

**THE REFORM OF SALARY SYSTEM FOR  
CIVIL SERVANT IN VIETNAM**

**By**

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## LIST OF ACRONYMS

CS	Civil Service
CSR	Civil Service Reform
MOHA	Ministry of Home Affairs
MOLISA	Ministry of Labour, Invalids, and Social Affairs
GSO	General Statistics Office
NAPA	National Academy of Public Administration
OECD	Organisation for Economic Cooperation and Development
PAR	Public Administration Reform
VCP	Vietnamese Communist Party
ILO	International Labour Organization
UN	United Nations
CIEM	Central Institute for Economic Management

## **ABSTRACT**

Public administration reform with the purpose of increasing efficiency, effectiveness and transparency of the public service system is an issue that all countries have taken huge effort to implement. With the aim to reach the success in that reform, the promotion of enhancing human resources quality which is the main objects in performing administrative activities and civic services has been paid attention. Governments have conducted a number of solutions to improve the quality of cadres and civil servants, such as to organize the unclosed and rigorous entrance examinations, to promote staff training and retraining, and to strengthen the employee evaluation etc. Besides, they also increase payment for attracting talents and enhancing employee performance. In Vietnam, the above measures have been implemented for many years. Especially, in accordance with the economic transition process, the Vietnam has conducted the salary reform step by step. Over 20 years, Vietnam government has gained significant achievements; however, it has got shortcomings as well. This research will come to investigate this issue. Through the analysis of the salary system for civil servants as well as its change over time, the stages of the reform process will be clarified. Furthermore, the study also provides own writer's perspective about the success and limitation of the reform. In the content of the study, the salary system in two countries, Japan and Singapore will be researched carefully, from those countries' experiences combing with real situations in Vietnam, some solution will be suggested for improving salary system for civil servant in the future.

# CHAPTER I

## INTRODUCTION

Vietnam - the country which has undertaken comprehensive reform since 1986 - has gained numerous significant achievements in economics, politics, and society. In that process, institutional legislations, laws, and regulations have been introduced and implemented with the aim of building a market economy with socialist orientation, performing the goal of "prosperous people, strong country, equal, democratic and civilized society." Furthermore, one of the central issues that the government always makes every effort to reform is to strengthen innovation of civil servant management - which has been conducted from 1990s. The Vietnam's government leaders have emphasized: (The 6<sup>th</sup> National Congress of the Communist Party of Vietnam, 1986).

*"Personnel is the root of all work - success or failure of the job depends on good or poor officials, anything can be done well with excellent officials."*

After more than 25 years of innovation, there are important movements in reforming management personnel such as official examinations, annual official assessment, official training etc. The planning, training and development of civil servants to raise capacity, meet demand and increase task in the new situation, have been paid huge attention. Furthermore, accompanied by methods related to quality enhancement, money incentives have become one of the essential motivations for working performance of servants. The rise in payment for employees who work in civil service, partially has met expenditure needs for their

lives, but there continuously has remained defects. The lack of appropriate payment system leads to the weakness of management system, therefore, can become a major challenge to the process of industrialization, modernization and international integration recent days. From the result of the research of the salary structure, the reform's significant advantages will be enlarged and promoted, while, disadvantages of former ones will be handled.

It is undeniable that, there are several studies and literature that mentioned wage policies for a long time, with the bulk of those being announced and published. However, those policies have continuously been one of the top issues which both legislators and civil servants have been concerned.

Wage is an important factor that each employee pays attention when choosing a particular job. It is regarded as a compensation for both physical and mental consumption when an employee completes his or her tasks. Salary is an agreement between two parties, the employee and the employer. Salary for public employees is paid by the state. A public employee has the demand of payroll to be sufficient for their living expenses. Also, the amount of wage will be factors which employees base on to devote to state agencies. If wages are too low, the leave of public sector is inevitable (Medet Ali, 2014).

Furthermore, salary for civil servants is also a factor in evaluating whether an administrative system is effective or not. Naturally, if the salary is too low, the public servants could not maintain their loyalty to the government and work effectively (Medet Ali, 2014). Therefore, an appropriate salary system is essential. In Vietnam, the reform of salaries for civil servants has been conducted for a long

time. However, whether the effects of such a reform could meet the people's expectation still remains as a big question. In this research, the answer will be explored. The reform of pay structure in civil servant in Vietnam will be the main topic of the study.

### **1.1. Research objectives**

With the position of the provider, contributor and manager of civil services, civil servants play a significant role in civil service reform. The improvement in civil servant quality is undeniably supported by the pay scale system. To analyze the reforming process of salary system for the civil servant in Vietnam is the main purpose of this study. By exploring the related concept such as civil services, civil servant, and salary system and so on, the review and evaluation of the reform will be explored significantly.

Besides, the thesis also will analyze and classify the changes in constitutional legislations, laws, and regulations relating to duties, responsibilities and the salary of civil servants from time to time and in previous studies.

Finally, the research will come to investigate the model of the pay scale for public employees in two countries, Japan, and Singapore. Those countries are recognized as having good salary system or reaching success in pay reforms. Those countries' experiences will be reviewed in comparison with the real situation in Vietnam, and the thesis will give some suggestion for the next steps.

## **1.2. Research questions**

Based on the above research objectives, this research sets the several problems as follows.

- 1) What are characteristics of the civil service system in Vietnam and its reform
- 2) What are typical features of salary system for civil servants in Vietnam
- 3) Why the reform in salary system for civil servants has been conducted
- 4) What aspects of salary system have been reformed
- 5) What are achievements and shortcomings of the reform
- 6) Could the experiences of other countries, namely Japan's and Singapore's, be applied to Vietnam situation?

## **1.3. Methodology of the research**

This research will be both descriptive and explanatory in nature. Therefore, in answering the above research questions, the qualitative method will be adopted. To be specific, the thesis will bring to the general information about concepts in association with the pay scale reform for civil servant such as civil service, civil servant, salary, and the reform, etc. Most of that information are based on the previous studies of the academics.

Furthermore, the process of reform in the salary structure of Vietnam will be conducted on the comparison of the revision in the legal documents about salary system and the implementation of them for the civil servant. Thus, the change in this issue will be observed accurately. The identification of the crucial factors that the reform should be concentrated is important. It partly shows that

the guidelines of government through different development period as well as the progress of Vietnam government. Furthermore, the pros and cons of reform will be lighted on

In addition, a volume of relevant information from seminar, workshop, and debates with specialists, on valuable websites was collected and used with the aim to support for main points of the study and provide more knowledge about the real salary system and its defects.

Secondary data will be used in the research as the evidence to illustrate the inappropriate payment for a civil servant.

#### **1.4. Significance of the research**

Firstly, the thesis will provide a comprehensive background about the salary system that includes various components such as Minimum Wage, Wage Coefficient, and Allowances etc.

Secondly, through the understanding and assessment of the reform, the research will point out the principal movements of the process, and from that the successes and limitations will be exposed. However, the assessment of the positive and negative impacts of the reform will be from writer's own perspective.

Finally, based on the analysis of a two other systems of countries – Japan and Singapore – in the combination with real situations in Vietnam, some valuable suggestions will be shown with the aim to enhance the reform's effectiveness and efficiency.

## **CHAPTER II**

### **LITERATURE REVIEW**

With the aim to gain more fundamental knowledge about civil service, pay structure and the characteristic of salary system for the civil servant as well as its reform process, some related papers and previous studies were investigated carefully.

Based on the writer's own knowledge and previous studies, this chapter provides basic information about those criteria as follow:

- Civil service
- Civil servant
- Salary system
- Remuneration for civil servant
- Recent reports

#### **2.1. Civil service**

The concept of civil service emerged for a long time in history, and its origin and formation are still to be controversial issues, which need to further comprehensive research for academics. However, there is an unofficial appreciation about the original source of public services - originated in China - through the emergence of examination (imperial exams) for the selection of candidates who carry out activities for community interests. According to the Deng Siyu's recognition (1967), the civil service was started during the Han

Dynasty in around 2 century BC in China by the first Han Emperor – who had the right awareness about the demand of qualified persons who have wide knowledge in helping him to build a strong country and keep the stability of social order. Civil services are paid attention to develop and implement in various countries around the world with similar goals - to maintain social order and ensure the enhancement of people's living standards.

As consideration of complicated and confused concept, civil service is almost the general notion in modern life. Human beings have used the civil service as an indispensable requirement, which cannot be substituted by others. However, there are no official definitions of civil service. According to United Nations, (2006), "Civil service literally means service concerning the entire community and deriving from it, in contrast to private concerns". This definition mentioned in the beneficiaries of civil services – community, and for types of services which have beneficiaries to be individuals such as car, house, and trips etc. they cannot be determined as civil service. Besides, general notions in economic fields believe that civil services are the state agencies' activities in the implementation of administrative functions, and to ensure the provision of public goods and meet the common and essential needs of society. In this perspective, public goods have two main characteristics - non-excludable and non-rivalrous.

In addition, the scholars evaluate the service, which is considered as civil services based on its features. For instance, Brouant and Ziller (1999) stated that: "A civil service is usually defined as an activity undertaken by the financial industry to satisfy a need of general interest." This definition is likely to be

unclear and not to show out who will take responsibility for provision civil service. Another definition of civil services belongs to Valentin Yakushuk. This scholar mentioned in his study (1999) that civil service is considered as a group of professional staff who are (1) to be state employee, (2) carrying out public functions in the interests of the people (or sometimes of the ruling groups), (3) have the responsibility to the supreme authority and to whom a person serves (4) possessing the spirit of duty towards the 'master' - the society, the people, or alternatively (in an autocratic regime) – towards an individual or collective ruler (5) working on a contractual basis and the payment comes from state budget, plus other allowances and bonus, (6) under the control and management of specific laws and regulations, (7) perform some specific part of the state apparatus and is separated with other parts in public sector. However, this definition is considered to concentrate on the object of civil service activities – people who are working in civil service - instead of features of "civil service" term.

It is disputable that the concept of civil service has different approaches, furthermore, it is relatively characterized by some features as follows: It is a kind of services which government (administrative bodies, units of state, departments and ministries) implements directly or grant authority to non-state units and organizations to conduct under the supervision of the State to meet the minimum and essential requirements of people and society. The aim of these activities is mainly to improve social development and enhance people living standards. The government is the object who takes all responsibilities to the people and society in terms of quality and quantity of a provision of civil services. Responsibility of the

government in the implementation is performed by policy making, institutions, laws, regulations, quality standards and inspections for monitoring. It is demonstrated and evaluated transparently and carefully under the observation of the public; Beneficiaries of civil services do not pay directly (or indirectly through the numerous forms of taxation), however, in several particular cases, they are required a charge or fee according to the strict rules of laws and regulations (stamp-duty, road tax, certificate fee).

## **2.2. Civil servant**

The emergence of civil servants - who are primarily responsible for the production, distribution and management of civil services - is accompanied with the existence of civil services, Civil servants are ordinarily identified as a part of public employees; however, the division of public employees into separate groups as public official, civil servants, and cadre depends on the characteristics of each different country. For several countries such as United State, public employees, civil servants and public officials are put under the same name so-called public employees; while in other countries, this notion is divided into different categories, and sometimes those definitions are quite complex and overlapping each other. Up to now, the concept of a civil servant is still complicated and has changed from time to time.

*"The reasons for this are many: shifting trends in public employment, ongoing reforms in civil service laws, new forms of public employment contracts, new forms of recruitment, alignment trends, more mobility between the public and private sector, and Europeanization trends", Demmke (2006) stated.*

Based on the definition of Tomlin Commission (1931), the notion of civil servant can be recognized as: "Servants of the Crown, other than holders of political or judicial offices, who are employed in a civil capacity and whose remuneration is paid wholly and directly out of money voted by Parliament". This explanation brought two characteristics of civil servant about their employers and the source of their salary.

Normally, for a person who would like to become an employee working in the civil service sector, undergoing a public entrance examination is obligatory. The majority of the type of competitions is applied to the recruitment of low-level positions while higher positions have alternative forms. The public sector employment can be divided into two categories: career-based and position-based system. The World Bank (2008) described the first system as a blocked system, where senior and mid-level positions are chosen by promoting lower-ranked civil servants. Civil servants have a tendency to remain in the public service more or less throughout their working life. On the other hand, a position-based system concentrates on choosing the best-suited candidate for each position, according to the candidate's experience and training relevant to the position's responsibilities whether by external recruitment or internal promotion. Each system has its own advantages and disadvantages, nevertheless, in practice a lot of countries are not applied a single career-based or position-based system. Depend on the particular situation and difference political factors, most countries chose the combination of two models, Rexed (2007) mentioned in his research.

### **2.3. Salary system**

It is undeniable that salary is one of the most attractive motivators, which every employee will consider choosing a job or accepting an appointment. Salary system or pay system or pay structure is contributed from number of factors which almost are officially stipulated for legal documents (laws and regulations). There are several definitions of salary system. In group research was carried out by Yongkang, Weiyan at al. (2011), pay systems are various forms of financial returns, tangible service and benefits which are obtained by the staff as a party to the employment relationship. They include wages, benefits, insurance, and so on. In general, this is popular, simple and concise definition which many scholars have accepted and applied.

In the perspective of Mayhew and Demand Media (2009), salary systems were assessed on a broader and more comprehensive scale. They are determined as compensation plans or payment systems – is an association of wage scale, policies and evaluation methods which employers apply to pay employees for their work. Employees will receive a salary in the working period of one week, two weeks or a month according to the agreement with the employer. A salary system is composed of a range of components such as pay scales (basic wage, allowances, and bonus etc.), wage increase, the method which employers apply to reward employees for performance and job complement.

In each salary system, salary is divided into different steps and grade. Grade structure is necessary to provide a logically designed framework, within which an organization's salary policies can be implemented. Structure supports an organization to identify the position of one job in a hierarchy, from that pay level

and the pay progression will be defined. The evaluation of jobs can be managed effectively, equal pay can be achieved and the processes of monitoring and controlling the implementation of pay practices can take place. (Armstrong and Murlis, 2005, p.196). The literature on grade and pay structures (Armstrong and Murlis, 2005; Armstrong and Stephens, 2005; Armstrong and Brown, 2001) identified five categories: narrow graded, pay spines, broad banded, career families, and job families. It is undeniable that they brought readers the systematic background about pay system. Especially, five categories are not only used in private companies but also in government. However, in recent years, those categories have a lot of changes and some of them do not bring efficiency for the organizations which implemented them.

The level of payment which employees receive of the complement of working is a big question which employers and managers have to pay attention to. In recent years, payment based on the evaluation of work completion and employee's performance (some time is called performance-based pay) is disseminated widely and implemented in various organizations. Job evaluation lays a foundation of assessment of suitable grading, and therefore it will have an influence on pay decisions. It *"is a systematic process for defining the relative worth or size of jobs within an organization in order to establish internal relativity and provide the basis for designing an equitable grade and pay structure"* (Armstrong and Murlis, 2005, p.112). For several countries, especially developing countries with the high hierarchy characteristic in the personnel system, the salary for employee increases gradually according to the length of

service (seniority). If an employee works in an organization for a long time, every year or every three years, he or she will climb to the next higher level of step or cadre with better remuneration. This model is identified as the compensation for the loyalty and devotion of the workers. This compensation model is likely to be popular in the state agencies.

#### **2.4. Remuneration for civil servant**

Remuneration for civil servant plays a significantly important role and is stipulated officially in various civil servant/ public employee laws and regulations. On average, it possesses the characteristics of the salary system as well as is affected by economic, cultural and social laws and circumstances. The remuneration of the civil servant is likely to have several common characteristics in the comparison with employees working in other fields such as private sector, foreign - invested sector etc. It also is the compensation for the completion of work and motivation of employee's dedication and becomes a retaining factor to employees' loyalty. The payment for civil servant comes from various sources. Mukherjee (1993) mentioned in his research that civil servants' compensation and rewards are constructed by several factors. The total remuneration is a combination of current rewards, future expectation, contractual and intangible rewards. The table below will show those components specifically:

**Table 1.1: The components of total remuneration**

		Contractually-provided		Non-contractual/ Intangible
		Monetary	In-kind	
Current awards	Base rewards	Base wage/salary	Health insurance	Job security, prestige, social privileges
	Allowances	Transportation, housing, meals, telephone, travel, cost-of-living	Transportation, housing, meals, travel	Trips abroad, Training
Future expectation		Pension	Housing, land, etc.	Reputation, reemployment after retirement

Source: Mukherjee, 1993, Total Rewards for Civil Servants

This table is quite comprehensive because it does not only include the amounts of monetary payment in present, but also takes into account the benefits that workers will receive in the future. However, how much salary civil servant receives is a thorny question. Obviously, it is difficult to predict the future earnings because of unstable economic situation of each country and the world, annual changes in political policies as well as the person's own perspective on the benefit she or he will get from time to time. Not as specific as Mukherjee, Robinson (2002) had different formula for civil servant salary. On his research, a civil servant's "total income" is accumulated of several components: (1) Basic wage, which depends on the step or grade which an employee belongs, employees in same level receive the same basic wage. (2) Gross wage which is defined by the sum of basic wage and allowances (transportation, house, trip, hazardous

environment and etc.); (3) Gross payment—gross wage adds supplements, bonuses, and fees which employee receive from the employer; and (4) Total income—gross payment plus all other employment-related income. The scope of this income is wide and is difficult to determine. It can include the monetary or in-kind benefit which comes from other sources, such as second jobs and self-employment. Sometimes, a civil servant could get huge income from the proceeds of corruption.

Another basic way to determine payment of employee is the salary formula. This can be illustrated as follow:

$$\text{SALARY OF A CIVIL SERVANT} = \text{Minimum Wage} \times \text{Wage Coefficient} + \text{Others}$$

*Minimum wage* is regulated by government, mostly applied in all sectors – state and non-state sector. This kind of wage has changed over time because of inflation rate, economic situation and so on. *Wage Coefficient* is influenced by employee’s working experience, qualification and certification and adjustment in different regions. The coefficient also depends on the working environment or units, departments where civil servant works. *Others* include allowances and bonus for good fulfillment of a mission with high effectiveness and efficiency.

A civil servant is paid according to a salary scale, and the same pay scale is applied to all civil servants. The volume of salary scale and the gap between each step, grade depends on the state regulations and the sufficiency of salary fund. The Ministry of Finance controls the salary budget and the distribution of this budget to all departments and offices in both central and local level.

Civil service salaries are revised annually or biennially in many industrialized market economies. In contrast, they are adjusted infrequently in many developing countries (ILO, 1989).

Currently, there is a general phenomenon in the public sector in most countries of the world. It is that the average wage for civil servants is lower than the average level in the private sector and foreign-invested sector. It happens in both in developed countries such as the US, the United Kingdom and popularly in developing countries like Vietnam, Indonesia, according to the reports and the studies, which were conducted by ILO (ILO, Global Wage Report 2000-2014). Some reasons could be pointed out such as the different in the allocation of the state budget in those countries, the insufficiency in the budget, as well as their orientation in development. On the contrary, several countries maintain the high-pay system for civil servants, for example, Japan, and Singapore. The explanation of government for this policy is to promote public employees' performance, to attract talent and prevent corruption.

It is difficult to adjust the effectiveness and efficiency of both low-pay and high-pay model, however, on average, the average salary of civil servants tends to increase over the years. It is difficult to adjust the effectiveness and efficiency of both low-pay and high-pay model, however, on average, the average salary of civil servants tends to increase over the years.

## **2.5. Recent reports**

Recent two reports on salary scales in Vietnam are found on website. They are as follow:

### *2.5.1. Central Institute for Economic Management (CIEM) (2011) - The reform of salary system*

The report brought out the general information about the reform salary of the system in Vietnam, from that it gives some solutions for enhancing the system. The first, the study provided general definition about salary and total income. According to the writer, labor force, is special good and the price of the labor force is named as salary. So, salary is remuneration which the employer has to pay for the employee after employee finishes his/her work. Salary is an economic category, as a result of the distribution of wealth in society and is divided into two categories: nominal wages (salary) and real wages. In writer's perspective, salary is one of the elemental indicators which is determined a system has market economy characters or not.

The research also pointed out the current situation in salary system in Vietnam by listing the total income of employees in different sectors and occupations. According to the comparison amongst sectors and occupations, it concluded that employees who are working in the private and foreign-invested sector receive higher income than in public sector. Besides, it gave some evidence about the salary for employees who work in the public sector are not sufficient for their living cost.

The report indicated positive and negative aspects of the current salary system and policies. For achievement, for example, the reform in salary has gained several changes in enhancing the people living standards by raising the minimum wage. The changes in payment for public employees in state agencies, units have led to the effectiveness in those organizations. Nevertheless, some problems still exist and they require Vietnam government to take the effort to solve. For instances, the minimum wage is quite low, while the cost of living has suffered an upward trend; the pay scale is too complicated, overlapping and unreasonable; minimum wage created inequality in income amongst different sectors and etc.

With purpose to improve the salary system, the writer gave some suggestions, such as the innovation in thinking in wage policy reform, the increase of minimum salary, the change in salary scale and step, the adjustment of wage agreement according to the market mechanism, the enhancement in salary management over wages, and the downsizing of employees and so on.

In general, the report highlighted useful information about the salary system in Vietnam and its reform. However, its contents are heavily influenced by the view of Marxism; thus, some contents might cause confusion for the readers. Besides, the study only focused on the change in salary system for employees who work in all sectors including public sector, a private sector, and foreign-invested sector. The salary for public employee (in some materials, it is called civil servant) was identified clearly.

*2.5.2. Jairo Acuña-Alfaro, (2013), Civil Service Reform, State Employment Salary and Incentives*

In this report, it provided an overview of the reform process of civil services, salary, and incentives for employees who work in the public sector in Vietnam. To specify, research focused on analyzing the changes in the laws, regulations and resolutions related to civil services, salary, and incentives. It cited that “wages must be closely attached to the country’s economic development” (Party Central Committee Resolution 7th, 1999), from that it continuously pointed out that human resource and salary reform are the key objectives of civil service reform. Besides, the comparison amongst civil service legislation in Japan, China, Korea and Vietnam was conducted; however this comparison did not show out clear differences.

In addition, the study had found the connection between Salary and Incentives of state employees with corruption by conducting the questionnaire survey in civil servants who work in various fields such as health care, education, construction and administrative procedures etc. According the result of the survey, interviewees (civil servants) answered that the position would offer numerous opportunities to seek extra income. Nevertheless, this relationship is unclear and should be researched more.

In the research, it concluded that current salary for Vietnamese civil servants is too low and is not sufficient to the cost of living, but yet a considerable burden for state budget expenditures. It is a strong statement and is demonstrated confidently.

From the analysis, the writer proposed a number of measures, policies to enhance the effectiveness of the reform process. For instance, government should creating new agency which takes responsibility in duties related to Salary Reform; Position-based approaches at the director general level can be a good suggestion; Regular salary survey; Government pay attention in creating a more professional civil service for the enhancement of civil servants' performance etc. Some of the measures have been implementing widely and have had positive influences in Vietnamese salary system. For the long term, those solutions should be observed and applied carefully.

It is clear to be seen that in the study, it mainly focused on policy, so the components that make up salary and incentives were not mentioned. Besides, the change in wages from time to time is not evident.

## **CHAPTER III**

### **GENERAL INFORMATION OF CIVIL SERVICE IN VIETNAM**

#### **3.1. Civil service and Characteristic of civil service in Vietnam**

The concept and scope of civil services have different characteristics according to the particular circumstance of each country, region and period. They were mentioned in the research of Bui Sy Loi, 2014. For example, in Canada, there are 34 types of activities which are considered as civil services, such as national defence, national security, law and legislation and the economic - social policies (job creation, urban planning, environmental protection, medical activities, education, culture and social insurance etc. For some Western countries such as France and Italy, civil services are recognized to be activities which serve to the essential needs of people by the government agencies directly or private organizations complying with the standards and regulations of the state in implementation. In France, the concept of public service is acknowledged broadly, and the services are divided into three types of activities. Type I, the activities which meet the demand of physical and mental health of people such as education, culture, healthcare and sports etc. Type II, the activities which support to citizen life, and people have to pay amount of money to use civil services, such as electricity, water supply, public transport, and sanitation etc. Type III, public administration services, they include the activities of administrative bodies about promulgating of land use rights, the right of residence licensing, civil status certificate and so on. Besides, tax collection, national security and defence are

recognized to be civil service also. In Italy, civil services are limited primarily in “non-productive” activities, namely healthcare and education, and public activities which create revenue for state, for example, electricity and water supply; and the activities which are related to licensing, residence and civil administration (Bui Sy Loi, 2014).

In Vietnam, The term/notion “civil service” has been popularizing in recent years. In the past, during the war period and the process of socialism construction under the economic model of the Soviet Union - centralized economic model, central planning and bureaucracy, government had monopoly in producing and providing most of the public services and goods. Subsidy system to all citizens was implemented thoroughly with no clear distinction between the beneficiaries; the majority of public services provided by the government were not required to pay by cash or in kind. Nevertheless, the comprehensive reform of Vietnam on economic, culture and social issues implemented in 1986 has led to positive perception changes to the supplier and beneficiaries of civil services. Accordingly, the civil services have increased to various types of services (electricity supply, sanitation, infrastructure construction, construction of state schools and hospitals etc.) on a national scale. The quality of civil services also improved markedly. The administrative management became more effective, and the implementation and provision of services have been conducted quickly. The ambiguity and overlapping amongst management agencies have reduced steadily (Bui Sy Loi, 2014).

Civil service in Vietnam has several specific features compared to other countries, which were mentioned above; it concentrates on satisfying a functional requirement in the society, excluding the functions of several specialized agencies of government, such as legislative, executive, judicial and diplomatic functions. Thereby, it is to emphasize the undeniable role of the government in the provision of services to the community. Derived from the fundamental recognition and based on the actual conditions of Vietnam, civil services can be divided into three basic categories, which comprise: The first, the career public services, to serve the basic needs of society, the rights and interests of citizens. State (or through departments, units of state and agencies) directly provides civil services to people, or it can authorize non-state organizations to provide (indirect way), namely health care, education and training, culture, sport, science, insurance, social security, fire protection, legal advisory services and assistance for the poor etc; The second, the activities of type of public services which people use without monetary trade-offs. These activities partly have for revenue – characteristic - it means that people have to pay certain amount of money to using services, for example, power supply, water supply, telecommunications, environmental protection, infrastructure construction, public transportation, agriculture, fishing, etc. The third is public administrative services. This kind of service involves to law enforcement activities of state agencies, such as activities related to issuance of some documents (birth certificate, family register and etc.), producing approval, registration and evaluation of organization, certification and registration of

business activities, certificate of land use right, mining permission, social order and safety, customs and authentication. (Dang Duc Dam, 2011)

Besides, the civil service of Vietnam is influenced by a number of factors which cause the differences with the civil services of other countries. Firstly, Vietnam underwent long time rule by colonial countries. Meanwhile, the civil service at that time did not intend to meet and serve the demand and serve the interests of the people and community; it was abused primarily for the purpose of maintaining the social order of the ruling class. Then, the success of revolution for national liberation led to the reconstruction of a system to be consistent with the features of a modern civil service. Secondly, as the country in the transition from centralized and planned economy to a market - oriented economy, Vietnam civil service activities followed with the patterns of countries in the Soviet Union during the 70-80s and in the early of 90s. The State took total responsibilities for production, distribution of civil services and goods to each citizen under the equal average method. Economic transition (Doi moi) with the motto of building a modern economy, social progress is a promoting factor, which led to the change in thinking about civil service. By learning successful models and experiences from other developed countries, the implementation and provision of civil service have had significant frog leaps. Thirdly, Vietnam is a developing country which underlines the socialist model which the guidelines are to build the market economy and implement social justice. Furthermore, it is under the leadership of the single party - the Vietnam Communist Party. Therefore, the provision and distribution of public services also take a process of some unique features of

socialism and express the standpoint of Vietnam communists. The government takes huge effort to provide civil services equally to all citizens and regions. On average, three factors mentioned above have created the characteristics in providing, implementing and beneficiaries of civil services. From that, those factors affect the selection, classification and implementation in the civil servants system (Chu, Nguyen 2007).

### **3.2. Some points for civil service reform in Vietnam**

Civil service reform is an unavoidable process with the target to improve the effectiveness, efficiency, professionalism, representativity, and democratic character of a civil service. Civil service reform, in general, is to meet the increasing demand of people in better civil services and to raise the equality and transparency in management. In the development of various countries, civil service reform is one of the important issues that governments have to pay attention.

In accordance with particular economic, political and social situations of each country, civil service reform will be conducted in various fields with different measures. Such action may include the improvement of the accuracy of data collection and analysis process, organizational restructuring, the reform of remuneration for employees working in public services, the enhancement of the management for affectivity, equality and transparency, and the prevention of corruption and abuse of power.

In Vietnam, Civil service reform has been emphasized and initially implemented quite soon from the late 1980s through the economic and political reform (so-called *Doi moi*) which was launched in December 1986 at the Sixth Party Congress. The priority goals of this reform process were the administrative reform and the transition from planned - centralized economy to the socialist - oriented market economy. During this time, the limitations and inadequacies of the former development model - which had been followed for nearly 30 years – were resolved gradually with the aim to economic development and social progress. However, at that time, civil service reform was paid attention only to expanding the providers of civil services from the state part (state - owned enterprises – SOE) to state joint-venture enterprises. At that stage, private enterprises accounted for the minority part in production and distribution of civil service was under the tight control of the government. The administrative management had positive changes to prevent the authoritarian and mismanagement. As for civil servants system, public employees were mainly selected and appointed according to the basics of the recommendation and introduction of senior member in agencies, department and state units, and entrance exam had not been implemented effectively in public (Painter, M, 2006).

With experiences from numerous positive and negative upheavals with the changing in economic model of country and the interaction amongst the economic - social - political situations, the party and government's development policies, reform of administrative management and civil service has made great strides. The State promoted the infrastructure construction, water and electricity supply,

education and science, culture and sports to enhance the living standards of people. In parallel with its reforming process headed the public administration towards a transparency, efficiency and effectiveness. To meet the objective of economic development and social progress, the government of Vietnam set a striking initiative - Master Programme on Public Administration Reform for the Period 2001–2010 (Government of Vietnam, 2001). The main target of the program was to implement the reform in four core fields: institutional reform, civil service reform, organizational structures, and public finances. Following that, different government agencies took different missions in conducting particular programs under which implementation plans were drawn up (UNDP 2001, 2002). It is the fact that during this time, the civil service reform was supported and supplemented by other reforms about laws and legislation and the economy reconstruction. Also the selection and construction of the civil servant system to serve the public sector has become one of the priority issues which government has had to pay attention. Highly qualified civil servants with good moral qualities should be selected through the public, rigorous and transparent entrance examination, which has been identified as a core determining factor in the success of the further reforms (Government of Vietnam, 2001).

With the significant successes exceeding the shortcomings of the first Master Programme on Public Administration Reform (according to the report of Vietnam's Government about the result of first master program 2010), the Vietnamese government has continued to build and put into practice of the next administrative reform. The process has been expanding in the following 10 years,

which was issued in Government's Resolution No 30c/NQ-CP dated 08 November 2011 under the content of the Public Administration Reform Master Programme in the period 2011 - 2020. In this second Master program, five specific objectives were mentioned as follows: To build and improve of the system of socialist - oriented market economy in order to liberate the productive forces, and mobilize and utilize effectively all resources for national development; To create a fair, favorable and transparent business environment in order to minimize the time and cost of enterprises of all economic sectors in compliance with administrative procedures; To develop a clean, strong, modern, effective, efficient system of state administrative agencies from the centre to grassroots; To enhance democracy and the rule of law in the operating activities of the Government and all state administrative organs; To ensure the implementation in practice of democratic rights of the people and protect human rights; Attaching human rights to the rights and interests of the nation and of the country; Building a competent and qualified staff of civil servants and public employees to meet the requirements of the people and the country's development (Vietnam Government, 2011). As the main contents of the program, several problems were exposed and proposed to suitable solutions, while some previously inappropriate policies have been modified to suit to the current situation of national development. On average, the policies since *Doi moi* have been launched and have given significant influences on the state entities and public employees in a deeper way.

Two Master Programmes have shown the significant changes in management and operation of state apparatus as well as in building strong state

institutions. They have marked the dissolution of the grotesque management system with weak public services to a new advanced model. The innovative management system has brought numerous benefits for the civil services, and the provision of those services has been also expanding both in scale and quality. Those positive changes have made the progress of reforming the civil servants system which has been carried out smoothly and thoroughly.

## **CHAPTER IV**

### **CIVIL SERVANT SYSTEM IN VIETNAM**

According to the information that mentioned in chapter literature review, there are numerous ways to identify an employee to be a civil servant or not. Each definition focuses on different features of the civil servant, however, all of them reach a consensus of civil servants' important role in the provision and management of civil service. This chapter will provide basic information that consists of Vietnam's perspective of the civil servant and characteristics of Vietnam's civil servant system.

#### **4.1. Civil servant – Definition and Classification from Vietnam's perspective**

##### *4.1.1. Definition*

In general, several characteristics are needed to determine an employee as a civil servant, which include: working in public fields, receiving remuneration from government budget, performing the function in government management and being distinguished from other categories such as military, court, and politics. Usually, the civil servant is under the management and control of the state. Besides, they also have obligations and rights that are clearly stipulated in civil laws and regulations.

In Vietnam, the concept of a civil servant (cong chuc) is very complicated, depending on periodic changes in its term and connotation through different periods. Pham Diem (2012) mentioned on his research that the first appearance of

civil servant article in the legislation is the Government Decree No. 76/SL (1950) issued by the Democratic Republic of Vietnam. Under the decree, only Vietnamese citizens who were recruited and appointed by the revolutionary administration to hold regular posts in various agencies of the new Government were called civil servants. This definition of a civil servant was equivocal and simple, though it did not reflect fundamental functions and duty of public employees.

From 1954 on, this definition was no longer applied, instead of the term "*cong chuc*", the term "*can bo, vien chuc*" (cadre and public employee) replaced in laws, regulations, and decrees. Cadres and public employees took into account of those who were on the state payroll and worked in government agencies, party agencies, socio-political organizations, state enterprises or the armed forces.

In 1991, according to Decree No. 169/HDBT on "*cong chuc nha nuoc*" or state servants, state servants were specified by particular characteristics: Vietnamese citizen, who were recruited and appointed to hold regular posts in state offices, arranged in certain ranks and receiving deserved reward from the state budget. It is undeniable that the concept of state servants defined in this Decree was much more extensive than in the previous documents, encompassing employees in other agencies of the government.

By the end of 1990s, the promulgation and implementation of an official legal document about civil servants removed ambiguities and overlapping in public employee's management and evaluation. The Ordinance on Cadres and Civil Servants (1998) created an improvement in the process of legislation on civil

servants. Under the Ordinance, cadres and civil servants were Vietnamese Identified as Vietnamese citizens who have name on the state's payroll and get payment/receive salary from the state budget and work in state agencies, Party agencies, socio-political organizations or the armed forces. This Ordinance underwent twice revisions (one in 2000 and other in 2003). Public employees who were working in commune-level agencies, according to the ordinance, were grouped as cadres and civil servants and consequently their salary was drawn from the state budget.

At that time, the distinction amongst civil servant, cadre and public employee is a tough challenge to not only the academics but even to the elite groups who directly employ them and the legislative makers - who directly classify them.

*"We can never separate between cadres and civil servants in Vietnam as they have worked together in the history of the country. The significance is to improve their effectiveness and efficiency"* (Poon, Nguyen and Do, 2009)

In the recent legal document reform about civil servant and public employee -the Law on Cadres and Civil Servants (2008) and the Law on Public Employees (2010)- the fully constituted identification of the concepts of “*can bo*” (cadres), “*cong chuc*” (civil servants) and “*vien chuc*” (public employees) were launched to supplement and support for formal definitions.

According to the Vietnam Government's Law on Cadres and Civil Servants 2008, civil servants are defined as:

*"Civil servants are Vietnamese citizens who are recruited and appointed to ranks, posts or titles in agencies of the Communist Party of Vietnam, the State, socio-political organizations at the central, provincial and district levels; in People's Army agencies and units, other than officers, professional military personnel and defence workers; in People's Police offices and units other than officers and professional non-commissioned officers, and in the leading and managerial apparatuses of public non-business units of the Communist Party of Vietnam, the State and socio-political organizations (below collectively referred to as public non-business units), included in the payrolls and salaried from the state budget; for civil servants in the leading and managerial apparatuses of public non-business units, they are salaried from the salary funds of these units according to law." (Article 4)*

The notion of civil servant is separated from other categories such as cadre and public employee, based on the state units which a civil servant is working for as well as civil servants' duties in the implementation and management in administrative agencies.

*"Cadres are Vietnamese citizens who are elected, approved and appointed to hold posts or titles for a given term of office in agencies of the Communist Party of Vietnam, the State, socio-political organizations at the central level, in provinces and centrally-run cities (below collectively referred to as provincial level), in districts, towns, and provincial cities (below collectively referred to as district level), included in the payrolls and salaried from the state budget." (Article 4)*

For the public employee, in 2010, based on useful and practical recommendations about overlapping and unclear features of the distinction of entities operating in the state sector, Vietnam government enacted a law for the public employees which had particular characteristic and to be suited for certain situation. Specifically, this is the first time that public employees was supposed as a separate object with its own rights and duties, performing specific functions rather than being aggregated with officials and civil servants as in previous laws and regulations.

*"Public employees are Vietnamese citizens recruited according to working positions, working in public non-business units under working contracts and salaried from salary funds of public non-business units in accordance with law."*

(Article 2, Vietnam Public Employee Law, 2010)

About the typical features of civil servants, previous studies showed that civil servants have the several basic characteristics such as: Firstly, the career characteristic, it means that civil servants are to implement regularly specific civil service, following their professional skill and responsibility, for example, accounting, auditing, administration and etc; Secondly, the bureaucracy, in duty performance a civil servant does not depend on any pressure of political, economic and civil factors, though civil servants conduct civil service duties to conform a process which is determined by law and regulations and they do not have the right to make changes without permission; Thirdly, Hierarchy, Civil servants are divided into different classes, levels and grades depending on the nature of work and requirements of the professional qualification, and are

appointed to different positions in hierarchical order. For instance, Civil servants in China are divided into 15 grades with the highest, the Prime Minister of the State Council (Bui Sy Loi, 2014); Fourthly, State payroll, in the enforcement of civil services, civil servants are paid from the state budget. This feature helps to distinguish civil servants from those who are working in the corporate and private sector and not receiving a salary from the state.

Depending on the point of view on the construction and development of civil servant system, each country has differently emphasized on the various characteristics mentioned above, making differences in the concept of a civil servant. For example, some countries such as France and Germany attach much importance to career feature, while the other countries under occupation duty regime like England and America do not pay attention to this feature (Bui Sy Loi, 2014).

In the comparison, the concept of civil servants in Vietnam has been more general and broader with encompassing professional, expert, central and local civil servant in administrative and social sector (Bui Sy Loi, 2014).

#### *4.1.2. Classification*

Civil servants can be classified in many different ways, depending on the purpose of classification. In Vietnam, according to the Law on Cadres and Civil servant 2008, there are some basic classifications:

- Based on their appointed ranks, civil servants are classified into:
  - a) Class A including those appointed to the senior-specialist or equivalent rank;

- b) Class B including those appointed to the principal-specialist or equivalent rank;
- c) Class C including those appointed to the Specialist or equivalent rank;
- d) Class D including those appointed to the technician or equivalent rank or employee rank.

- Based on working positions, civil servants are classified into:

- a) Civil servants do hold leading or managerial posts;
- b) Civil servants do not hold leading or managerial posts

(Vietnam Government, 2008, Law on Cadre and Civil servant)

Besides, civil servant can be separated by various sectors, such as:

- Administration
- Judiciary
- Irrigation construction
- Science and technology
- Education and training
- Health care
- Others

In addition, civil servants can be classified according to the education level (qualification) (college, university, master) or organizational systems, including:

- Civil servants working in agencies and organizations at the central level;
- Civil servants working in agencies and organizations at provincial level;
- Civil servants working in agencies and organizations at district level;
- Civil servants working in agencies and communal organizations

The classification of civil servant into different groups and types is to create favourable conditions for the government agencies in determining clearly the duties and responsibilities of civil servants, as well as managing them. Accordingly, various types of the civil servants are governed by specific laws and regulations, and they receive salaries based on level that civil servants belong.

#### **4.2. Public employment in Vietnam**

In Vietnam, there are approximately 5.3 million employees working in the public sector (administrative agencies, education, police and army forces, health care, judge etc.). On the Table 4.2, the data shows that on average, Vietnamese public employees account on around 10 per cent of the total workforce. In the comparison with other countries in Asia Pacific region such as Singapore (4.2 percent), Thailand (8.0 percent), Japan (7.3 percent) and Philippines (8.1 percent)<sup>1</sup>, it seems a little higher. From 2000 to 2013, it was witnessed an increasing trend in the number of employees ( such as civil servants, cadres and public officials) who worked in state units and agencies and the size of those people in 2000 and 2013 were around 3.5 and 5.3 million persons respectively. Although the public employees had a big jump of nearly 2 million persons during 13 years, the percentage of this kind of employee did not have significant change, was around 10 percent.

**Table 4.2.: Size and distribution of employed population by economic sector in 2000-2013 in Vietnam**

	2000		2005		2007		2010		2013	
	Number (Thous.Pers )	Percent (%)								
<b>Total</b>	<b>37,609.6</b>	<b>100.0</b>	<b>42,526.9</b>	<b>100.0</b>	<b>45,868.9</b>	<b>100.0</b>	<b>49,465.7</b>	<b>100.0</b>	<b>52,207.8</b>	<b>100.0</b>
<b>Self-employed/ household enterprise</b>	33,881.8	90.1	37,814.7	88.6	36,811.0	80.3	38,820.3	78.5	40,597.9	77.8
<b>Cooperative/collective</b>					266.2	0.6	346.1	0.7	124.4	0.2
<b>Private enterprise</b>					2,750.5	6.0	3,745.5	7.6	4,369.4	8.4
<b>State</b>	3,501.0	9.3	4,038.8	9.5	5,073.6	11.1	4,780.1	9.7	5,330.4	10.2
<b>Foreign - invested enterprise</b>	226.8	0.6	673.4	1.6	967.6	2.1	1,755.7	3.5	1,785.7	3.4

Source: General statistics office of Vietnam, Report on the Vietnam labour force survey, 2010-2013 and Statistical Yearbook of Vietnam 2006-2010.

The problem of the civil servants, cadres and public employees occupying a large percentage of labour force causes high pressure on state management as well as the budget allocation for the salary fund. In the process of implementing public service and administration reforms, the Vietnam government has also carried out cutting down a large number of civil servants, cadres and public employees - who worked inefficiently – to ensure the efficiency of public administration system and prevent monetary dilapidation (The report of MOLISA, 2014).

#### **4.3. Civil servant system in Vietnam**

The state civil servant system is an important and irreplaceable part of the public administration system playing the key role to keep the government mechanism running smoothly. A management system will be considered to be successful when it ensures two factors, the fulfilment of law and regulations and the professional employee.

The personnel management under a vertical pattern ( The power is mostly in the hand of the central government, while little is given to province and district level) of planned-economic mechanism led to significantly negative effects on the civil servant system. It also did not create favourable conditions to increase the flexibility of the system to cope with the challenges in new market - oriented economy, and the efficiency of civil servant system in serving citizens and businesses is very limited.

With the allocation of the employee payroll being top-down and the requirement for assessing political awareness of the Socialist and gaining

appropriate skills for economic development of modern industry at the same time, civil servants had to force themselves in these features over many decades.

Although the Ministry of Home Affairs was assigned to undertake the function of state management of authority apparatus both in central and local level, the civil servants management and others, activities and ideology performing the above mentioned functions must follow the Vietnam Communist Party's guidelines and policies. In the response to those purposes, besides of the main mission - the development and administration of personnel management system for Party, The Central Committee of the Communist Party was tasked to participate in the assessment and evaluation of the proposal on the important organization and personnel management of the Government, ministries and state agencies. This is considered as a dual characteristic of the civil servant system in Vietnam.

In those countries having the promulgation of civil service laws and regulations, a central agency administers the entire personnel in the public sector, from drafting regulations and monitoring the civil servants management of units, departments and agencies. In Vietnam (and the same in China and other socialist countries) (CIEM, 2011), the civil servant system has several significant different features from other countries. As mentioned above, Vietnam is under the dual system and the Law on Cadres and Civil servant, the clear distinction amongst cadres, civil servants and commune officials was emphasized in Article 21 and Articles 32. The Party is endowed supreme jurisdiction in appointing, promoting and recruiting of qualified party members to work for government agencies. The

Government's Resolution No. 17/2007 stated that: *"The Party itself has monopolist power in deciding and electing party members, cadres with high qualified education and virtue for consideration and appointment to the position (especially high position) of the state apparatus. It consolidates gradually the Party's position and doctrines in the implementation of administrative reforms"*.

The political system in Vietnam is socialist system under the leadership of the Communist Party- the one-party regime; the development and implementation of personnel policies for cadres and civil servants comply with the Party's guidelines and on the principle of unified leadership. This particular characteristic distinguishes Vietnam from other political systems, in which civil servants are neutral from all political parties and not directly attached to one political party. Civil servant, in general, serves civil services, the essential needs of the people. Vietnamese cadres and civil servants have tight connection to Communist Party, trained and loyal to the goals and ideals of the party and follow the leadership and management of the party through grassroots levels. This is the basic characteristics of the civil servant system of Vietnam and is clarified clearly in Article 8 of the Cadre and Civil Servant Law.

Obligations and rights of cadres and civil servants are fundamental issues and priority in the implementation of the law and regulations on cadres and civil servants. These represent the relationships between the employees with the State and citizen in performing civil duties and are important rules to regulate the behaviour of cadres and civil servants in public service activities. Besides, this factor is also the foundation requesting the State to implement its responsibilities

to public employees with the aim to satisfy the civil servants about working condition (remuneration, transportation fee, training and job security etc.). The cadres and civil servants are citizens, and they have obligations and rights as citizens. However, as employees in the public sector, their rights and responsibilities have the specific characteristics of public service activities also.

A remarkable point in civil servant system is that before selecting and appointing a position in one state unit, agency or department, an employee must undergo a transparency entrance examination – which is encouraged by Vietnam Government in recent years. State units, agencies, and departments will carry out the exam for a selection of the most suitable candidate based on the demand for specific positions. Normally, before becoming a civil servant, candidates must pass an exam which consists of two main parts: writing test and interview. A writing examination will test professional skills and interview test to verify the personality of candidates. However, several protesters claim that that the transparency and accuracy of these exams are unmet with expectations. Those examinations are said to be just a cover for some people who would like to rationalize the civil servants label themselves, and for those who bribed corrupt officials or had the relationship with senior official to get one position (Nguyen Dinh Nghia, 2012).

One of the important components of the civil servant system is the pay scale system for them. The government stipulates for civil servants' wages based on job position and their ranks and grades. Wage includes two parts: (1) the basic salary which is clearly defined in the ordinance on minimum wage and multiplied

by the salary coefficient, which depends on the unit that civil servants work for, and (2) some extras (bonus) according to the State regulations. Nevertheless, the salary system has some drawbacks. One of the problems is poor remuneration, which is considered to be unattractive, leading to the leave of numerous civil servants to other sectors. It was estimated that in 2010, up to 16,000 civil servants and employees transferred to the private sector (Vietnam General Statistics Office, 2011).

In addition to the salary regulations, selection and appointment of civil servants, the issues of grade promotion, training, and retirement have also been mentioned properly and systematically in the laws and regulations. Those contribute considerable improvement in the management of public employee and eliminate ambiguity that existed for a long time.

## **CHAPTER V**

### **VIETNAM'S PAY SYSTEM FOR CIVIL SERVANT AND ITS REFORM**

#### **5.1. Situation of pay system for civil servant in Vietnam**

For all countries, wage policy plays one of the most important parts of the social and economic policy system, and closely relates to motivation of development and economic growth, the enhancement of the effectiveness and efficiency of state management, the and utilization and promotion of the potential of the employees. The consistent interaction amongst wage policy, productivity and efficiency will be the factor to enhance the effectiveness and efficiency of state management, stable production development, and economic growth.

Wage is not only the motivational factor, leverage to encourage employees to improve efficiency, effectiveness and their professional skills, but also a means of ensuring an enhancement of their life. A decision of each person on a job does not only depend on his/her professional working ability and personal desire; the payment will be considered when employees choose to work in specific organizations or fields. There is an inevitable trend that in the same field, employees prefer to work in well-pay organizations. Besides, a high wage is a factor that remains employees' loyalty and motivates their effectiveness. However, the higher remuneration employees get, the more responsibilities they take; it is recognized in both public and private sector.

In Vietnam, the civil servant remuneration system has some specific characteristics. The structure of civil servant salary system in Vietnam includes

several components, which are stipulated in various salary laws, regulations and related- policies: The minimum wage, Allowances (Bonus and subsidies), Salary scale system and the regulations about the wage increase.

The minimum wage is regulated by the provisions in the Vietnam Labor Law under the promulgation of National Congress. That is the amount of money paid to employees doing the most basic work in society with normal working conditions and untrained labor occupations. It is considered to be sufficient to reproduce labor force, old-age assure and raise children and family. The minimum wage is used as the means for calculating total income according to pay scales, allowance and subsidies, and the implementation of other bonuses is prescribed by law. It also is applied to all levels of workers both in the public sector and the private sector as well. The National Wage Council, based on several conditions including the economic and social situations as well as state revenues and expenditures, the abundance of the state budget and State guidelines in development orientation, modifies the minimum wage. In Vietnam, government has been under the pressure of the protestors against low minimum wage - the main reason of which to do not meet the basic needs of the workers - and increased gradually basic wage over years. From 1993, salary system has undergone to 12 times upward in the minimum wage.

**Table 5.1: Minimum wage in Vietnam in the period 1993 - 2013**

<b>Period</b>	<b>Minimum wage (VND/month)</b>	<b>Change in comparison with 1993 (Percent)</b>
1/4/1993	120.000	100
1/1/1997	144.000	120
1/1/2000	180.000	150
1/1/2001	210.000	175
1/10/2004	290.000	242
1/10/2005	350.000	292
1/10/2006	450.000	375
1/1/2008	540.000	450
1/5/2009	650.000	541
1/5/2010	730.000	608
1/5/2011	830.000	691
1/7/2012	1.050.000	875
1/7/2013	1.150.000	958

Source: General Statistics Office of Vietnam, 2013.

Allowance, another part of servant's wage, is the current reward, for instance, transportation, housing, telephone, travel, cost-of-living and etc can be provided as a part of the employment contract or can be provided on a non-contractual basis or as intangible rewards (e.g., trips abroad or training). It is determined depending on job position, regions, working environment and so on. In Vietnam, the salary allowances for civil servants are specified in a number of

categories. Each of them has a different coefficient equivalent to the minimum salary and counted on the total income.

- Excessive length of civil service allowances
- Position pluralism allowances (10% of salary)
- Special allowance (30%, 50%, 100%)
- Allowance for attraction (20%, 30%, 50% and 70%)
- Allowance for toxic or hazardous working environment (0.1 - 0.2 - 0.3 - 0.4)
- Allowance for outside working environment (0.2 - 0.4 - 0.6)

Those allowances are paid monthly for civil servant.

For Salary scale system, based on Ministry of Home Affairs Decision 78 (released November 3, 2004) on the salary composition and structure of public servants and civil servants, civil servants are classified into the following 5 categories: Senior Civil Servant (10 scales) –including public officials; Major Civil Servant, and equivalent (12 scales); Civil Servant, and equivalent (14 scales); Staff (10 scales); Ordinary Employee (17 scales)

The gradual and regular increase for public employees' wage is influenced by the ability of task completion, good performance, the working duration and their grade and ranks. For example, for cadre and civil servant – wage is raised each five years, for A0 to A3 ranks, that period is three years. For lower rank (ranks B, C), the distance among 2 steps is only 2 - year period. The salary might probably be raised beforehand in some special circumstances. In more details: Public employees and officials that successfully completed the task without

reaching final rating category in pay scale shall be raised to next step; Public officials and civil servants who have announced about their retirement, but have not arranged to reach the last wage rating in the category, and did not meet the conditions for regular wage increase at the time of notification are also considered.

## **5.2. The reform process of civil servant remuneration system**

In Vietnam, in the beginning, the conception of remuneration for public employees was considerably affected by the implementation of a Soviet-style planned economic model. Besides monthly salary, the government also paid for public employees in kind and through price subsidies.

However, the great economic depression (1980s) led to the bankruptcy of the bureaucratic control on staple prices and subsidies system - which was repealed in 1985. The momentous turning point appeared in 1986; “Doi moi” was implemented in the Sixth Party Congress. At that time, hyperinflation seriously eroded the value of salaries, while cutbacks in the state - owned sector of the economy severely reduced the level of in-kind rewards and other benefits available to families. Under the 1993 civil service reforms, a comprehensive salary reform package was instituted.

First, most in-kind rewards for public employees (housing, healthcare, transportation, and education [except primary]) were formally “salarized” (GSC 2000d, 44); second, an invariable and nationwide set of salary scales was regulated; and third, public employee payment came to be corresponded with a new national minimum wage, which was stipulated at VND 120,000 per month.

*“Current salary of public servant is not fully...in money term... The current system of salary is too broad...with emphasis on equality of income. The salary differential between grades is small, (which) de-motivates public servants...”*

*“In general, salary is not sufficient...salary is not yet the main motivator..., and it not yet an attractive...tool to maintain...talented personnel... Salary in the administrative sector is lowest...contribute the causes of corruption...There exist some source of higher and more stable... (Remuneration) in addition to the salary of staff... The state is unable to control the real income of public servants and cadres” (GSC 2000d, 13-14)*

The national occupation was divided into nineteen different categories with the purpose of wage determination; for example, public administration, healthcare, education and training, construction and so on. Following that, each work category possesses different salary tables setting out salary scales, with as many as 16 steps. Each step on a scale is allocated a wage coefficient, expressing the salary as a multiple of the minimum wage.

The main characteristic of pay structure is that the basic wages are only counted as a minority percentage in salary scales, while other remuneration and bonuses are not reported and revealed officially.

On top of the basic salary, the system of allowances that make up the gross wage included responsibility (position), location, and hardship allowances. Position-related allowances form the principal method by which rewards are linked to job descriptions rather than solely to the person's rank. Responsibility

allowances for top officials were set at a ratio of up to 1.1 of the minimum basic salary. Other allowances stem from particular hardships or inconveniences associated with a job. On average, allowances comprised about one-third of the total salary across the whole public employment sector, which became a higher component of the reason demanding the higher position (Robinson 2002).

The 1994 Labour Code provided that the minimum wage would be adjusted in line with shifts to in the Consumer Price Index, but the increases came in periodic steps rather than incrementally. Pay increases were routinely delayed in the name of fiscal prudence.

Besides, the public employment system was reinforced and institutionalized with local particularism. The development of these “local rules” about pay and rewards was made possible partly by the relatively lax central supervision of the routine details of personnel management, in a context of relatively basic and undemanding Treasury requirements for financial reporting and accounting (IMF and World Bank 1999). The self-reinforcing problems of an increasing incidence of off-budget funds and a decreasing capacity to monitor and discipline the activities of local bureaus emerged together. Personalism, patronage, and localism, rather than legal–rational norms, thus shaped key aspects of the evolving public employment system in the 1990s.

The wage policy and related policies Reform in 1993 is a revolution with significant changes: To create positive condition for converting wage policy and related-policies to market-oriented economic system; To evaluate accurately and adequately wages and eliminate subsidized system; To gradually abolish the

average salary system amongst all sectors and wage distribution; To delegate the power from center to lower levels (districts and provinces), furthermore, to give autonomy for state enterprises and profit administration units and to reduce the intervention of government in those units. This innovation had also formed two main pillars of social security - social insurance and health insurance. This separated the social insurance and health insurance funds to be independent from the state budget. The benefit rates for people who deserved well have increased. The living standard of people and their families has improved since the adjustment.

From 2000 up to now, the Vietnam government has continued to conduct the melioration in wage policy. However, the subsequent reforms have focused mainly on raising the minimum wage under the pressure of the growth of price, expanding the average wage and the widening the gap between maximum and minimum wage, cutting down some grades and levels and adding the allowances and bonus. In the comparison of salary system in 1993, the reform brought some significant changes.

- **To narrow down of salary scale**

Government has reduced and rearranged from tens of wage scales and payrolls (1993) to 8 grades applicable to the salaried persons from state budget (including the armed forces); 2 wage scales and 6 payrolls (comprising 20 detailed tables) for those in the State's units. Provisions of payroll for several positions, from the Minister, Head of the Party and central level organizations and commune

officials (secretaries, deputy secretaries etc.) have been implemented. The payment of leading officials (elected and appointed) from central to district level are set, based on ranks and grades of civil servants; hence, these people receive the salary of leadership position. The payrolls of civil servants and public employees are separated, cut down some unnecessary ranks. The payroll increase can be implemented when civil servants attain the significant achievements in performing their duties.

Along with the wage scales and payrolls, allowances system was issued for civil servant and cadres elected and appointed (from Secretary of Party Committee, Deputy Minister and equivalent to the district level, with a coefficient from 0.15 to 1.40). For civil servants and employees of specialized courts, inspectorate committees, judicial authorities receive responsibility allowances from 10% to 30%; employees of education, healthcare and culture units are applied allowances from 5% to 70%. (GSO, 2010)

**- To increase the minimum wage**

In recent years, the minimum wage has been adjusted upward to match with the economic situation and to improve the civil servants' living standard. Accordingly, since 1993, wages have increased nine times and the nominal wage is considered to improve.

The growing salary implementation was conducted step by step.

On September 2005, the Prime Minister Phan Van Khai signed Decree 118/2005 / ND-CP on the adjustment of the minimum wage. Adjustment applied

the level of minimum wage was 350,000 VND / month from October 2005. According to the Ministry of Labour, Invalid and Social Affairs appraisal, the plan to increase the minimum wage to 350,000 VND had the positive effects to suit to the increase of prices and to guarantee employee's real income. This minimum wage applies both in public sectors and private enterprises, and contributes to the adjustment of pensions and social insurance allowances. From that, pensions and social insurance allowances for the eligible beneficiaries followed a growing trend as follows: for retired officials and civil servants, the pension went up to 10 percent from the payment received before retirement; for beneficiaries with labour incapacity, and commune and ward civil servants, the remuneration that they were rewarded monthly was added 10 percent of subsidy.

In 2007, Government issued three decrees 166, 167 and 168/2007 / ND-CP on the general minimum wage for worker, which was validated from January 2008. According to those, employees belonged to state administrative agencies, armed forces, political organizations and other social organizations were to receive minimum salary level of 540,000 VND/ month.

Continuously, the Decree 31/2012 / ND-CP stipulating minimum wage - 1,050,000 VND / month wage - was implemented from May 2012, and this level is applicable to all public employees and civil servants, officials of armed forces and employees working in administrative units, political - social organizations and profit administrative organizations.

In the latest information, the minimum salary reached 1.150.000 VND/month under Decree 66/2013 / ND-CP. Thus, the salary is used as a base for state agencies and units to pay health insurance and social insurance.

As a result of raising salary policies, the lack of state budget is a huge obstacle which policy makers have to face with. To solve this problem, several approaches have been implemented. The fund for implementation of the new minimum wage policy was secured. The source of the fund which is created by the following actions: to cut down 10 percent of on regular expenditure (excluding salaries and unavoidable bonus) in each administrative agency; to utilize at least 40% of retained revenues of profit generating administrative units and profit generating career units; to use 50% of total local increasing revenues. In addition, the state also has implemented policies about downsizing the contingent civil servants - those who were working with less effectiveness and poor qualification on a national scale.

In 2014, the government promulgated the Decree on reducing public employees. Accordingly, when the competent agencies issue decisions on organizational structure and manpower of the employees' organizations, if employees become redundant, they will be subjected to reduction. Earlier, the Ministry of Home Affairs proposed a draft document on reducing public employees which target to cut 100,000 employees within six years from 2014 to 2020. Besides, the delegation of authority to lower levels (provinces, district) in revenue and expenditure and salary fund management is also a one of the

appropriate measures. This increases efficiency and effectiveness of civil state's work in management salaries.

### 5.3. The result of pay reform for civil servants in Vietnam

#### 5.3.1. The change in minimum wage

With the purpose to enhance the living standards of public employees and reinforce personnel management, Vietnamese government has promulgated a number of laws and regulations related to civil servants, cadres and public official and conducted salary increase simultaneously.

**Table 5.3. Minimum Wage Increases and Inflation Rates (1994-2003)**

Year	Minimum wage			Consumer Price Index	
	Monthly (thousand VND)	Annual increases (%)	Accumulated increase (%)	Annual increases (%)	Accumulated increase (%)
1994	120	0.0	0.0	14.2	14.2
1995	120	0.0	0.0	12.9	28.9
1996	120	0.0	0.0	4.5	34.7
1997	144	20.0	20.0	3.6	39.6
1998	144	0.0	20.0	9.2	52.4
1999	190	25.0	50.0	0.1	52.6
2000	210	16.7	75.0	-0.6	51.7
2001	210	0.0	75.0	0.8	52.9
2002	210	0.0	75.0	4.0	59.0

<b>2003</b>	290	38.1	141.7	4.0	65.4
<b>2004</b>	350	20.7	191.7	8.7	79.8
<b>2005</b>	350	0.0	191.7	8.4	94.9
<b>2006</b>	450	28.6	275.0	6.6	97.9
<b>2007</b>	450	0.0	275.0	12.6	122.8
<b>2008</b>	540	20.0	350.0	23.0	174.1
<b>2009</b>	650	20.4	441.7	6.9	193.0
<b>2010</b>	730	12.3	508.3	6.5	212.1
<b>2011</b>	830	13.7	591.7	18.1	268.6
<b>2012</b>	1,050	26.5	775.0	9.2	302.4
<b>2013</b>	1,150	9.5	858.3	6.6	329.0

Source: Vietnam General Statistics Office, Statistical Handbook 2000, 2005, 2008, 2014

The table illustrates the upward trend in both minimum wage and consumer price index during the period of 20 years (1994 – 2013). It can be seen clearly that the minimum salary was adjusted increasingly each year, and in 2013 it grew up to nearly nine times in comparison with in 1994. Specially, in 2003, it was witnessed the greatest jump of this salary, minimum wage grew 38 percent higher than previous year, which was followed by the growth in 2006 and 2012 (28.6 and 26.5 percent respectively). However, the change was conducted deliberately, gradually and step by step rather than large fluctuations, and therefore in such a long time there are no significant changes in wages were perceived. Because of implementing one united pay system on a national scale, the increase in minimum wage meant that the payment for all employees were

enhanced, in particular, civil servants were paid larger amount of money for their works. The table also provides information of the fluctuation of consumer price index (CPI) on the same period. In the beginning of period, the inflation rates shown by the shift of CPI were not higher, nevertheless, in the following years, those rates raised quickly and reached the peak in 2008 with 23.0 percent. Up to 2013, the CPI tripled the figure at the first research year. Through the statistics above, obviously, the change in two types of figures had clear difference. It shows that the enhancement in payment for the employees in general and civil servants in particular, is higher in comparison with the growth of the inflation rates. It meant that the increase of salary could be sufficient to the demand of the increase of cost of living. The government's salary policies have attained basic achievement in enhancing civil servants' living standards.

### *5.3.2. The achievement*

The first, the viewpoints and policies on wage policy reform of the Vietnam Communist Party from 2003 are consistent with the socialist oriented market economy. Especially, the awareness of proper payment to workers is a factor to motivate the investment for social development, create positive situations for economic development and improvement in the quality of public services, contribute to transparency and enhance the efficiency and effectiveness of the State apparatus. In particular, the Law on Cadres and Civil Servants stipulates that civil servants having two consecutive years without completing tasks will be terminated. The identification of working position is considered as the foundation

element for appointment of one civil servant who is in conformity with the functions, tasks, scope and objectives of management of each state agency, organization or unit. Those who do not satisfy the requirements of the job position will be taken out of civil service. The Government has defined the routines for implementing the construction of the position-based system in agencies, organizations and units, and strive for the target that in 2015, 50% of state administrative agencies.

The second, the reforms have gradually separated wage in manufacturing and private sector with the state administrative area and business sector providing public services. It is an extremely crucial turning point for wage reform in the new conditions of the market oriented economy. The pay reform policies also embrace social insurance policy and other policies which are related to people and national development.

The third, the implementation of the wage reform for public officials, cadres and civil servants (*can bo, cong chuc*) has been undertaken in parallel with administration reform, the civil service improvement, the downsizing of personnel scale in public sector, and development of public services according to the needs of social development. However, it emerges that the conduction and implementation of the reform need to be in place step-by-step in accordance with ensuring the monopolist leadership in policies and doctrines of the Communist party. Some opinions suggest that it is necessary to be continuously cutting down up to 40 percent the recent volume of civil servants to reserve monetary resource for pay structure reform.

The fourth, the continuous innovation in wage mechanism has helped to clarify responsibility, autonomy and self-responsibility of public service units in payment. The salary raise is based on grades and steps which are tied to the quality and efficiency of public service provision in the socialization (2) process. This is emphasized in the direction of administrative reform and the wage reform.

The last, nominal wages of civil servants has undergone an increasing trend by repeated adjustment of the minimum wage based on inflation subsidies and economic growth. The relationship amongst the minimum - average - maximum wage is expanding with the gradual monetization of non-wage payments in order to fill the minimum need of civil servant, equalize distribution and stabilize the lives of public servants.

### *5.3.3. The shortcomings*

The low-wage policy for public officials, cadres and civil servants has been conducted and maintained in for a long time. It is a fact that previous reforms were dominated by the planned distribution of the state budget. Therefore, state leaders implemented wage policy for public servants with the low minimum wage. This payment was sufficient only for 65 – 70 percent of the demand for a minimum living standard of public employees. Furthermore, in comparison with other sectors – private and foreign – invested sector, the salary level was left behind, and the wage gap between public and private was increasingly enlarging. Because of poor remuneration, the searching of non-salary income in the civil servant group is an inevitable trend. It has become a great paradoxes and

contradictions in pay structure. According to statistics of Vietnam Civil servant Union survey in 2010, basic wages of public servants were quite low and only account of minority proportion of total remuneration civil servant paid monthly and the majority of civil servants are receiving the salary of specialist, technician and equivalent rank (class C and D mentioned in chapter III) which accounted for 73 percent of total public employees (the percentage of class C and class D are 32 and 41 respectively). Those numbers of principal-specialist and senior officials were 24 and 3 percent.

The relationship amongst the three level of salary minimum - average - maximum is not reasonable and inappropriate, especially the average coefficient is too low in relation of three levels, and so it cannot improve the life and promote incentives for public servants who have low paid coefficient. Salaries paid to public servants are calculated according to the minimum wage and coefficient. Moreover, there is no clear evidence for proper payment based on effectiveness and efficiency of public employees' performance and civil services quality. According to The Ministry of Home Affairs (MOHA)'s official announcement, during the period from 2016 to 2020, the expanding of the minimum - average - maximum wage will be conducted for rising from current ration 1 – 2.34 - 10 to 1 - 3.2 – 15 in the future.

While basic wages are not enough for serving public employee's essential expenditures, the non basic wage income is high (depending on position, jobs and regions etc.) and with no significant limits, no transparency nor control. In the non basic wage incomes, there are no accurate statistics or quantitative assessment,.

They may be legitimate parts, but most come from bribes which public officials earn by the abuse of power (Hoang Chi Bao, 2014). Corruption is a refractory issue as a great obstacle for administrative activities and reforming process. In 2013, the Vietnam government implemented and adopted the minimum wage for employee in all state units, departments and agencies with the amount is VND 1,150,000. Nevertheless, this figure is quite low in the comparison with VND 3,000,000 in private sector. This has partly contributed for the growth of corruption. So, it leads to an unsolvable problem that the leaders have to take much effort to find the answer quickly. The question is how to prevent public employees' corruption, while civil servants – cannot survive by their own wage.

Although public sector has low-paid system, the total payroll and pension guaranteed by the state budget accounts for a high proportion of total state expenditures, so salary reform is forced to "*To cut the feet to fit the shoes*". That is one of the most intractable knots in wage policy reform. According to the Vietnam National Institute of Financial Strategy and Policies (Ministry of Finance) (2013), the current level of guarantee from the state budget for salaries, allowances and bonuses is quite high and constantly increasing. Specifically, in 2011, wages and allowances for public employees are estimated that to account 51 percent of state recurrent expenditure ( nearly 9.6% of GDP), while in 2010, this figure was only 6.7 percent. In addition, there is expanding tendency in 21 branches which have been awarded 16 categories of different allowances; as a result, the rest of state budget is becoming slender.

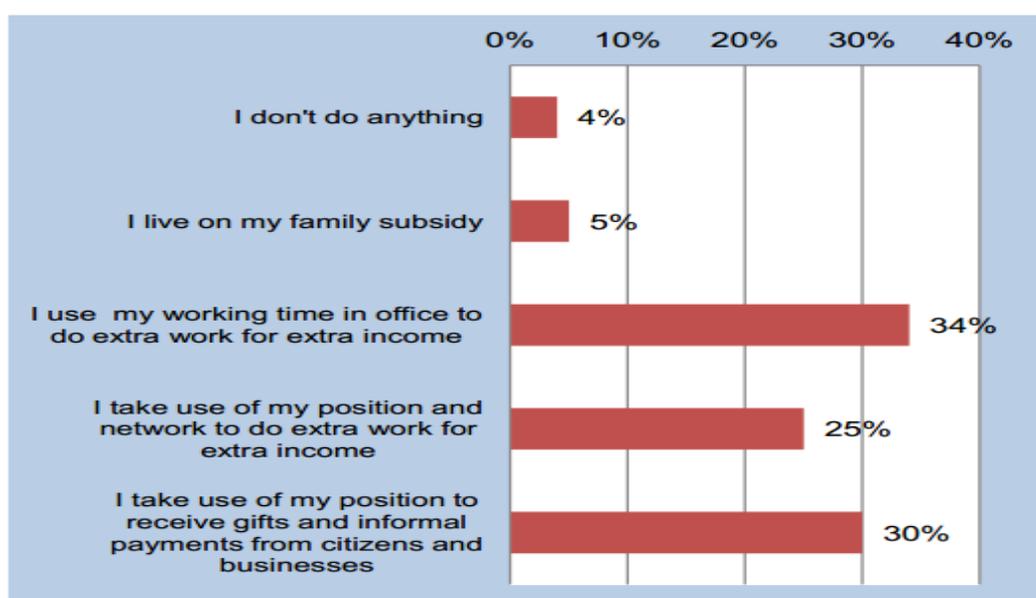
The implementation of the policy of socialization (2) for public service activities (public services) was quite slow with the result that did not reach the expectation, especially in health, education and training sectors, which is considered as a factor making difficulties for wage reform as well as generating financial resources to civil servant payment. For the big cities and provinces like Ha Noi, Ho Chi Minh City and Da Nang city with high population density, it is easy to call for domestic and foreign investors to support and implement reform, however for the district level, especially for Highland and remote regions, the socialization has to face with numerous obstacles. This is one of the biggest difficulty of wage reform because the existence of unclear separation of wage policy for civil servants in administrative units and public officials who are working as public services providers.

It could be said that reform wage policy for public servants since 2003 has not succeeded so far and still been caught in a vicious circle: this is due to the low wage policy which is not enough for the cost of living, while non-wage incomes are very high, the increase in minimum wage may lead to the increasing in heavy burden of the state budget. Despite annual wage policy reform, it has not created enough incentive and motivation for people for presenting their talent, ability, and dedication. Low - wage has become a considerably unattractive factor for employees working in public sector and an obstacle to keep public servants' loyalty and responsibility. On the contrary, people with good professional working skill and talent have an increasing tendency to leave the public sector to the non-state sector, where they are provided high incomes. Besides, low wage is

also one of the important causes of corruption and low efficiency and effectiveness.

According to the report of Jairo Acuña-Alfaro (2012) about the salary for Vietnamese civil servant, the real attitudes of civil servants about their salary and the factors which civil servants put in consideration for keeping their loyalty in public sector were revealed.

**Table 5.3.3.1: The answers of the question for civil servants: If your monthly salary is insufficient for your living cost, what would you do to increase your income?** (Number of interviewee = 15,016)



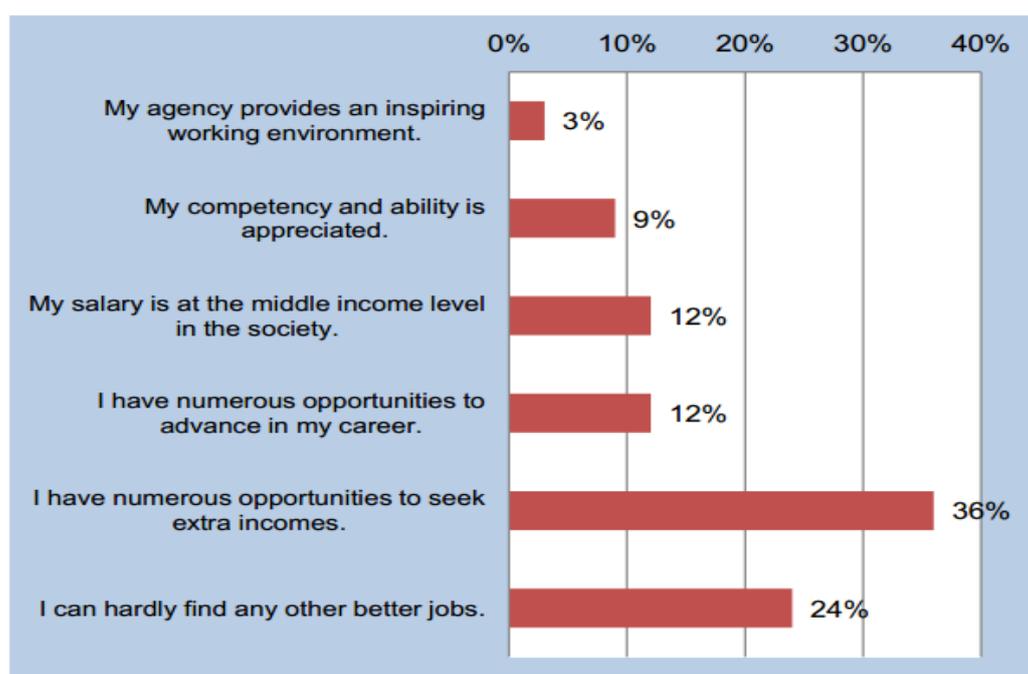
Source: Acuña-Alfaro, Jairo (2012) On Incentives and Salaries in Vietnam's Public Sector. Vietnam Law & Legal Forum. January-February. Based on online survey on [www.vietnamnet.vn](http://www.vietnamnet.vn)

It can be seen clearly that most of civil servants (55 percent) who have insufficient salary (not enough for living cost) have tendency to make corrupt use of their position get extra income (by doing extra work, receiving gifts). It meant

that low-wage is considered as a factor which leads to the increase in the corruption in public sector. Besides, it also revealed that the civil servants spent their working time in the office for their own purpose. From that, the efficiency and effectiveness of their official work do not have significant improvement.

In the addition, in the research of Jairo Acuña-Alfaro also point out several reasons for civil servants to remain with the state apparatus. One of the main reasons is a chance to get extra incomes. The table below shows out that point.

**Table 5.3.3.2: The answer for the question: If you are a civil servant, what are your reasons to remain within the state apparatus?** (Number of interviewee = 10,745)



Source: Acuña-Alfaro, Jairo (2012) On Incentives and Salaries in Vietnam's Public Sector. Vietnam Law & Legal Forum. January-February. Based on online survey on [www.vietnamnet.vn](http://www.vietnamnet.vn)

In general, in Vietnam, a phenomenon which exists among public employees for a long time is that they can generate more revenue because of the position in the public sector. Most of civil servants claim that the position would offer numerous opportunities to seek extra income. This partly has led to the existence of corruption. According to the Transparency international ranking (2005 – 2014), Vietnam is on the lower half of the list with the position of 119<sup>th</sup> (174 regions and countries in total). It can be said that salary reform undertaken so far anti-corruption in this country. Furthermore, low wage situation also has led to the abuse of official working hours to serve personal purposes; the effectiveness of the work of civil servants is not high.

## **CHAPTER VI**

### **SINGAPORE AND JAPAN CIVIL SERVICE PAY SCALE**

#### **6.1. Singapore's pay structure**

Despite being a country with a political system of high concentration of power at the central level, Singapore is emerging as a strong economy with attractive investment environment and transparent administration. The government has always topped the list in terms of transparency and anti-corruption. This is the consequence of a wise and judicious civil servant remuneration policy which has been choosing the public employee payment as the key to any reforms.

According to the ILO statistic, in 2013, there are around 138,120 people working in the Singapore public sector, including members of the civil list, political appointments and civil servants who work in 14 ministries and employees of the statutory boards. This number contributed to about 4.0 percent of labour forces. Public employment is classified, based on various jobs in the civil service, into four Divisions (I to IV) with different levels of work and educational qualifications. Into each division, it is also divided into broad occupational groups such as administrative group, education group, etc. Each group is broken into a single recruitment grade and one or more promotional grades, showing multiform levels of work responsibility and duties. Because of the diversity in grades and steps the management and payment of appropriate

salaries for people working in the public sector are issues that governments need to pay notice and handle.

Pay policies are primarily implemented by the Public Service Division (PSD) for orienting different ministries to implement them in a consistent way. The Ministry of Finance takes responsibility on the budget for each ministry, which embraces budget component for personnel expenditure. PSD would oversee the budget pool for specific salary components such as Performance Bonus. Ministries ensure the administration of their employees' salaries, within the frameworks that are jointly established with PSD.

The Singapore pay structure has some feature as follow:

- *Appropriate wage policy which is high competitive characteristic in comparison with private sector*

In Singapore, although the level of qualification is still a considerably important factor to determine the starting salary, the market standards have been applied to define salaries for civil servants. With the aim to attract high qualifications and professional skill candidates for working in the public sector, governments regularly base on and adjust civil servants salary in respondent with the average income of workers in the private sector. On 9th April, 2007, the Government of Singapore announced the new wage regime, began to validate from April 2007. Accordingly, the government expenditure increased about 214 million Singapore dollars (SGD) and led to the significant growth in total salary fund to 4.7 billion SGD / year (Singapore Department of Statistics, 2007).

The assessment and evaluation of the annual salary of civil servants are paid attention to as a foundation in revising salary scale. As a result, salaries have increased considerably both for the administrative officials (20%) and other public employees (34%) by the end of 2006 to match the fact of low recruitment rates and high severance. In particular, Singapore aims to assess the salaries of ministers and senior civil servants to ensure a competition with the private sector. From fixed-income by two-thirds of the equivalent positions in the private sector, salaries of ministers and senior officials were adjusted to be equivalent to the average salary of the four highest paid in six categories of occupation of the private sector.

After the latest revision, the current public official salary is equivalent to the average salary of eight groups including the highest salaries in six high-paying professions (bankers, businessman, lawyers, accountants, engineers and executives officer of transnational companies). It is claimed that the remuneration of civil servants in Singapore is the highest in the world, more than in the US and European countries (for instance, the salary of the Prime Minister of Singapore at about \$ 1.7 million in 2014, 4 times compared with the salary of the US President, \$ 400,000 per year – the estimation of Business Insider Website, 2015.). The acceptance and implementation of the public employees' pay in high level for competing with the private sector is a strategic choice of Singapore's leaders during decades, and therefore Singapore has attracted and retained a number of the most talented people working in public sector.

- *The remuneration for civil servant is corresponding to working performance efficiency*

Singapore insists on paying for the public employee to be commensurate with working performance. According to the quality of civil services for citizens, Singapore government pays appropriate salary and bonuses for public servants. In 1989, Singapore adopted a 3-month salary bonus for senior officials (accounting for about 1% of all civil servants) with good working performance. However, besides to depend on efficiency, the Singapore civil servants salary also depends on the overall efficiency of the economy. Singapore will not pay bonuses to civil servants if the economy status is less efficient and stagnant. Besides, the promotion of civil servants in Singapore is also based entirely on merit.

- *The flexibility in the salary structure of civil servants*

Singapore has applied flexible wage system since May 7-1988 after the great economic recession in 1985. Accordingly, the civil servants salary structure is created from the various components that can be adjusted based on the economic and market conditions. Recently additional flexibility has been added through the introduction of performance bonus linked to individual performance. The compensation for employees in a new flexibility public service system includes two parts: the *monthly wage* and *annual bonuses*. The *monthly wage* (fixed components) is made up of Basic pay, Non-Pensionable component (NPC), Monthly variable component (MVC) and Non-Pensionable Variable Payment (NPVP). On the other hand, the *annual bonuses* (the variable salary components) are a content of Non-Pensionable Annual Allowance (NPAA – 13<sup>th</sup> month pay),

Annual Variable Component (AVC), Special Bonus (SB) and Performance Bonus (PB).

- ***"Clean wage" policy***

In the combination with high-paying, Singapore has built a clearly and rigorously monitoring legal system and an effective evaluation system for public servants with the essential purpose to manage and strictly control the income of civil servants. This practice has led to civil servants implementing voluntarily and seriously "four no" principle: "do not, cannot, do not want and do not dare to corruption". Mr Lee Kuan Yew - former Prime Minister of Singapore, stated that: *"The satisfactory payment is an important factor for the integrity of the ranks of the political leaders and senior officials"*. Singapore also has renewed budget management mechanism by the distribution of financial autonomy power to ministry and department level.

Moreover, public officials who are convicted in court for corruptive activities will lose their jobs, and if they are retired officials, all pensions and other benefits will be confiscated. They also will not be recruited and appointed in any public sectors in the future.

- ***Collecting health welfare and reducing pension***

This policy is a part of Singapore government efforts to reduce the debt burden for future generations. As the policy, 1% of civil servants' salaries are used to contribute to a specific account so-called Medisave. This fund is a national savings scheme for helping individuals to extract a part of their income to pay for the hospital fees in the necessary situation.

Thus, the success of the salary reform of Singapore has demonstrated the role of the National Wages Council (NWC) in ensuring harmony in public service administration through the implementation of flexible remuneration scheme. Technically, it proves that the success of the reform salary must be the tight cooperation amongst three stakeholders: labour forces, managers and government.

- *Annual Salary Reviews*

It is conducted to evaluate salaries that need revision under ensuring the competitive characteristic. The Civil Service takes into account the annual wage adjustment recommendations of the National Wage Council and follows its principles of wage adjustment in salary revision exercises

Overall, Singapore has implemented and maintained the remuneration system with high pay for the civil servants. Accordingly, the civil servants will receive a salary corresponding to the responsibilities they have to bear. The tight management on payment is one of the main factors in preventing corruption, along with promoting the civil servants to work effectively.

## **6.2. Japan - Remuneration for Public employees**

Japan has an advanced hierarchical public employee system that is supported by the full and strict laws and regulations. This personnel system is managed by the agency - National Personnel Authority (NPA) – which is an independent organization headed by three Commissioners (one of whom is designated as President) who are appointed by the Cabinet with the consent of the Diet (Ide and Watanabe, 2011). Annually, to be based on the specific economic,

political, social and cultural situations of the country, The NPA endeavours to appropriately carry out its responsibilities for decisions regarding remunerations and other working conditions of public employees by making recommendations to the Diet and the Cabinet regarding basic matters to be designated by laws and regulations and establishing or abolishing NPA Rules based on the statutory delegation of authority regarding concrete standards (Kim, 2013). Accordingly, the agency will make recommendations to remedy the disadvantages of existed system and improve it. It reveals that the flexibility and innovation of Japan management system.

The main method for recruiting public employees in Japan is taking an entrance examination. The National Personnel Authority conducts the examinations at the national level for all ministries, agencies and units. For local public employees, they are recruited by local authorities on the Local Autonomy Law. Every year, the NPA holds three examinations for public employee recruitment with Category I (executives and managers), Category II (middle level) and Category III (junior officer). According to the entrance examination results, the state departments and agencies hold interview tests to choose suitable public servants. It is the most important process of entrance examination. The decision of the departments for recruitment is influenced largely by the results of this stage. Those who are recruited will serve in the civil service during the period less than six months (reserves) on probation. After the probationary period, if one employee is assessed to have sufficient qualifications, she/he will become the

official public employee working in the Public Service for long-term (lifelong) (Ide and Watanabe, 2011).

After being recruited by the ministries or departments, the public servants will be sent to short training and retraining programs at many different levels. Japan pays special attention to the fostering and updating new information and progressive knowledge of cadres and civil servants; however, it less focused on long-term training because the concept about civil servants have been trained quite well in college period. Therefore, the Japanese government claimed that public officers and employees should regularly update knowledge about economic, socio-political and administrative situations for their tasks.

Salaries and allowances of public employees in Japan are prescribed by the principles of the equivalency to the remuneration in the private sector. Japanese civil servants remuneration includes the basic salary, allowances and bonuses. The remuneration will be increased every 12 months, however, for people aged over 56 years, they cannot receive those salary increases because of reaching the retirement age (60 years old).

When public employees infringe upon discipline, the managing authority of those employees or the National Personnel Authority can implement one of four forms of disciplinary measures, which includes: (1) Dismissing; (2) Temporary unpaid leave up to 1 year; (3) To reduce the salary by 20% to a year; (4) Written warning.

As the estimation of NPA, in 2010, the number of employees working in public service comprises around 3.50 million with 641,000 officials at the national level and approximately 2.86 million at local government.

**Table 6.2.1: The number of public employees in Japan, 2010**

<b>Category</b>	<b>Unit (Thousand)</b>
National public employees	641
Local Public Employees	2,860
Special service: Personnel of Law Courts, Diet personnel, Personnel of the Self-Defense Forces, etc.	300
Regular Service	341
Public Prosecutors	3
Employees Working in National Forestry	5
Employees of Specified Incorporated Administrative Agencies	59
<b>Total</b>	<b>3,500</b>

Source: National Personnel Authority Government of Japan, 2011, Annual Report FY2010

The operation of Japanese Remuneration System is based on several fundamental Principles. As other countries, the Japan's remuneration of national public employees is established to satisfy the general conditions of society and essential demand of citizens. The NPA – with the position of taking primary responsibility in the stipulation, promulgation and revision on the contents of the

remuneration system- ensures the justice and equality in the adjustment of the remuneration level of national public employees in comparison with other sectors, private sector in particular. In accordance with the types of national public employees' duties and responsibilities, employees are paid adequately and equally. There are 17 salary schedules that were divided to be based on the types of employee jobs (Administrative Service, Public Security Service and Medical Service, etc.); And each salary schedule is separated into 10 grades (from lowest grade is grade 1 to highest – grade 10) with various steps. The distribution of wages system into different grades and steps is evaluated as an efficient method in coverage of all public employees, to ensure transparency and equity. Obviously, employees will receive wage increases based on the gradual increase of grades and steps, as well as on the evaluation of the efficiency and effectiveness of working performance and diligence allowances. (Ide and Watanabe, 2011).

The remuneration of public employees in Japan includes two main components: Monthly salary – which is determined and equivalent with the private sector and allowance – which consists of by a number of elements: The first, allowance assisting living expenses (Family allowance, housing allowance, commuter allowance, family – unattended – transfer allowance); the second, area allowance which depends on the region where employee working (area, wide-area, remote area and cold area allowance); the third, allowance for particular responsibility of duties (managerial allowance, special holiday work allowance for managerial employees and hardship duty allowance); allowance for overtime work (overtime allowance and day/night watch duty allowance); the fifth,

allowance equivalent to bonuses in Japanese private sector – end-of-term allowance and diligence allowance – those allowance are paid as a lump sum in June and December fiscal year; the last, other allowance (headquarters duties allowance, recruitment incentive allowance, specialized staff service salary and schedule adjustment allowance, research activities incentive allowance).

**Table 6.2.2: Number of Recipients, Average Monthly Amount, and Percentage of Recipients of Major Allowances**

<b>Item</b>	<b>Number of Recipients (persons)</b>	<b>Average monthly amount (yen)</b>	<b>Percentage of recipients (%)</b>
Commuter Allowance	215,373	13,903	82.7
Area Allowance	203,109	42,907	77.9
Family Allowance	152,355	21,630	58.5
Managerial Allowance	41,597	69,403	16.0
Housing Allowance	35,372	25,493	13.6
Wide Area Transfer Allowance	31,244	13,855	12.0
Cold Area Allowance	28,849	7,207	11.1
Unaccompanied Duty Allowance	20,718	34,283	8.0

Source: National Personnel Authority Government of Japan, 2011, Annual Report FY2010

From 2006, the Japanese government has conducted the reform of remuneration structure for public employees during the period of 2006 - 2010. The main objectives of the reform include: Firstly, It aims to flatten the significant gap between remuneration between private sector and public sector - which is being complained about higher salaries for public employees, so the salary of employees working in public service has been revised in the downward trend. Secondary, the growth of seniority - base should be put on the rigorous control, and the salary structure is in the consideration of innovating to the other model being inherent in more specific employees' duties and responsibilities. Lastly, the performance of employees is recognized as an important key factor in the payment (salaries, allowance and diligence allowance - bonuses) to ensure transparency and reduce inaccuracy and overlapping. Undergoing the reform wage system in the public sector, the Japanese government has achieved some positive results. The wage gap between the public and private sector has narrowed down and reduced the imbalance amongst regions. The difference between salaries in the various economic sectors across regions (Tohoku, Hokkaido, Kansai, Kyushu and etc.) has been offset by area allowance. Public employees also receive diligence allowances up to 3.95 months' salary per annum (NPA, Annual Report FY2010).

In the case of Vietnam, the salary system for civil servant has both achievements and drawbacks (they were listed above). During the reform process, the government has focused on increasing of salary for employees. The main reason to explain for this policy is the low-paid system- which originated from the

limitation of state budget and inflexible administration- existed for a long time and it generated a lot of problem. In addition, the increase in salary is to meet the demand of civil servants, with the primary aim to enhance their living standard. Furthermore, the Vietnam government pointed out that the improvement in income for civil servant means to prevent partly corruption in public sector and to enhance the employee's performance as well.

The application of the Japan and Singapore's salary model in Vietnam still is a top issue which the leaders of this country have to pay attention. Because of the difference in political and economic situations, the salary system and its reform in each country have different implementation and purpose. Therefore, the experiences of two countries should be put on consideration before applying widely in Vietnam. However, both of those countries assert the importance of relationship between the salary in public and private sector. The pay scale for civil servants should be determined in accordance with the payment for employees who are working in other sectors (private, foreign invested sector).

## **CHAPTER VII**

### **CONCLUSION**

The implementation of reform in economic, cultural, political, and administrative fields is one of the top issues that most nations put on the list of priorities. With the increase of globalization and international economic integration process, the relationship amongst countries has been consolidated. This process has brought not only positive influence in the socio- economic development of each country but sometimes, it also has had severe effects. For self-protection before the negatively unpredicted changes, the self-improvement of political institutions and strengthening of economic and political positions are the steps that all countries have paid considerable attention. Along with those activities, the enhancement of the living standards of the people which is the key factor of development, has conducted.

For countries, especially developing countries like Vietnam, reform of civil services is a solution to improve the living standards of people. In recent years, Vietnam government has promulgated and implemented two reform programs, including the Public Administration Reform Program in 2001-2010 and another for a period of 2011 - 2020. Two ten - year programs have made positive contributions to the socio-economic situations, the transparency of the policy-making process, and improvement in civil services quality.

Civil servants who are providers, distributors and manager civil services - have played a central role in this reform process. In parallel with the improvement

of the quality of those employees, the salary reform has been implemented with as leverage for civil service reform.

Wage (payment/ salary/ remuneration) is defined as the compensation for employees for the completion of tasks and motivation of their performance and it is a factor that retains qualified civil servants. Salary is affected by numerous factors and primarily adjusted, based on the socio-economic situations, the State development policies, and the availability of state budget. According to the reform in Vietnam, salary for civil servants has followed the upward trend over the years. In the last decade, the minimum wage was adjusted to nine times. The minimum wage almost doubled in four years. This adjustment is based on Vietnam's steady economic growth, the increase of CPI and the state budget. However, there is a fact that the wage has been compensated and balanced by the rise in the inflation rate and ICP, and, the real minimum wage rose slightly.

Overall, the civil servants' salary reform has gained several achievements; however, they are still small. It could be explained by the existence of low - wage system and the unequal distribution. Low wages will lead to difficulties in attracting talented people, and maintaining their loyalty with the job and workplaces.

According to the discussion in Chapter VI, Singapore and Japan civil service pay scale, some key points are drawn out, such as the salary system is accordance with payment in other sectors (private sector and foreign-invested sector). Besides, maintaining a simple and transparent wage system is an implication for Vietnam government in the reform process. Also, the regular

evaluation of wage system, grade and steps of pay scales is also essential. It supports the government to get reasonable adjustments timely. However, due to the differences in economic, social and political conditions amongst Vietnam, Japan and Singapore, Vietnam should select the most suitable solutions carefully. For example, high wages seem work well in Singapore; nevertheless, this policy is not appropriate in Vietnam because of the limited state budget. Instead, clean wage policy and regular evaluation on salary should be applied.

In summary, the reform of wage policy for cadres and civil servants is important, but complicated and sensitive with the impact on productivity and efficiency of cadres and civil servants. With the purpose to reach significant success in remuneration reform in the period 2012 - 2020, the change in the payment system of wages to ensure wage commensurate with the value of labor force and to prevent the unequal payment in current salary system should be conducted. The implementation of the civil servant salary policy reform requires a comprehensive review in associated with various impacts on payment. For instance, they are administrative reform, public finance reform and reform of social insurance policies for people who are deserved well of country and pension. Simultaneously, the reform also should be based on the situations coming from the Vietnam current practical context. The consensus and cooperation amongst the authorities and different sectors and the choice of appropriate solution to implement reform is an important element to ensure the success of the reform. However, it is necessary to determine specifically what is the breakthrough stage and key focus to implement the intended reform. Wage policy reform for cadres

and civil servants should be conducted closely with the reconstruction of the state administration, civil servant downsizing, the change of management mechanism and controls on wage and non-wage incomes. From the living standards of cadres and civil servants, the well-paid system is a motivating factor for cadres and civil servants to maintain their loyalty to the job and enhance their responsibility with civil activities.

## **CHAPTER VIII**

### **RECOMMENDATION**

The successful implementation of the fundamental reform of pay system is necessary for the new period. Besides, the adjustment of the public administration in the context of the market economy construction, industrialization, modernization of the country and international integration are inevitable process. Because of the important role in setting targets and implementing reforms related to salaries for officials and public servants, state administration reform should be conducted.

The civil servants salary issue needs to be considered under the content of the overall political – socio- economic - system, ensuring harmony amongst the legally constituted state, market and social institutions. In particular, there is a tight relationship between the issues related to wage with building a democratic regime. State administrative apparatus must be reordered towards streamlined, multi-functional, multi-disciplinary and multi-sector characteristics to ensure macro-management functions in planning, decision making and policy implementation for the various areas- economy, society, security and defence.

The establishment of a professional and modern civil service system in similar with the level of other countries in regions and around the world will assure of international integration requirements and become a fundamental condition of payment reform. New public administration system should be established with the background of the knowledge economy, scientific institutions

and administrative science. There is a requirement to clearly define the tasks of each position in the apparatus, from the top manager, experts to junior officials. Furthermore, the determination and evaluation of qualifications and performance of every civil servant for paying in the state bureaucracy should be based on specific standards. The payroll for civil servants should be considered to attach to the responsibilities of manager or leader of agencies and units.

The renovation of the state management on wages should closely relate to the human resources development from the central to grassroots levels. Civil servants are manpower enforcing state power, which is a special kind of labour forces with a requirement of high qualification, under regular training and retraining to meet the demand of variously specific tasks. Thus, the important stage of civil servant recruitment is the quality of inputs, and the appointment of employees should comply with the high standards, the disclosed selection process and equal competition amongst the candidates. Remuneration and related policies are likely accompanied by public and transparent features, and payment should be according to positions and their contributions. These professionals who have the high qualifications and good working skills should be paid appropriately. An important element in management thinking is that state needs pay more attention to defining public employees, civil servant and cadres for the purpose of appropriate wage policies for their specific activities. The reduction of redundant civil servants and workers – who possess low levels of education and inefficient working ability - is necessary. However, in the process of rearranging the organizational structure, the redundant phenomenon of the number of public

employees is inevitable; therefore government should have suitable mechanisms and policies to arrange replacement for them.

The utilization of salary funds from the state budget for employees working in the civil unions and political - social organizations – who are not the civil servant, should be put on careful consideration. It should aim to prevent the dependence of those organizations in available salary funds, without performing the individual and collective functions and responsibilities in public activities, to get adequate incomes under the performance of their organizations. Besides, it also led to the increase in the number of people who are receiving salaries from the state budget, while the negligible state budget cannot be met the demand immediately. However, the support of government for these organizations in beginning time amount of money – which publicized and under the transparency with Congress approval - to remunerate for their officials and staffs.

The renovation of the state management on payment could be concentrated on some of the followings:

Firstly, the provisions of the Law on Cadres and civil servants and Law of Public Employees should be implemented fully and consistently at all levels, state units. Besides, the classification of civil servants, public employees and cadres is necessary, and the civil servants who work in the non-profit administration units and public service units should be separated clearly. The socialization of some service sectors such as healthcare, education, scientific and cultural activities and sports, etc. should be conducted and associated with wage mechanism innovation. The improvement of the income of those people working in those areas partly

connects with the enhancement of quality of outcomes and service distribution and the raising of salaries for cadres and civil servants.

Secondly, the regulation of the number of employees and annual administrative expenditures will be a factor that encourages the reduction of payroll and administrative cost savings. At the same time, government implements to transmit public works and missions in administrative offices to a private sector. Instead of hiring public servants more, the salary which an employee receives will become higher and improve the condition of appropriate payment. Those regulations about payroll and administrative expenses will promise some positive expectation to not increase the state budget expenditures excessively while to create pressure on cutting down administrative staffs. The management likely becomes easier and time-saving.

Lastly, the identification of the specific job positions, staffing quota of each agency or unit should be considered to bring the efficiency and effectiveness of personnel management. Furthermore, the proper rearrangement of the civil servants system will match with actual mission and requirements. The downsizing of the State bureaucracy is an important breakthrough, but it is also a complex and there are persistent obstacles. Downsizing in public employee volume must focus on improving the quality of public servants, linked to regular training and retraining, and recruitment of qualified civil servants deserving the state bureaucracy. These measures will be appraised if they work to reduce the burden on the state budget under the complete program of policy reform on civil servant remuneration in the period 2012 - 2020 of the Vietnam government.

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## FOOTNOTES

(1). To be calculated based on the statistic of ILO, 2010

(2). Socialization - According to Vietnamese government's perspective, it is defined as the common concern, the contribution and participation of the entire people to a certain issues.

For example, the socialization of education means that, *all people* will participate in evaluating the education quality, promote the enhancement of education quality, prevent negative activities and strictly execute the legal regulations on education.

(3). According to Chapter IV, 4.1.1 part (page 32) – The definition of civil servant, cadres, public employees

*"Civil servants are Vietnamese citizens who are recruited and appointed to ranks, posts or titles in agencies of the Communist Party of Vietnam, the State, socio-political organizations at the central, provincial and district levels; in People's Army agencies and units, other than officers, professional military personnel and defence workers; in People's Police offices and units other than officers and professional non-commissioned officers, and in the leading and managerial apparatuses of public non-business units of the Communist Party of Vietnam, the State and socio-political organizations (below collectively referred to as public non-business units), included in the payrolls and salaried from the state budget; for civil servants in the leading and managerial apparatuses of*

*public non-business units, they are salaried from the salary funds of these units according to law." (Article 4)*

*"Cadres are Vietnamese citizens who are elected, approved and appointed to hold posts or titles for a given term of office in agencies of the Communist Party of Vietnam, the State, socio-political organizations at the central level, in provinces and centrally-run cities (below collectively referred to as provincial level), in districts, towns, and provincial cities (below collectively referred to as district level), included in the payrolls and salaried from the state budget." (Article 4)*

*"Public employees are Vietnamese citizens recruited according to working positions, working in public non-business units under working contracts and salaried from salary funds of public non-business units in accordance with a law." (Article 2, Vietnam Public Employee Law, 2010)*

In general, the differences amongst civil servants, cadres and public employees are not really clear. From those definitions above, some characteristics of each type are pointed out.

Normally, civil servant, cadres, and public employees are Vietnamese citizens recruited, appointed in the state agencies. Both civil servants and public employees work in non-business units; however, civil servants are salaried from salary funds of public non-business units in accordance with law and state budget, while public employees only are paid by salary funds of public non-business units. The criteria which are used to determine cadres are associated with electoral mechanisms, ratification and appointment of posts or titles for a given term of

office in different agencies terms. Cadres receive the salary from state budget. Sometimes, it is complicated to define who the civil servant is or not.

In page 84, the writer mentioned about employees working in the civil union and political – social organizations - who are not the civil servant, means that those employees can be cadres or public employees. Obviously, civil servants have specific characteristics which were stated above. Besides, the member of the party and civil servants are not the same concepts.

Civil servants are recruited, appointed and assigned to work in state units, political and social organizations depend on their abilities and job requirements without accompanied with the condition of being a member of the Communist Party or not. Furthermore, some party members are not civil servants, some case they can work in private sector.