also be considered as one of the factors contributing to improving Quang Ninh's position in the national PCI ranking. 2019 is the third year in a row that Quang Ninh ranks No. 1 according to the provincial competitiveness rankings announced by VCCI.

However, there remain a minor share of graduates in the city that is weak in terms of foreign language skills and adaptability to the working environment. In addition, some specific positions in the manufacturing industry that current labor force is lacking include:

- Technical lab, in accordance with industry standard.
- Pattern development/ Design in the garment industry
- Technical worker, CNC operator, automation machine operator

Considering such gaps, instead of sourcing from vocational schools, many companies choose to recruit unskilled workers and train them properly from scratch. The companies normally provide training on skills used in production: production process, work safety, machine operating methods, etc. Some companies also train employees in soft skills, such as business manner and problem solving.



SWOT Analysis of the Labor Market

SWOT Analysis of the Labor Market

Peer regions are taken into consideration:

- **Bac Ninh, Bac Giang (North)**

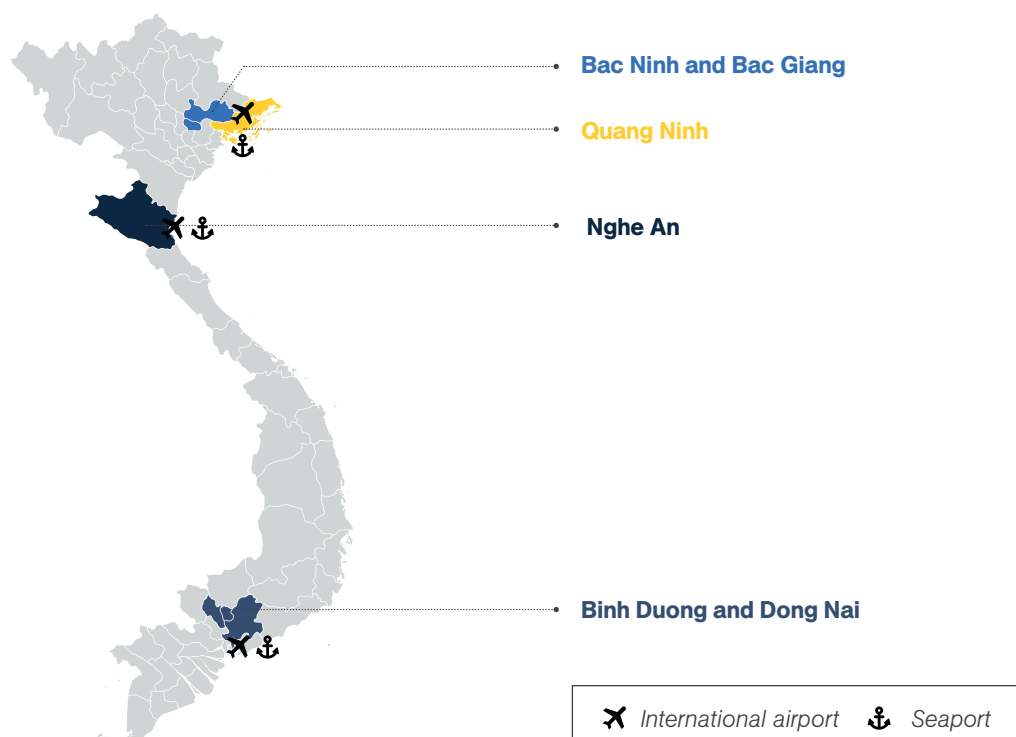
Bac Ninh and Bac Giang have been considered as the main electronics manufacturing hub of Vietnam, supported by a favorable location, well-developed infrastructure and an abundant young labor force. Thanks to production innovations and governmental incentives, this hub has attracted investments from 40 countries with advanced and modern industrial production such as Japan, Korea, EU, USA, etc.

- **Nghe An (Central)**

Located in the heart of Vietnam's Northern Central region, Nghe An province has recently emerged as a viable alternative for the Hanoi – Hai Phong Metro Area when it comes to supply chain relocation. Cross-border connectivity, strong support from local leaders, and an abundant labor supply with lower labor cost are the key drivers which are turning Nghe An into a magnet for investment.

- **Binh Duong, Dong Nai (South)**

Binh Duong and Dong Nai is considered as the industrial hub of the Southern Vietnam that has over 20 years of experience in industrial zone operation and well-developed infrastructure. Binh Duong is currently ranked third in the country in terms of attracting foreign investment, followed after Ho Chi Minh City and Hanoi Capital. It is also the cluster with the highest concentration of labor in Vietnam, especially of trained workers. Manufacturing activities are diversified, including textile and garment, footwear, food processing, electronics, mechanical engineering, etc.



Strengths, weaknesses, opportunities and threats of the labor market in Quang Ninh, with comparison to other peer regions

STRENGTHS

- Abundant workforce and young labor structure, population in working age 15 - 64 years old accounts for 67%.
- High percentage of trained labor (38%) compared to other industrial clusters (Bac Ninh 28%, Bac Giang 18%, Binh Duong 22%, Dong Nai 20%)
- Gradually improving labor quality and productivity. Trained and technical workforce has partly fulfilled the expectations of companies in the region.
- High availability and quality of education institutions and training centers.
- Relatively lower turnover rate. In other peer regions, unskilled labors are more concerned with the total salary they receive per month. As long as the salary elsewhere is at least VND 500,000 (USD 22) higher than their current company, they are willing to change jobs.

WEAKNESSES

- Percentage of labor force aged 15 and over in the total population of the area in Quang Ninh (56%) is lower than in Bac Giang (61%) and Binh Duong (67%)

OPPORTUNITIES

- Labor structure is expected to shift from other sectors such as agriculture or tourism towards manufacturing industries.
- The contribution of manufacturing industry in the GRDP is growing every year and will reach 15% in 2025. Labor productivity is therefore improved and expected to increase to over 8,600 USD by 2025.

THREATS

- Labor demand will rise significantly as more industrial parks are expected to be inaugurated in the next few years. In particular, the demand for unskilled labor is expected to rise.



DEZAN SHIRA & ASSOCIATES

Your Partner for Growth in Asia

- Dezan Shira & Associates Offices
- Dezan Shira Asian Alliance Members



Global Offices

CHINA

Beijing
beijing@dezshira.com

Dalian
dalian@dezshira.com

Dongguan
dongguan@dezshira.com

Guangzhou
guangzhou@dezshira.com

Hangzhou
hangzhou@dezshira.com

Ningbo
ningbo@dezshira.com

Qingdao
qingdao@dezshira.com

Shanghai
shanghai@dezshira.com

Shenzhen
shenzhen@dezshira.com

Suzhou
suzhou@dezshira.com

Tianjin
tianjin@dezshira.com

Zhongshan
zhongshan@dezshira.com

HONG KONG

hongkong@dezshira.com

INDIA

Delhi
delhi@dezshira.com

Mumbai
mumbai@dezshira.com

INDONESIA

Jakarta
indonesia@dezshira.com

Batam
batam@dezshira.com

SINGAPORE

singapore@dezshira.com

VIETNAM

Da Nang
danang@dezshira.com

Hanoi
hanoi@dezshira.com

Ho Chi Minh City
hcmc@dezshira.com

MONGOLIA

mongolia@dezshira.com

DEZAN SHIRA ASIAN ALLIANCE MEMBERS

Bangladesh
bangladesh@dezshira.com

Malaysia
malaysia@dezshira.com

Thailand
thailand@dezshira.com

The Philippines
philippines@dezshira.com

Japan
japan@dezshira.com

Cambodia
cambodia@dezshira.com

South Korea
southkorea@dezshira.com

DEZAN SHIRA LIAISON OFFICES

Germany
germandesk@dezshira.com

Italy
italiandesk@dezshira.com

U.S.A.
usa@dezshira.com



Please email asia@dezshira.com or visit www.dezshira.com