

VIETNAM

BY LAURENT QUISTREBERT



A

fter years of uncertainty, Vietnam today is the second-fastest growing economy in the world behind China and a focus for investment in Asia. In recent years, Vietnam has put significant effort and energy into improving its economic outlook and attractiveness as a place for growth and foreign investment. In 2007, Vietnam recorded a GDP growth rate of 8 percent, which makes it one of the fastest growing economies in the region ahead of India, Indonesia, Malaysia, Philippines, and Thailand.

High-rise buildings and luxury hotels, accredited international schools, international medical facilities, the arrival of many global companies and growing expatriate communities—especially within the two major cities of Hanoi and Ho Chi Minh City (formerly Saigon)—are signs of the changes taking place.

Vietnam is a smart business choice that also is appealing to foreigners living there for many other reasons.

Vietnam as a whole is a peaceful country; Vietnamese are gentle, amiable, hospitable, family-oriented and welcome foreigners with open arms. The crime rate is low and, apart from pickpockets in main cities, you feel very safe walking in the street anytime of day or night.

Add to this the emphasis given by the government on education, and you will be pleasantly surprised to find little difficulty speaking English to Vietnamese people in the office, in the tourist markets, or even on the street.

No doubt, challenges will arise out of cultural differences. Anyone relocating from another Asian country will recognize the strong Chinese cultural influence. For those coming from further afield, there will be a significant culture change. Having a destination services provider that helps you to get through this shock and find your mark is a must when relocating to Vietnam.

ATTRACTIVE OPPORTUNITIES ABOUND IN SOUTHEAST ASIA HOTSPOT

Since its entrance in the World Trade Organization at the end of 2006, Vietnam has become a new hotspot in southeast Asia and a new destination of choice for many businesses, attracting record level of foreign direct investment (FDI) during the past few years. Quistrebart provides a primer for global mobility professionals with responsibility for talent in Vietnam.

Economy and Investments

Vietnam remains highly competitive from a cost perspective, and offers investors sufficiently high potential returns. This assessment is supported by the FDI figures for Vietnam through 2008, which are considerably higher than in 2007 and have held up strongly even with much concern about inflation in Vietnam and the long-term prospects for real estate and the stock market.

There are many reasons why multinational corporations (MNCs) operate in Vietnam and in other emerging Asian countries, but labor costs remain the main reason.

Nguyen Da Quyen, operations director of the Vietnam Supply Chain Council, also explains that the recent rising wages in China added to its high inflation rate, shortages of energy, strong RMB, and government policy changes drive many MNCs to a partial delocalization of their production from China to Vietnam: high tech, automobile, textile, and consumer goods industries are some examples.

The availability and work ethic of the Vietnamese workforce, government efforts to attract investments, and a stable political environment make Vietnam an attractive option for investors; however, they are aware that the inflation, although on the decline, still remains higher than in many other emerging markets in Asia. Indeed, cost of living, imports, transportation, and raw material prices recently have increased significantly. Further, Vietnamese infrastructures, although improving, may be far from companies' expectations, according to Quyen.

Main sectors of the Vietnamese economy are industry and service. They account, respectively, for 41 percent and 38 percent of the GDP (ADB key indicator 2006). The growth of the industrial sector accelerated in the 1990s with an average of 11 percent per annum.

Workforce and HR-related Issues

You might be surprised to see only young people in the streets when visiting Vietnam. The Vietnamese

population is very young, nearly 30 percent of the population is 14 years and younger and about 65 percent belong to the working age group, which extends from 15 to 64 years.

It is useless to attempt to describe the dynamism of the population. In addition, Vietnamese are reputed for being hard-working, efficient, and talented. Although people are willing to do business, standards in terms of sophistication and know-how are slightly lower than Western ones, but Vietnamese learn fast and have a great thirst for knowledge.

However, Winnie Lam, director of HR advisory services, Navigos Group, Ho Chi Minh City, explained that “the education system is very academic.... There is a total segregation between school and work here. The authorities are working on some serious improvement but we are still many years away from seeing the impact.”

Lam also stated that, “Vietnam, in general, produces specialists but not generalists, so good management

candidates are hard to come by.” She added, “we are also lacking in the most up-to-date technology and skills training here and job candidates have limited exposure to practical experience. With a working population of average 30 years of age, you are only going to get 30-year-old’s experience.”

That is the reason why Lam expects expatriates to continue to dominate the most senior level positions for years to come. Companies should factor this in their strategic plan when planning for transfer of knowledge to local staff.

To overcome those local skill challenges, “most MNCs have started to put in management training programs to mitigate the skills gap, if not already in place,” said Lam. “Growing your own pool of talent is becoming a preferred route. Some companies also work with foreign universities to directly lure Vietnamese overseas students back home upon graduation.”

Dinh Kim Nhung, HR director, Prudential Vietnam Assurance PLC, Ho Chi Minh City, also explains that education in Vietnam is seen as a path to higher social status and internal classroom training, which is highly appreciated by the staff and becomes one of the most efficient ways of improving knowledge. “Vietnamese people love being recognized by certificates and awards,” Nhung said. “Companies should bear in mind the importance of a strong training element when building their employee acquisition and retention strategies here.

There are further HR-related challenges that face MNCs in Vietnam. Regarding compliance, “it’s difficult to keep pace with the rapid changes,” said Lam. “Even if you want to comply, you may not be able to simply because you are not being given information or tools to do so. Levels of government still struggle to coordinate regulations between state and province, causing a lot of challenge just to implement a system to comply [with]. With the ever-changing environment with WTO accession, we do not expect this to change in the coming few years as the government refines and improves its processes. Lights are definitely at the end of the tunnel, but again, not in the immediate future.”

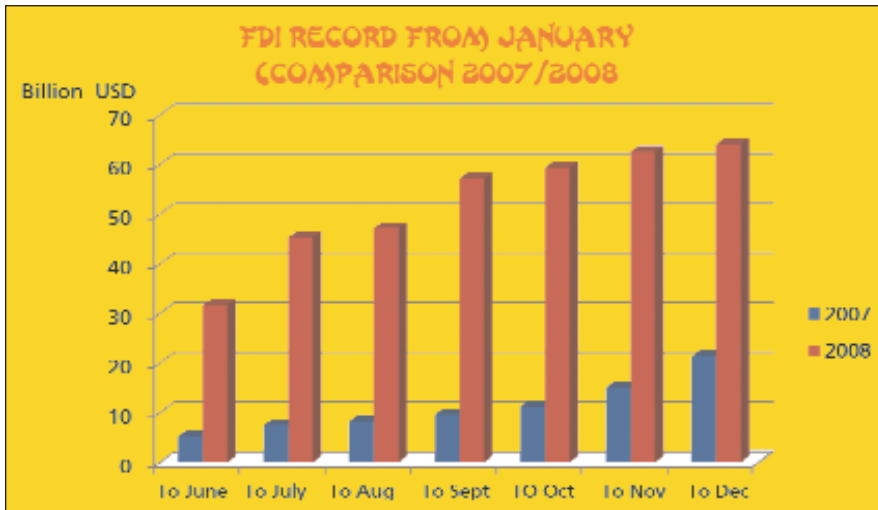
As is the case with many emerging economies, MNCs will find it difficult to find seasoned human resource practitioners with extensive experience of relocation practices, which is indeed a new concept here. This means companies must be prepared to invest time and resources to provide both guidance and training in the area of expatriate management to their local HR teams. This helps

VIETNAMESE IMMIGRATION

Immigration and foreign labor procedures in Vietnam are a complex administrative process that requires a large amount of documentation and validation. Documents will need to be verified, certified, and notarized in accordance to the Vietnamese authorities’ format and preferred wording. Any slight departure from accepted wording or in stamping may require the entire application to be re-done from scratch, which may cause significant delays. Outsourcing these services to a specialist that is aware of any latest changes and has established relations with government authorities ensures compliance and gains time.

In addition to the business visa required for all foreigners, foreign employees must obtain a work permit.

Non-compliance with foreign labor requirements can have severe consequences for business operations. Employers who hire workers without valid work permits may be fined up to USD2,000 for each non-compliant foreign worker and employees who work without valid authorization could be expelled and face an exclusion period from Vietnam.



Source: data from the Ministry of Planning and Investment of Vietnam

ensure relocation policies are clearly understood and applied and their relocated employees' international assignment is a success.

As far as recruitment is concerned, Nhung said the supply of qualified talents is limited and there is a very aggressive competition between MNCs to hire them. Thus, employee retention is a challenge.

To Be an Expatriate in Vietnam

The number of expatriates in Vietnam is growing in line with the increasing number of MNCs established in Vietnam—especially because the 3 percent cap of foreign employees in Vietnam's established firms has been lifted. The country counts about 100,000 expatriates who are living mainly in the two main cities, Ho Chi Minh City and the capital, Hanoi.

"There are more and more expatriates who are looking to Vietnam as their next destination, especially those who are already in Asia," said Lam. "MNCs will continue to bring in their top management level from overseas but lower management positions often will be locally hired expatriates. We are seeing more and more Asian expatriates being appointed in

Vietnam also for their closer cultural ties compared to those from Europe particularly."

Vietnam is fast becoming an expatriate-friendly destination. Especially because it now is offering an infrastructure of international standard with expatriate-type housing, the possibility to have your own vehicle with a private driver, and convenience stores that sell the imported goods expatriates expect to find.

There are three different types of housing available for foreigners in the two main Vietnamese cities: independent houses/villas, some with gardens and/or swimming pools; apartments; and international-branded and fully-furnished serviced apartments that are recommended for short-term assignees. The supply might be very limited out of Hanoi and Ho Chi Minh City although some new complexes with international facilities are available in Haiphong and Danang, two other rapidly growing cities. Rental prices are relatively high and some landlords are getting greedy; you often will have to spend more than USD2,500 a month for a two-bedroom apartment in expatriate neighborhoods or city center and up to

USD7,000 for a four/five-bedroom villa with swimming pool.

Demand for spots in international schools is very high because not only are the number of expatriates increasing rapidly, but some newly wealthy Vietnamese also place their children in these schools.

Pre-move Advice

HR best practices include a pre-view trip for the assignee and family before acceptance of assignment to identify clearly what to expect when moving to Vietnam. School places, especially for primary school, are secured even prior to looking for housing. It is recommended that the assignee and family obtain and become familiar with Vietnamese currency. The exchange rate is about USD1 to VND17,435.

The immigration service provider should be contacted to prepare the work permit application. It is important to note that a work permit might be required to clear your personal goods. Bring a marriage certificate, as well as children's birth certificates. Those will be required for the resident permit application. Obtain and bring original and certified copies of university diploma(s), transcripts (record of grades), and police clearance. Bring children's school records.

Obtain required tests/inoculations and documentation if you are transporting a pet to Vietnam. Carry all legal documents with you—be careful not to pack them in your household goods shipment. ■

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