



## Opportunities and challenges for vietnam society and labor market when signing evfta agreement

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**Abstract-** Recently Vietnam and EU has signed EVFTA agreement which will bring more opportunities for Vietnam labor market.

This paper will analyze both opportunities and challenges for labor market from this signed agreement. Authors use statistics, qualitative analysis with synthesis and explanatory methods.

Research findings show that Vietnam labor force are quite competitive and cheap, but there is lots of work for Vietnam laborers to do to improve skills, expertise and productivity to meet to new standards from EU. It will involve some policy implications.

**Keywords:** Labor market, evfta, vietnam, opportunities, challenges.

### I. INTRODUCTION

After nearly 10 years of negotiation, on the afternoon of June 30, 2019, in Hanoi, the Free Trade Agreement (EVFTA) and the Investment Protection Agreement (IPA) between Vietnam and the European Union was signed. The completion of the negotiation and signing of these two Agreements will further strengthen the bilateral relationship between Vietnam and the European Union, especially in the economic-trade field. The EU is currently one of the leading trade partners of Vietnam with two-way turnover in 2019 reaching 56.45 billion USD, of which exports reached 41.5 billion USD, imports from the EU reached 14.9 billion USD.

With the elimination of up to 99% of export tariffs, EVFTA will help Vietnamese businesses have more opportunities to compete on commodity prices when exporting to the European market. This is expected to bring many job opportunities and increase income for Vietnamese workers, especially in manufacturing sectors such as textiles, footwear, furniture and seafood. However, from here on, EVFTA will likely place businesses in the face of competition in terms of labor resources as well as the challenge of high quality human resources to meet increasingly stricter requirements on goods quality services of the European market. The opportunities that EVFTA brings to Vietnamese businesses are huge, but to realize such opportunities requires Vietnam to make adjustments in its current human development strategy, it is necessary to ensure Human resources meet the requirements of the trend of integration in EVFTA, especially high-level human resources. In order to develop these strategic solutions, it is necessary to study the current human resource situation in Vietnam, point out challenges for Vietnam's labor market when signing EVFTA Agreement.

### II. LITERATURE REVIEW

First, Grumiller et al (2018) mentioned while also targeting remaining traditional trade barriers, such as tariffs and quotas, above all they aim at tackling other issues that are deemed relevant for trade. Amongst these figure investment liberalization and protection, intellectual property rights, public procurement, competition law and state aid, as well as non-tariff-measures. The latter include SPS-standards, technical

barriers to trade, but also sector regulation and administrative procedures. In addition, it is emphasized by the EU that sustainable development aspects, in particular as they relate to human rights, labor standards as well as environmental aspects also need to be integrated into modern trade policy.

Beside, Quy and Hai (2020) said The official free trade agreement between Vietnam and the European Union has opened up many opportunities and challenges for the Vietnamese economy in general and the wood industry in particular. However, the perception of opportunities and challenges for wood industry enterprises when Vietnam joins EVFTA is still a problem with many different perspectives. Therefore, conducting research on many different angles is necessary.

Nga, Huy, Minh and Dat (2020) European-Vietnam Free Trade Agreement (EVFTA), signed on 30 June 2019, is one of the new generation Free Trade Agreements between Vietnam and 28 European Union member states. It is a comprehensive and high-quality agreement which ensures opportunities and challenges on developing trade for both Vietnam and the EU as well as boosting economy over the integrated period. Automobile is one of the most important goods exports in the EU and is one of the goods imports in Vietnam that experiences a significant decrease of tariff after the trade deal takes effect. The study would use Single market partial equilibrium simulation tool (SMART) to evaluate the potential impact of EVFTA on the imports of automobile in Vietnam. The result of the tool suggests that after the trade agreement takes effect, the European nations would boost export turnover of automobile to Vietnam by the declination of tariff to 0%. To be specific, Germany shows that its export turnovers surges compared to other nations, the subsequent ranks are Sweden, Italia and Slovakia. The SMART tool also claims that nations which are not in the European Union would have a negative growth of automobile exports to Vietnam after the agreement has effect.

Last but not least, Hoang Tien and Vuong Hoang (2020) points out that despite of having a strong mindset of globalization, Vietnam's public expenditures are still loosely covered by laws, which leads to irrational allocation on national budget. A number of implications are suggested to localize the EVFTA's regulations and recommendations are made to apply modern technologies to improve the procurement system, especially on the capacity of government on managing the government procurement sector. The authors hope to help state authorities to have a broader look and improve the sector as well as embrace the opportunities from EVFTA regarding government procurement sector.

### III. METHODOLOGY

#### Method and Data

The method used in this research is qualitative analysis and explanatory research. The analysis process was carried out by using historical information and with historical and dialectical materialism methods.

### IV. MAIN RESULTS

#### Opportunities that EVFTA Brings to Vietnam's Labor Market

Opportunities	Analysis or Comments
<p>The EVFTA Agreement will ensure working conditions for employees. Commitments on labor issues in the EVFTA Agreement as well as the new generation free trade agreements have become a common requirement and trend nowadays, as development partners have higher requirements. in addition to economic development goals such as labor, environment, climate change, natural resources, etc. Labor commitments are provided in Article 3 of the Trade and Sustainable Development Chapter of the EVFTA Agreement, issue multilateral labor standards and agreements on trade-related issues. Accordingly, Vietnam and the EU are committed to promoting trade development while helping create sustainable and rich jobs for all, and approving and fulfilling the obligations and regulations of International Labor Organization (ILO) Basic Conventions. The basic principles and labor rights outlined in the 1998 ILO Declaration include: freedom of association and effective recognition of the right to collective bargaining; eliminating all forms of forced or compulsory labor; abolishing the effectiveness of child labor; and eliminate discrimination in employment and occupation. As such, these commitments will contribute to improving working conditions, reproducing labor power and improving the quality of human resources.</p>	<p>Labor market and Vietnam environment will be improved and integrated with European culture</p>

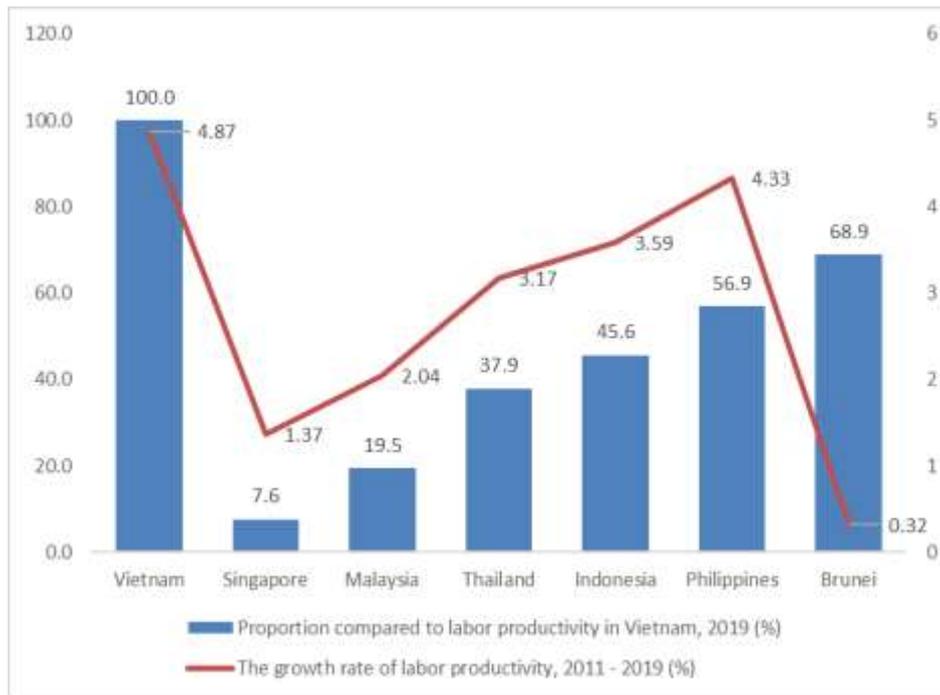
Specifically, workers will have the opportunity to improve their legal rights in terms of minimum income, work and living environment, as well as opportunities to join associations and unions, including looking for new job opportunities. Besides, Vietnamese workers will have many opportunities to compete and improve skills. The EU places many requirements on product quality as well as strict production processes. This pressure will be transferred by the business to the employees, creating opportunities for employees to learn to exchange experiences or forcing employees to rub and improve their skills.

New employment will be opened for Vietnam laborers  
Vietnam laborers and workers can learn and adapt to new quality requirements from EU.

### Challenges Facing Vietnam's Labor Market

Challenges	Analysis or Comments
<p><b>EVFTA sets out the principles of labor:</b> In addition to its economic benefits, EVFTA also aims to promote sustainable development in both Vietnam and the EU. The agreement focuses on occupational, social and environmental sustainability. EVFTA does not set labor standards, but sets labor standards related to the current legal system, related to Vietnam's commitments to the ILO conventions (National Labor Organization practice).</p> <p>Vietnam and the EU have agreed on a program with commitments to reaffirm respect and effectively promote the four basic labor standards under the 1998 Declaration of the International Labor Organization (ILO), including These include: workers' right to freedom of association and collective bargaining, termination of forced labor, elimination of child labor and elimination of all forms of labor discrimination.</p>	<p>Challenges come from new labor standards</p> <p>- Both Vietnam and EU regulations will regulate Vietnam labor market</p>
<p><b>The quality of Vietnamese labor force is a "barrier" for enterprises to take advantage of opportunities from EVFTA:</b> The signing EVFTA will open up great opportunities for the Vietnamese economy but also create great challenges for the labor market. The business characteristic of European enterprises is based on technology, so the labor requirement of these enterprises is not simply cheap labor, but requires skills and expertise. . However, the current quality of Vietnamese labor generally does not meet the development requirements of businesses in the context of international integration and Industry 4.0.</p> <p>Vietnam is still lagging behind the labor productivity of many ASEAN + 6 countries. According to PPP 2011, the labor productivity of Vietnam in 2019 was only equal to 7.6% of the productivity of Singapore; 19.5% of Malaysia; 37.9% of Thailand; 45.6% of Indonesia; 56.9% of the Philippines and 68.9% of Brunei. This shows that Vietnam's economy will face huge challenges in the coming time to be able to catch up with the labor productivity of ASEAN + 6 countries. The limitation in the quality of Vietnamese labor over the years is clearly reflected in economic indicators, in particular, this is clearly reflected in the GDP per capita of the employed worker. The World Bank has annual reports on this issue by countries as well as country-by-year comparisons.</p>	<p>Skills and expertise of Vietnam workers might be enhanced under EVFTA</p> <p>- Lots of works to be done to improve productivity of Vietnam laborers</p> <p>We need to increase GDP per capita, not only productivity over years</p>

## V. DISCUSSION



**FIGURE 1: Comparison of Vietnam's labor productivity with ASEAN countries' labor productivity, 2011 - 2019 (%)**

(Source: Asian Productivity Organization, 2020)

Vietnam's labor productivity has many improvements over the years. Vietnam's labor productivity growth rate in the 2011-2019 period was higher than that of ASEAN-6 countries.

## VI. CONCLUSION

During EVFTA signing impacts, Vietnam labor market will have both chance and challenges.

Vietnam workers and laborers might gain benefits and adapt to progressive EU labor standards and regulations.

However, they might increase more expertise and skills to meet new labor standards.

### Policy Implications

Proposing policy solutions to improve the quality of Vietnamese labor, enhance the competitiveness of Vietnamese workers, and meet the needs of domestic and foreign enterprises, especially businesses from Europe.

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