STRATEGIES FOR HRM OF SMEs IN INDONESIA

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ABSTRACT

In developing strategies for human resource management in SMEs, one must look at the characteristics of SMEs. SMEs are managed by their owners and are mostly family businesses, and therefore their success depends primarily on the entrepreneurial and management capabilities of the owners. In Indonesia, the population consists of many ethnic groups like indegenous Indonesians (*pribumi*), Chinese, Arabs, Indians and others, each with their own tradition, historical background and attitudes. *Pribumi*s again are subdivided into many subethnic groupings. However, the most successful ethnic group in business is the Chinese.

Being small is often identical with personal weaknesses of the owners like weak mentality as lack of motivation for achievement, and not only because of lack of government support facilities, but often also because of the incapability of exploiting opportunities. The paper looks into the background of different attitudes among various ethnic groups in Indonesia as to their entrepreneurial capabilities, and offer suggestions for the development of SMEs. There are at least three groups which needs special attention, the firm owners, the workers, and government officials in charge of SMEs development. There are also at least four important areas in which the skills of SME owners should be enhanced: management, financcial management, marketing and technological skills. In addition, credits to SMEs must also be made available, since generally they have little access to formal financial markets because of lack of collateral means.

INTRODUCTION

In developing strategies for human resource management (HRM) for small and medium-scale enterprises (SMEs), one must in the first place look at the specific characteristics of SMEs. SMEs are managed by their owners and are mostly family businesses, and therefore the success of SMEs depends primarily on the entrepreneurial and management capabilities of the owners. The Indonesian Central Statistics Agency divides the scales in manufacturing industries into four categories: large, medium, small-scale and household enterprises[1]. In looking at HRM of SMEs, there are three critical problems to be addressed at:

1. the owner of SMEs,
2. the cultural background of various ethnic groups in Indonesia and their respective attitude toward entrepreneurship,
3. government policies toward the development of SMEs and the quality and dedication of government officials involved in promoting the development of SMEs.

In Indonesia, the population consists of many ethnic groups like indegenous Indonesians (*pribumis*), Chinese, Arabs, Indians and others, each with their own tradition, historical background, identities and attitudes. *Pribumi* Indonesians are again subdivided into many subethnic groupings. However, the most successful entrepreneurs are Indonesians of Chinese descent. Ethnical background has a great impact on the general performance of doing business, some groups are more successful than others among ethnical lines. Being small is often identical with personal weaknesses of the owners like weak mentality as lack of motivation for achievement, and not only because of lack of support measures, but often also because of the incapability of exploiting opportunities.

The paper looks into the background of different attitudes among the various ethnic groups in Indonesia as to their entrepreneurial capabilities, and offer suggestions for the development of SMEs, in particular to those owned by *pribumi* Indonesians. What kind of support and training are needed, to the firm owners and to the workers. Though born attitudes and cultural background are difficult to change, education and training can bring to a certain degree some changes in attitudes. Another general weakness is in the supervising and control of workers and products. Special attention should also be given to HRD enhancement of government officials in charge with the support and development of SMEs.

The paper will be organised in the following sections: SMEs in Indonesia, weaknesses in HRM, government policy and assistance, education and training, conclusion and policy recommendations. The government policy of establishing foster father partnership scheme by

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[1] Large scale enterprises are defined as those having at least 100 employees, while medium scale as those having between 20 and 99 employees, small scale between 5 and 19, and household industries as having less than 5 employees.

establishing linkages between large and small firms through subcontracting and technical assistance will also be discussed.

SMEs in Indonesia

According to estimate figures for 1997, there were in total 2,610,693 household industry establishments, 241,169 small-scale and 23,632 large and medium-scale enterprises in Indonesia[2]. As can be seen, household industries are very dominant in terms of number of establishments in Indonesia's manufacturing industrial structure, while large and medium-scale enterprises constitute only a relatively small portion. Compared to 1994 figures, the number of large and medium-scale enterprises increased by 24.3 %, small-scale enterprises by 43.4 %, but only 10.1 % in case of household industries. But in terms of contribution to overall employment, the large and medium-scale industries absorb the largest employment level, 4,337,609 in 1997 compared to 4,275,424 in the household industries and 2,077,298 in the small-scale industry sector. Employment growth as compared to 1994 reached 17.3 % in the large and medium-scale industries, 47.6 % in the small-scale industries, but only 8.3 % in the household industries. So the largest contribution to employment came from the small-scale manufacturing industry sector. See Table 1 and 2.

Looking at the individual manufacturing subsectors of small and household enterprises, the picture is as follows. In general, both the number of industrial establishments and the employment level increased sharply during the 1994 to 1997 period. In terms of number of establishments in the small-scale industry category, the four largest subsectors in 1997 were by following order, the food and beverages industry, then the construction material industry, the wood industry, the textile, garment and footwear industry. The three smallest subsectors were the steel and iron industry, the chemical industry, and the paper and printing industry. However, the fastest expanding subsectors from 1994 to 1997 were the iron and steel industry with 126.5%, followed by paper and printing industry with 113%, the chemical industry with 68% and the food and beverages industry with 61%. While the metal and electrical products and motor vehicle components industry remained almost stagnant with 3%. See Table 1 and 2.

In the household industry category, in terms of number of establishments, the four largest subsectors in 1997 were by following order the food and beverages industry, the woodworking industry, the textile, garment and footwear industry, and the construction material industry. The three smallest subsectors were again the iron and steel industry, the paper and printing industry and the chemical industry. The fastest expansion from 1994 to 1997 were to be found in the miscellaneous product industry with 52.9%, followed by the chemical industry with 44.8% and the paper and printing industry with 43.7%. Two industries however showed contracted development, the iron and steel industry with –17.6% and the woodworking industry with –2.1%. See Table 1 and 2.

In terms of employment in the small-scale industry category by subsectors, by far the largest absorption of labour occurred in the food and beverages industry, followed respectively by the textile, garment and footwear industry, the construction material industry

[2] Indonesian statistics do not make further separation between large and medium establishments.

and the woodworking industry. The smallest labour absorption occurred again in the iron and steel industry, the chemical industry and the paper and printing industry. The largest expansion in labour absorption between 1994 and 1997 was to be found in the manufacturing subsectors iron and steel industry with 219.1%, paper and printing industry with 138.4%, food and beverages industry with 99.8%. The smallest increase in labour employment was in the metal, electrical products and vehicle components industry with only 8% during the period, See Table 1 and 2.

In the household industry sector, the four largest subsectors in terms of labour absorption were respectively, the food and beverages industry, the woodworking industry, the textile, garment and footwear industry, and the construction material industry. The smallest were again the iron and steel industry, the chemical industry, and the paper and printing industry. Growth in employment increased fastest during the period 1994 to 1997 in the chemical industry with 87.2%, iron and steel industry with 72%. On the contrary, negative employment growth was observed in the woodworking industry with –7.3%. See Table 1 and 2.

Table 1. Number of Establishments and Persons Employed of Large/Medium, Small and Household Manufacturing Enterprises in Indonesia, 1994 - 1997

Industrial code		Number of Establishments			Persons Employed		
		Large/Medium	Small	Household	Large/Medium	Small	Household
(1)		(2)	(3)	(4)	(5)	(6)	(7)
31	1994	4,826	57,080	840,590	739,133	435,817	1,564,501
	1995	5,336	66,318	856,477	895,762	517,545	1,606,248
	1996	5,608	79,242	881,586	810,221	617,085	1,642,682
	1997	5,713	91,922	963,213	784,667	780,136	1,794,794
32	1994	4,423	29,295	311,828	1,255,536	272,770	429,006
	1995	4,958	33,779	319,867	1,312,767	331,353	425,645
	1996	5,230	38,965	357,023	1,354,716	381,901	453,403
	1997	5,261	38,258	359,240	1,399,827	375,294	456,214
33	1994	2,487	32,414	919,532	527,098	272,936	1,353,799
	1995	2,913	34,982	908,461	538,935	286,935	1,276,256
	1996	3,145	41,093	886,384	562,231	336,740	1,235,081
	1997	3,240	39,740	900,338	581,763	325,964	1,254,595
34	1994	833	2,953	12,351	132,461	25,514	27,027
	1995	905	4,101	13,789	149,016	39,634	30,257
	1996	1,035	5,833	16,464	165,390	56,354	35,502
	1997	1,004	6,293	17,749	174,399	60,823	38,285
35	1994	2,236	2,694	15,293	444,040	25,631	23,902
	1995	2,412	3,310	16,992	472,334	30,483	36,600
	1996	2,581	4,310	21,026	485,701	39,692	42,495
	1997	2,590	4,529	22,151	473,306	41,708	44,751
36	1994	1,603	30,545	179,938	156,904	271,423	373,963
	1995	2,027	33,787	194,885	179,847	275,105	403,538
	1996	2,158	41,938	214,340	190,308	341,172	440,495

	1997	2,382	43,753	220,533	232,084	356,252	453,225
37	1994	151	275	1,845	46,774	2,035	3,400
	1995	169	317	2,248	47,644	2,670	4,599
	1996	182	623	1,521	50,420	6,494	5,847
	1997	190	623	1,521	54,508	6,494	5,847
38	1994	2,074	8,739	47,960	437,178	63,440	100,863
	1995	2,389	8,993	52,643	499,719	68,362	108,200
	1996	2,596	10,308	60,735	523,438	77,256	121,668
	1997	2,758	9,009	60,371	565,557	68,487	124,223
39	1994	384	4,159	42,881	74,546	37,421	71,711
	1995	442	5,180	47,953	78,117	45,712	77,582
	1996	462	6,666	62,490	72,542	58,684	98,590
	1997	494	7,042	65,576	71,498	62,140	103,490
Total	1994	19,017	168,154	2,372,218	3,813,670	1,406,987	3,948,172
	1995	21,551	190,767	2,413,315	4,174,141	1,597,799	3,968,929
	1996	22,997	228,978	2,501,569	4,214,967	1,915,378	4,075,763
	1997	23,632	241,169	2,610,693	4,337,609	2,077,298	4,275,424

31 Food, beverages and tobacco

32 Textiles, garment and leather products

33 Wood, bamboo, and rattan products including furniture

34 Paper and paper products, printing and publishing

35 Chemical, petroleum, coal, rubber, and plastic products

36 Non-metallic mineral products, except products of petroleum and coal

37 Basic metal industries

38 Fabricated metal products, machinery and equipment

39 Other manufacturing industries.

Source: Central Statistics Agency.

Table 2. Growth Rate of the Manufacturing Industries in Indonesia, 1994 – 1997 (in %)

Industrial Code	Number of Establishments			Persons Employed		
	Large/Medium	Small	Household	Large/Medium	Small	Household
(1)	(2)	(3)	(4)	(5)	(6)	(7)
31	18.4	61.0	14.6	6.2	99.8	14.7
32	18.9	30.6	22.6	11.5	37.6	6.3
33	30.3	22.6	-2.1	10.4	19.4	-7.3
34	20.5	113.1	43.7	31.7	138.4	41.7
35	15.8	68.1	44.8	6.6	62.7	87.2
36	48.6	43.2	22.6	47.9	31.3	21.2
37	25.8	126.5	-17.6	16.5	219.1	72.0
38	33.0	3.1	25.9	29.4	8.0	23.2
39	28.6	69.3	52.9	-4.1	66.1	44.3
Total	24.3	43.4	10.1	13.7	47.6	8.3

Source : Calculated from Table 1.

HUMAN RESOURCE MANAGEMENT IN SMEs

Entrepreneurial attitude, capability and performance differ among the various ethnic groups in Indonesia. The Chinese ethnic minority, it is estimated that they comprise around 5 % of total Indonesian population of around 200 million, dominates the greater part of the Indonesian economy, especially in the medium and large-scale enterprise category. Their presence is very conspicuous, as they dominate the business districts in large cities. And obviously they are the most successful ethnic group, which raises envy and deep-rooted hatred among other ethnic groupings. Consequently the Chinese were often the victim and target of social tensions and frustration in particular from *pribumis*, ending in violent riots and burning, like the violent atrocities of May 1997. Their business success is due to the fact because Chinese in general work harder than *pribumi*s (Sutojo: 43), and are diligent, pragmatic, thrifty and trustworthy by nature, qualities that are needed to be a successful entrepreneur. However, among *pribumi* intellectuals, the sentiments towards Chinese are divided. Some praise the Chinese for their good values, but the majority hate them for being cunning, selfish, exclusive, stingy, etc. (see Jahja).

Next to the Chinese are Arabs, whose community is much smaller than the Chinese. In terms of entrepreneurship they are considered to be relatively successful. Contrary to Chinese, they are not considered as aliens but as *pribumis*. This is because they are already fully integrated with the *pribumis*, in particular because of their common Moslem religion, and since many of them are religious leaders in *pribumi* society where the majority is Moslem. In the historical past some rich Arab merchants founded sultanates and became Sultans. Arab Indonesians go to the same schools with *pribumi*, mostly live in the same neighbourhood although there are also Arab quarters, and the rate of intermarriages is high.

Generally on the bottom line are *pribumi* businesses. Seldom can *pribumi* businesses compete equally with the Chinese or Arabs. But here again there are great differences among the various *pribumi* subethnic groups, which are again geographically determined. E.g. people from the Minangkabau area in West Sumatra, from South Sulawesi and from Bali are generally known as successful business people. Curiously enough, the role of women entrepreneurs is dominant in some parts of Indonesia, e.g. in Minangkabau, in Bali and to some extent also in Java. In these parts, women bear greater responsibility than men to sustain the family economically. In Minangkabau the cultural system is matriarchal, whereas in Bali women's position in society is equal to men.

However in most parts of Indonesia, generally the people have little business acumen. The Javanese cultural heritage of social harmony and to be respectful toward others does not comply to the need of being aggressive in daily business activities (compare Roepke: 112f.; Sutojo: 43; Vroom: 29). In some areas the people are still culturally backward, they live mainly from agriculture, and they are not used to running businesses. The few business activities that exist in these backward regions are owned by migrants from other parts of the country or by large companies having large forest concessions. To give an extreme example, e.g. in Irian Jaya, traditional village people in remote areas still live with minimum body coverings, the older people do not go to school, they do not master agricultural techniques, and they are estranged with monetisation.

Historically, during colonial times, indegenous Indonesians were excluded from business activities, instead the Dutch colonial rulers positioned the Chinese to act as middlemen between the indegenous peasants and the Dutch companies. Hence the Chinese could strengthened their economic dominance even until today. (Compare Roepke: 181, 199-202). After independence, the Chinese could maintain their dominant economic position by colluding with the political and military elites (see Roepke: 222).

Generally speaking, small enterprises is a reflection of personal weaknesses in doing business, as they do not have the necessary business acumen. Basically they are mentally poor: lazy; unreliable; no motivation for achievement, weak financial management, mixing personal and business financial matters together; concentration on the production side and less attention to foster sales; careless in achieving good quality standards; no introspection on one's mistakes and failures and blaming others instead of correcting and improving oneself (compare Priyono et al.: 58, 77). It is even being said that Indian and Chinese merchants inhibit the development of *pribumi* business activities through their well-established business channels (Priyono et al.: 98). Instead, some *pribumi* businessmen tend to compensate their entrepreneurial weaknesses with political relations. These weaknesses of SMEs do not stem from education, because high education does not guarantee successful entrepreneurial performance, since many businessmen can be successful although they receive only minimum education. Though it is difficult to change habits, attitudes, philosophy of life and culture of societies, nonetheless, still the most operational variable to change these weak attitudes to some extent is through education and training.

GOVERNMENT SME POLICY

The Indonesian government has since the early independence day taken discrimiindegenous actions against the Chinese economic dominance and introduced various programmes to promote and support SMEs, in particular *pribumi* businesses, however without much success (Suryadinata: Ch. 6). Nonetheless the former were more successful in developing their businesses without much government support, sometimes even faced with hostile government policies. The negative sentiments of *pribumis* against the Chinese came already to the surface even during colonial times with the founding of a Moslem Union Movement, the *Syarikat Islam*, in 1911, founded primarily to counter the economic dominance of Chinese businesses. Despite these anti-Chinese sentiments, Chinese businesses managed to flourish.

Important measures taken by the government to promote SMEs development are:

- The foster father partnership scheme, where large firms take care and advice a number of SMEs to support their development, among others through subcontracting. This programme was not very successful. In Indonesian culture *bapak* (meaning father) is a person that is to be honoured, it is "the necessity to honor the older and higher status people, because they are thought to have the role of fathers in the societal family.' (Vroom: 29). The traditional paternalistic father-child connection "suggests that both parties have mutual obligations in order to maintain social harmony: the first one to protect and to educate the others, the others to provide the first ones with everything they need for a decent living" (Vroom: 29).

- Various credit schemes with relatively low interest rates. This programme was not very successful either, since the banks were reluctant to participate, as the costs of lending small credits are much higher than large ones.

- Using 1-5% state-owned enterprise profits to extent financial support to SMEs with low interest rates. Lack of commitment and weak channeling system of funds made the programme less successful.

- Conglomerates were urged to donate some shares to cooperatives. This was more a political move by former President Suharto to ease the tension between small and large firms. The amount of shares granted to the cooperatives were too small and only few conglomerates comply on the appeal to be effective.

- Education and training for SMEs. "Provision of training is frequently linked to the provision of working capital and, very occasionally, fixed capital." (Sandee, et al.: 124). However capital is needed to adopt new technologies, and this is generally lacking (Sandee, et al.: 128). Participation rate of these programmes were however low (compare Sandee, et al.: 122-5), because they do not see the direct benefit of these training for running their businesses. In addition there are a number of loan programmes to financially support the development of SMEs (see Timberg, Pangestu). The accessibility to financial credits is imperative for the development of SMEs, since in the formal financial market they usually lack collateral means to obtain loans and therefore they have to depend on non-formal financial market loans with sometimes very high interest rates.

To promote the development of SMEs more forcefully, the government reorganised the Directorate General of Small and Medium Scale Industries to the Department of Cooperatives, forming a new Department with the name Cooperatives and the Development of SMEs.

Another obstacle to promote the development of SMEs is the negative attitude of government officials in charge of the programmes. Government apparatus often obstructs the issuance of permits (Priyono, et al.), and they prefer to collude with large businesses and neglect to support SMEs. The main cause is, because wages of government employees in Indonesia are very low, and the common saying among government officials is: why make things easy if you can make them difficult, so they can abstract some money from the business people. Government support programmes are being planned from the top, motivated by personal interests of government officials and not suited to the needs of SMEs. In reality the officials are learning much from the experiences of SMEs, and not the reverse. (Priyono et al.: 23)

EDUCATION AND TRAINING

Training and educating workers are the other option, but after training they may cause workers to seek better employment elsewhere. The quality of workers employed depends on the recruitment policy of firm owners, since usually all kinds of skills are available in the labour market, depending on wages. Indegenous Indonesian philosophy of life is to see human beings as equals, therefore they tend to seek workers with the lowest pay, not the best qualification. Therefore SME owners are generally reluctant to send their employees for training.

The firm owners themselves are also generally reluctant to attend training to enhance their knowledge and improve their performance, since they do not see immediate results they can use nor increase their sales. They consider such training as wasting time and unproductive, it is more important for them to attend their shops, and instead they send their children or relatives. Training organised by various Departments are often conducted in the evenings, free of charge, the participants get free consumption, and sometimes take place in the neighbourhood of the firms. A training usually get full attendance only if it is linked to a promise to provide loans afterwards.

CONCLUSION AND POLICY RECOMMENDATIONS

There are at least four areas for enhancing human resource development of SME owners, i.e. improving corporate management, financial management, marketing capabilities and increasing technological skills. These can be achieved through various training programmes, organised by the government and respective industry associations. A research on need assessment of the target group should first be conducted before the training starts. Involvement of industry associations is imperative, since they know the needs of their members best. Company visits by experts should also be part of support programmes, as these experts can advise the SME owners and solve problems together directly on the spot.

The support programmes should also be linked to the access of credit facilities. In the past, various credit schemes for SMEs were not very successful, and commercial banks were reluctant to provide credit to SMEs, because the interest rate was set lower by government regulation than the normal loan interest rates to promote the development of SMEs, whereas the administrative costs of extending small loans are much higher. In actuallity, because of the difficulty in obtaining loans from commercial banks, many SMEs go to traditional money lenders and loan sharks, who demand high interest rates. Therefore, the Indonesian government should revise the policy of providing cheap loans to SMEs and instead it should set a slightly higher interest rate than the normal rates, but much below the rates demanded on the informal financial market. This policy would give an incentive for commercial banks to engage more actively in providing small loans to SMEs.

Nonetheless, it is not enough to enhance HRD of SMEs only, but it is also of no less great importance to enhance the HRM capabilities of government officials, in particular those who are directly involved and responsible for the promotion of SME development. Wage improvement of government employees and increase of HRM capabilities are therefore imperative, so they can support the development of SMEs more effectively.

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THE FUNCTION OF MARKETING IN SMI'S IN SARAWAK

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THE FUNCTION OF MARKETING IN SMI'S IN SARAWAK

ABSTRACT

Marketing is a critical field in the realm of Human Resource Management that has huge potential in the development of the economy of Sarawak. Despite being one of the dominant fields of study in academic communities throughout the world, marketing is often misunderstood and misused. The essence of marketing is that, in an increasingly competitive consumer driven world, organizational success is driven through the ability of the firm to match the needs and wants of the consumer with the strengths, objectives and competencies of an organization. While the marketing orientation is now the dominant approach, some industries and firms still face demand and supply conditions, either due to the state of the market or the competitive environment, that allow approaches that are more production or sales orientated. Given the increasing importance of marketing activities this research develops the current understanding held by managers and marketing executives in SMI's in Sarawak. The functions of the marketing department, managers, and executives in SMI's are explored. This provides a vital clue as to whether the correct understanding and application of a major function in business is applied in Sarawakian SMI's. This paper also explores the perceptions of SMI marketing personnel toward institutional training in marketing. Increasingly businesses will find that they can no longer expect sales either through manufacturing efficiencies or the use of persuasive sales tactics. For organizations to continue to be successful require that they become market orientated. Suggestions and recommendations of how a better understanding of marketing can be used to assist SMI's in planning their future human resource requirement are provided.

INTRODUCTION

Since McKitterick (1957) first introduced Marketing as an area of organizational importance, the development of skilled marketing personnel and marketing departments has burgeoned. Today in many organization's, particularly large corporations, the marketing department is a separate and distinctive identity providing specialized human resources expertise. However despite the growth in its importance, different countries, regions, and even types of companies have embraced the marketing concept as a central business dogma to different extents. Small and medium sized industries (SMI's) in developing growth markets have been slow to take up and apply this critical area of human resources expertise.

In order to understand the underlying basis of these regional variations requires an understanding of the development of the industries in question. In reviewing the perceptions of marketing in Sarawak it is therefore axiomatic that we first review the history and growth of the organizations under analysis. This will provide insights into why currently held beliefs are practiced.

LITERATURE REVIEW

The Evolution of the Marketing Concept

The marketing concept developed as an area of importance largely due to changes in demand conditions that occurred in developed nations. As developing and Newly Industrialized Nations demand conditions change, their business orientations are likely to mirror those of Industrialized nations. Globalization will also increase the rate at which this process change occurs. These orientations and the processes of development are briefly discussed.

The Production Orientation

Different types of orientation have evolved over the decades to meet the changing needs of the marketplace. In growing markets, with high and increasing levels of consumer demand, coupled with a developing manufacturing base, demand often exceeds supply. Firms main focus is therefore the lowering of costs and the increase in production capacity to meet the, relatively, unlimited demand for manufactured goods. A sellers' market with high demand and limited supply exists. Entrepreneurs set up production, based upon the need to minimize costs and maximize output with little concern about sales and marketing. There is little need to spend resources on promotional or market research activities as any production is easily sold. At this stage attaining economies of scale is the focus.

> "A production philosophy exists when an organization emphasized the production function. An organization following such a philosophy values activities related to improving production efficiency or producing sophisticated products and services. Production drives the organization Bearden, Ingram & Laforce (1995:9)"

The Sales Orientation

Changing demand conditions due to; increases in production, large economies of scale and market saturation, leads to abundant supply relative to limited demand. This creates problems for production-orientated organizations and increasing manufacturing efficiencies merely cause further excess production capacity. The emphasis changes to sales, and a sales-orientation.

This is usually a transition period for businesses as their manufacturing efficiencies determine what they produce and they develop more extensive sales networks to push these products in the consumer marketplace. Changing consumer demands mean that a sales approach is only a short-term solution as the consumer has ultimate control over their spending. This control means that as consumer tastes and preferences change, unless businesses are able to change their production to satisfy these changing demands, sales inevitably decline.

> "The idea that consumers will not buy enough of the organization's products unless the organization undertakes a large scale selling and promotion effort" Kotler & Armstrong (1996:16)"

The Marketing Orientation

As living standards and income levels rise, competition increases and the consumer population becomes more educated and sophisticated, consumers become the dominant force in the marketplace. Businesses can no longer expect sales either through manufacturing efficiencies or the use of persuasive sales tactics. For organizations to continue to be successful require that they become market-orientated.

Firms need to analyze the consumer in order to understand their changing needs and demands. To maintain continued success organizations are required to coordinate their efforts to ensure customer satisfaction. A competitive marketplace and low manufacturing costs means that better products or services continue to arrive and a firm must be able to adapt to changing consumer demands.

With the realization of the importance of the consumer also comes recognition that the consumer is not after a product, but rather a bundle of benefits. The product is merely one way of satisfying a particular need or want. The needs and wants of the consumer become the focus and the product merely a means of satisfying those needs and wants.

Table 1: Types of Business Orientation

	Production Orientation	Sales Orientation	Marketing Orientation
Strategy	Lower Costs, Increase Production	Increase Sales Volume	Develop Profitable Products to Meet Consumer Demand
Expertise	Engineering & Manufacturing	Sales	Market Analysis & Strategic Planning
Operational Focus	Efficient Production	Effective Sales Techniques	Customer Needs & Wants
Philosophy	We can sell more if only we can produce more and we will make more profits if we reduce costs	We need to find more markets for our existing product lines	We need to determine consumer needs and wants and produce goods and services to match.

The Marketing Concept

The range and breadth of the literature on the marketing concept is long, ranging from the thoughts of McKitterick (1957), Levitt (1960), Kotler (1977), and Webster (1994a; 1994b). However, it is generally agreed that the traditional marketing concept relies on customer focus, co-ordination of effort, and profitability (Kotler, 1994).

One of the earliest, authoritative definitions of the Marketing concept was posited by McKitterick (1957: 78). It is his view that a company that practices the Marketing concept:

> "… focuses its major innovative effort on enlarging the size of the market in which it participates by introducing new generic products and service, by promoting new applications of existing products, and by seeking out new classes of customers who heretofore have not used the existing products."

It has been argued that the old marketing concept was born out of economic scarcity, pent-up consumer demand, and growing consumer confidence (Webster, 1994a). The new marketing concept thrives on the affluent, sophisticated and informed consumer, economic pessimism, global competitors, and superior value.

To maintain the customer focus in the light of manufacturing, financing, and sales concerns, is often difficult to achieve and requires well-formulated marketing strategies. The key to a market driven organization is co-ordination of its operations based upon the wants and needs of its customers. The fundamental reality of marketing is that the marketing organization is driven not by the needs of its employees, managers or manufacturing base, but by the customer. A customer focus provides an organization with a sustainable competitive advantage.

A competitive advantage is an edge that the company has over its competitors, such as lower costs or better quality. Most companies have held a competitive advantage at some time in their operations. The key to corporate success is the sustainability of this advantage. In the current, highly dynamic, competitive, world market environment, no company can sustain an advantage without maintaining awareness and focus on changing customer needs and wants. In order to be marketing orientated therefore requires a dynamic and progressive company philosophy.

While the marketing orientation is now the dominant approach, some industries and firms still face demand and supply conditions, either due to the state of the market or the competitive environment, that allow approaches that are more production or sales orientated. This research analyzes SMI's in Sarawak to determine the current orientation in order to provide future insights into the future development of human resources needs in this region.

SMI's IN SARAWAK

Oil, timber, agricultural activities and pepper have been the mainstay of the Sarawak economy since the 1960's. In the late seventies Sarawak recognized that its dependence on natural resources would not be sufficient to sustain its economic growth. In the 1980's the State gave priority to the manufacturing sector. The number of people employed in the manufacturing sector in 1970 was only 6.5%. By 1997 the sector employed 24.1% of the workforce in the State and this percentage has been steadily rising (Table 2).

Table 2: Percentage Distribution of People Employed in the Manufacturing Industry

Year	**Percentage (%)**	**Percentage (%) Increase**
1970	6.5	-
1980	9.5	3
1991	15.4	5.9
1993	20.8	5.4
1997	24.1	3.3

Source: Sarawak Facts and Figures, 1997.

The number of manufacturing organizations in the State increased from 726 in 1991, to 1919 in 1995. The number of paid personnel increased from 33,153 to 59,843 during the same period (Refer Table 3). The manufacturing industry has provided significant growth and job opportunities in Sarawak. The largest sector in manufacturing in terms of job employment is Wood and Wood Products, including Furniture.

Table 3: Manufacturing Industries in Sarawak

Year	**1991**	**1992**	**1993**	**1994**	**1995**
No. of establishments	726	770	890(a)	945	1919
No. of Paid Personnel	33,153	40,849	50,451	58,383	59,843*
No. of Persons engaged	33,730	41,431	51,112	59,069	64,045
Gross Value of Output (RM million)	6,322	6,450	7,600	8,754	10,829

* based on 2.5% growth.
(a) Information based on surveys that covered the larger organizations, as identified by employment cutoffs.

Source: Yearbook of Statistics 1996, Sarawak and Yearbook of Statistics 1997 Malaysia.

Table 4 details current employment figures in SMI's, rates of labor shortage and the employment requirements by the year 2000. The manufacturing sector is expecting a severe shortage in unskilled (33.63%), semi-skilled (25.48%) and craft skilled (7.89%) workers by the year 2000. Given these severe shortages in basic labor requirements there has been little emphasis on managerial (current shortage of 2.93%, employment requirements (2000) is 4.6%) and other graduates (current shortage of 3.06%, employment requirements (2000) is 2.33%).

Table 4: Current Employment, Shortage, and Numbers Required By Types of Employment and Sector

Type of Employment	**Current Employment**		**Current Shortage**		**Employment Required (2000)**	
Managerial	1110	4.15%	68	2.93%	736	4.60%
Electrical engineers	27	0.10%	14	0.60%	49	0.31%
Chemical engineers	5	0.02%	2	0.09%	14	0.09%
Mechanical engineers	62	0.23%	24	1.03%	72	0.45%
Chemist	25	0.09%	4	0.17%	24	0.15%
Accountant	290	1.08%	26	1.12%	174	1.09%
Other graduates	1059	3.96%	71	3.06%	373	2.33%
Mechanical technician	366	1.37%	29	1.25%	360	2.25%
Electronic production technician	66	0.25%	12	0.52%	190	1.19%
General mechanics	637	2.38%	88	3.79%	533	3.33%
Plant maintenance mechanics	238	0.89%	42	1.81%	257	1.61%
Electrician	102	0.38%	21	0.90%	114	0.71%
Welder	929	3.47%	143	6.15%	565	3.53%
CAD-CAM operator	785	2.93%	77	3.31%	725	4.53%
Clerical and related duties	1626	6.08%	97	4.17%	1094	6.84%
Other semi-skilled	5861	21.91%	496	21.34%	4076	25.48%
Craft skill	1775	6.64%	178	7.66%	1262	7.89%
Unskilled	10669	39.88%	932	40.10%	5381	33.63%
Non-Response	1118	4.18%		0.00%		0.00%
TOTAL	26,750		2,324		15,999	

Source: Ministry of Industrial Development Sarawak & Mara Institute of Technology Sarawak (1995). Strategic Industrialization Programmes and Database for Small and Medium Industries (SMI) in Sarawak. Volume 2. p. 45, 48, 49. Ministry of Industrial Development Sarawak: Sarawak.

Specific Marketing Data in SMI's In Sarawak

Previous studies on Sarawak SMI's have shown that separate marketing departments do not exist in most manufacturing organisations. Only 39% of SMI's indicated that they had a marketing unit. Out of the total workforce of 59,843 only 786 people are employed in marketing positions.

Small firms stated that they employ more full time marketing staff (49%)

compared to medium (26.2%) and large (17.2%) firms. However this is due to the relative size of the firm to their marketing personnel. In addition the perception of marketing personnel by small-scale firms is that they are sales personnel. This perception is reflected in the fact that small-scale firms' report having a lower percentage of marketing units (32.4%) compared to large (50.0%) and medium (56.8%) scale firms (Refer to Table 5).

Table 5: Size of manufacturing organisation by existence of marketing unit and total number of full-time marketing staff

SIZE	NO. OF EST.	EXISTENCE OF MARKETING UNIT		TOTAL NUMBER OF FULL-TIME MARKETING STAFF	
		NO	%	NO	%
Small	491	159	32.4	358	49.0
Medium	148	84	56.8	206	26.2
Large	56	28	50.0	135	17.2
Non-Response	52	20	38.5	60	7.6
TOTAL	747	291	39.0	786	100.0

Source: Ministry of Industrial Development Sarawak & Mara Institute of Technology Sarawak (1995). Strategic Industrialization Programmes and Database for Small and Medium Industries (SMI) in Sarawak. Volume 1. p.81. Ministry of Industrial Development Sarawak: Sarawak.

Most manufacturing sectors in Sarawak do not operate separate marketing units. Less than 50% of the different manufacturing sectors have marketing units. The Wood and Wood Products sector has the largest number of marketing units (88). These 88 firms with marketing units however, only account for 31.8% of the total number of firms in the sector. Therefore over 68% of firms still do not operate separate marketing units even in the most prolific marketing based sector. The large percentage of marketing units in Crude Petroleum and Natural and Gas sector is due to there being only three companies, two of which have marketing departments.

The number of staff hired in each sector also differs significantly. The sector with the largest number of marketing staff is the Food, Beverages and Tobacco sector (231 people, 29.4%), followed by Wood and Wood Products, including Furniture (174 people, 22.1%), and Paper and Paper Product, Printing and Publishing (106 people, 13.5%) (Refer Table 6).

Table 6: Types of manufacturing organizations by existence of marketing unit and total number of full-time marketing staff

TYPES OF MANUFACTURING ESTABLISHMENT	ISIC CODE	NO. OF EST.	EXISTENCE OF MARKETING UNIT		TOTAL NUMBER OF FULL-TIME MARKETING STAFF	
			NO	%	NO	%
Food, Beverages and Tobacco	31	135	53	39.3	231	29.4
Textile, Wearing Apparel and Leather Industries	32	7	2	28.6	3	0.4
Wood and Wood Products, including Furniture	33	277	88	31.8	174	22.1
Paper and Paper Product, Printing and Publishing	34	46	31	67.4	106	13.5
Chemical, and of chemical, Petroleum, Coal, Rubber and Plastic Product	35	62	33	53.2	85	10.8
Non-Metallic Mineral Product, except Product of Petroleum and Coal	36	56	25	44.6	39	5.0
Basic Metal Industries	37	20	9	45.0	26	3.3
Fabricated Metal Products, Machinery and Equipment	38	130	40	30.8	95	12.1
Crude Petroleum and Natural and Gas Production	22	3	2	66.7	3	0.4
Mining /Quarry	29	5	5	100.0	20	2.5
Others	39	6	3	50.0	4	0.5
TOTAL		747	291	39.0	786	100.0

Source: Ministry of Industrial Development Sarawak & Mara Institute of Technology Sarawak (1995). Strategic Industrialization Programmes and Database for Small and Medium Industries (SMI) in Sarawak. Volume 1. p. 79. Ministry of Industrial Development Sarawak: Sarawak.

Marketing is also a stronghold of Non-Bumiputeras* SMI's. However the percentage is still low. Only 37.5% of Non-Bumiputera SMI's have a marketing unit, although the numbers are higher than Bumiputera SMI's (253 compared to 33). Non-Bumiputera SMI's employ 715 marketing personnel consisting of 91% of the total marketing employees in Sarawak. Bumiputera SMI's on the other hand have a smaller number of firms with marketing units (33) but with a higher percentage. This is due to the fact that the total number of Bumiputera firms is still relatively small (Refer Table 7).

Table 7: Equity of manufacturing organisation by existence of marketing unit and total number of full-time marketing staff

EQUITY	NO. OF EST.	EXISTENCE OF MARKETIN G UNIT		TOTAL NUMBER OF FULL-TIME MARKETING STAFF	
		NO	%	NO	%
Bumiputera	63	33	52.4	49	6.2
Non-Bumiputera	674	253	37.5	715	91.0
Non Respond	10	5	50.0	22	2.8
TOTAL	747	291	39.0	786	100.0

Source: Ministry of Industrial Development Sarawak & Mara Institute of Technology Sarawak (1995). Strategic Industrialization Programmes and Database for Small and Medium Industries (SMI) in Sarawak. Volume 1. p. 82. Ministry of Industrial Development Sarawak: Sarawak.

The Sarawak State Government has provided facilities to SMI's to market their products throughout the country and for export. However, the response to these efforts has not been large (Refer Table 8).

*Bumiputera refers to the indigenous people of Malaysia

Table 8: Types of manufacturing organisations by usage for facilities provided by government agencies to market products

TYPES OF MANUFACTURING ESTABLISHMENT	ISIC CODE	NO. OF EST.	YES		NO	
			NO.	%	NO.	%
Food, Beverage and Tobacco	31	135	8	5.9	125	92.6
Textile, Wearing Apparel and Leather Industries	32	7	0	0.0	7	100.0
Wood and Wood Products, Including Furniture	33	277	17	6.1	252	91.0
Paper and Paper Products, Printing and Publishing	34	46	4	8.7	39	84.8
Chemicals and of Chemical, Petroleum, Coal, Rubber and Plastic Product	35	62	2	3.2	60	96.8
Non-Metallic Mineral Products, except Product	36	56	6	10.7	49	87.5
Basic Metal Industries	37	20	1	5.0	19	95.0
Fabricated Metal Products, except Products of Petroleum	38	130	7	5.4	121	93.1
Crude Petroleum and Natural Gas Production	22	3	0	0.0	3	100.0
Mining/Quarry	29	5	1	20.0	4	80.0
Others	39	6	1	16.7	5	83.3
TOTAL		747	47	6.3	684	Others

Source: Ministry of Industrial Development Sarawak & Mara Institute of Technology Sarawak (1995). Strategic Industrialization Programmes and Database for Small and Medium Industries (SMI) in Sarawak. Volume 1. p. 104. Ministry of Industrial Development Sarawak: Sarawak.

Implications of the Industrial Analysis

An analysis of this data indicates that SMI's are faced with an environment of high growth and continued demand. Few companies have developed strong marketing departments and the data denote that marketing activities are primarily based around sales. Strong employment demands and shortages in workers in both skilled and unskilled positions indicate that demand conditions are still favorable. This suggests that for such organizations a sales or production orientation is more appropriate.

Common perceptions of marketing

There has been little analysis of perceptions of marketing outside the United States. It would be expected that in the U.S. the perception of marketing would be closely tied to the satisfaction of consumer needs and wants. However even marketing practitioners in the U.S. could not articulate a definition of marketing or see themselves in a marketing framework. They however agreed that marketing is; sales, customer driven, and a long-term relationship activity (Anonymous, 1996).

A common perception among businesses and SMI's is that 'marketing' is 'sales'. In a study in 1996 most business managers related the marketing concept to an emphasis of sales and resulting profits (Anonymous, 1996). Little consideration of the needs and wants of the consumer were expressed.

METHODOLOGY

Purpose of the study

An exploratory study was undertaken to substantiate the findings indicated in the industrial data. This survey was also designed to elicit information to ascertain organizational orientation in SMI's. This survey analyzed the current perception of marketing in a small random sample of SMI's in Sarawak. To this end data was collected regarding the functions of the marketing units, managers, and executives. Knowledge of the functions of the departments, managers and executives can assist in determining the main type of business orientation in Sarawak's SMI's.

The importance of human resource training aspects is also reviewed and assessed for Sarawak's SMI's. Current management views of a number of areas were analyzed including;

- The view of marketing training, both in-house and through institutions of higher learning.
- Perceptions of marketing graduates from institutions of higher learning.
- Perceptions of what skills are lacking in graduates from institutions of higher learning.
- Marketing personnel recruitment requirements and problems.

Description of the study

Random sampling was used to select firms from the list provided by the Ministry of Industrial Development, Sarawak and the Sarawak Association of Manufacturers. 75 firms were selected and questionnaires faxed to them. A 26% rate of return was obtained. These firms are engaged in the manufacture of numerous items, services, and construction. The firms are listed under the Industrial Code 22000 to 95120.

Faxed questionnaires were used to collect an array of information from the sample. The firms were contacted by fax and during the same day were called to confirm receipt of the fax. They were then asked to fax back the completed questionnaire.

The data obtained closely paralleled the industry data in 1996. Manufacturing firms were the largest respondents followed by Other (Construction) (25%) and services (20%). 75% of respondents have a marketing department or unit. The majority of the responding firms were small in size (50%) and a large percentage (68%) had Non-Bumiputera equity (Refer Table 9).

Table 9: Breakdown of Respondents Details

Type of industry	%
Manufacturing	55%
Services	20%
Other (Construction)	25%

Have Marketing Dept	%
Yes	75%
No	25%

Size	%
Small	50%
Medium	35%
Large	15%

Equity	%
Bumi	32%
Non-Bumi	68%

Survey Results

Table 10: Size of respondent's organization relative to the existence of a marketing unit and total number of marketing staff

SIZE	EXISTENCE OF MARKETING UNIT	TOTAL NUMBER OF MARKETING STAFF
	%	%
Small	50	7
Medium	100	7
Large	100	27

Table 11: Ownership of respondent organization relative to the existence of a marketing unit and total number of marketing staff

EQUITY	EXISTENCE OF MARKETING UNIT	TOTAL NUMBER OF MARKETING STAFF
	%	%
Bumiputera	85.71	29
Non-Bumiputera	73.33	6

The definition of marketing in SMI's indicated, as expected, a strong perception of marketing as a sales function (47%) (Refer Figure 1). However the dominant view, 68% of respondents, was that marketing is related to product knowledge. However responses indicated that product knowledge had little to do with the development of consumer demand characteristics, rather marketing such product knowledge as a basis for establishing an organization's market.

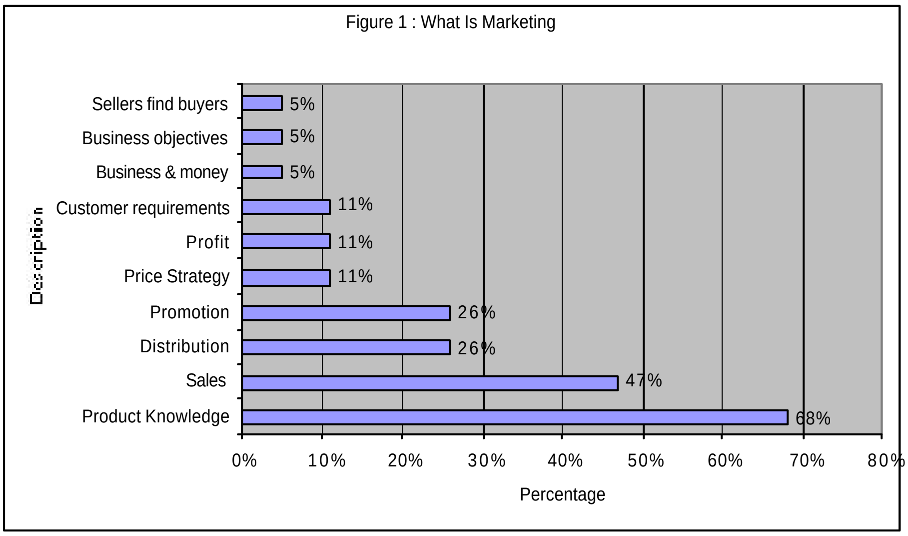


Figure 2 depicts specific functions of SMI's marketing departments. Customer service was seen as the primary marketing function although, personal selling, sales management, and product/service distribution, were also indicated as functions by the majority of respondents. The key marketing functions of market research, product development and brand development rated as three of the four least important functions by respondents. Even responses to the role of the marketing manager (Refer Figure 3), the key initiator of customer strategies in a marketing orientated firm, indicated a low level of response for these three areas. This data indicates that respondent SMI's marketing emphasis is geared toward sales rather than a marketing orientation.

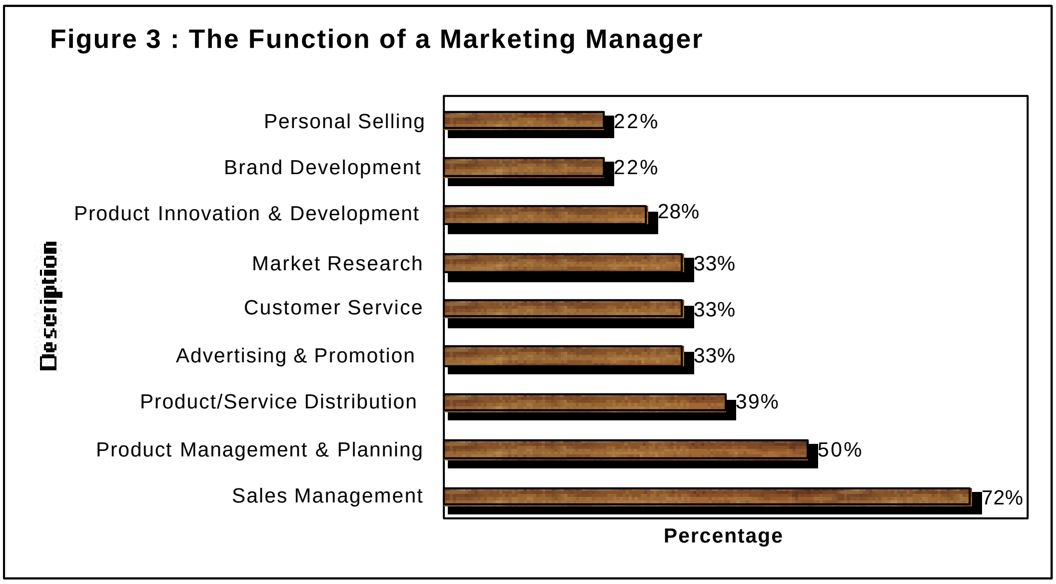
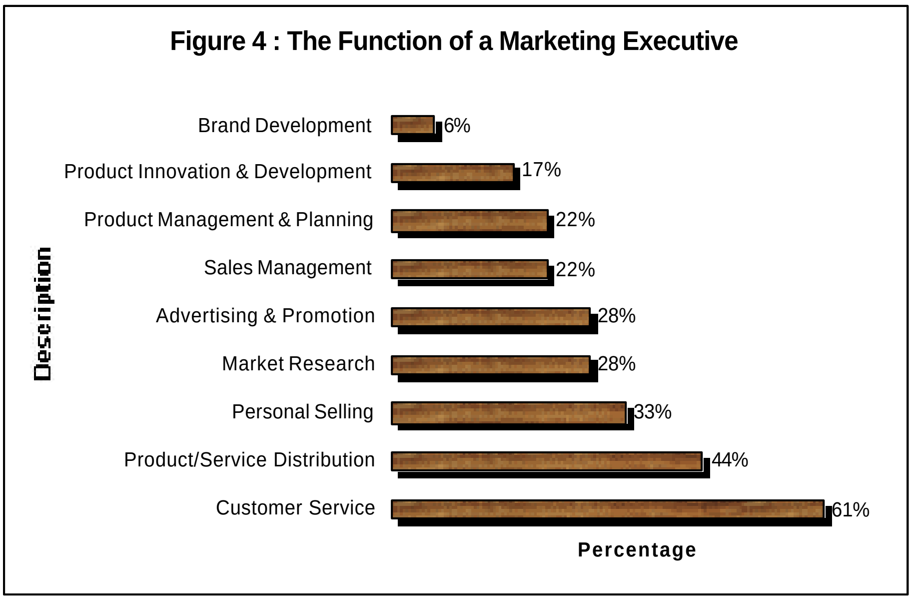


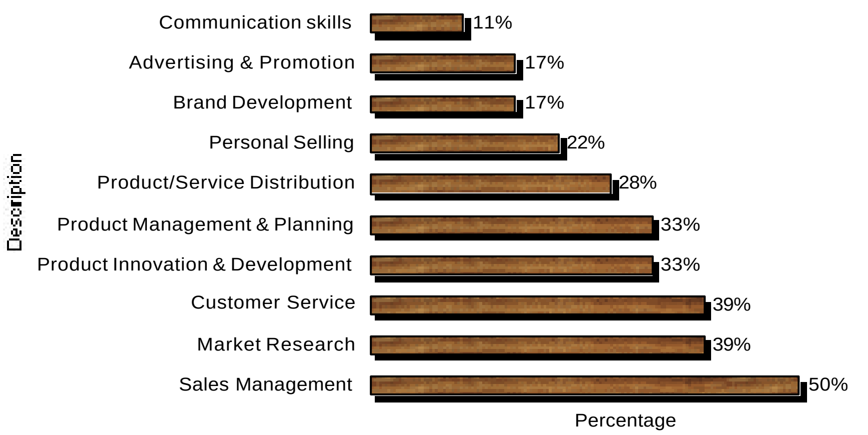
Figure 4 shows responses concerning the functions of the marketing executive. The responses indicated, in line with the industrial data, that the marketing executive's role is seen as largely that of customer service, product distribution and personnel selling. Marketing research was rated as the fourth most indicated area of response but the percentage was only 28%.



Two seven point Likert scales (1 being extremely good, 7 extremely bad) were used to evaluate perceptions of marketing graduates and the value of the theories and ideas they have developed during their course of study. The ratings for the former was 2.65 and the later 2.5 indicating a strong perception of marketing graduates and their university expertise. However this result must be tempered by the possibility of a co-operative response bias.

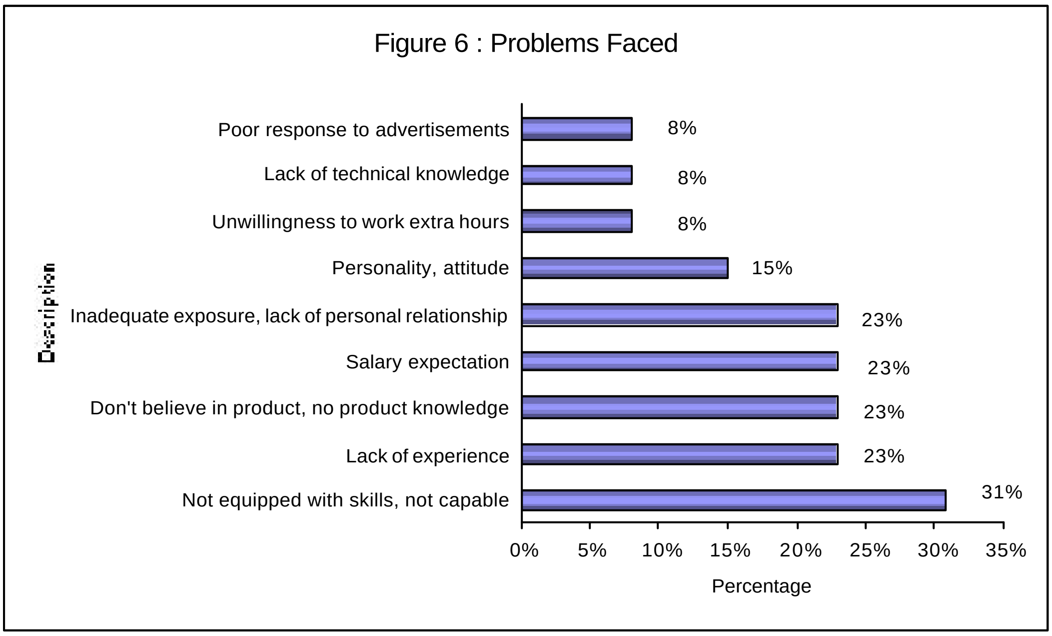
Figure 5 notes the key skills marketing graduates are perceived to be lacking in respondents. The primary area was in sales management. Interestingly market research was viewed second equal, along with customer service skills, possibly indicating a change in emphasis toward more customer orientated requirements as the market becomes more competitive and consumer driven.

Figure 5 : Marketing Graduates are lacking in :



Three further Likert scales were used to discern respondent views of university education, in-house training, and the ability to obtain personnel. Both university and in-house training were viewed as important with in-house training seen as slightly more important 2.62 to 2.82 University educated. This result requires further, more conclusive verification, as this result will help assess the extent to which practical relative to theoretical skills are valued within these organizations.

The third Likert scale asked respondents to indicate whether they had problems obtaining marketing personnel. In line with the industrial data, the average figure was high, 4.56. Figure 6 provides information pertaining to the problems faced when recruiting marketing personnel. The major problem was that marketing personnel lacked the required skills, followed equally by; a lack of experience, little product belief or knowledge, inadequate exposure and high salary expectations. These issues indicate that practical skills related to selling expertise are perceived as lacking.



DISCUSSION OF INDUSTRIAL AND SURVEY DATA ANALYSIS

The survey results corroborate the major contentions posited in the analysis of the industrial data. SMI's in Sarawak are still faced with strong growth markets and there is limited need for a marketing orientation. Marketing is perceived as related primarily to selling, distribution, and related product knowledge expertise.

Skills requirements by SMI's are focused on the need for practical sales skills, including customer relations, network marketing and product knowledge. Results indicate a lack of available marketing personnel. These results all indicate an environmental situation where firms have developed in strong demand conditions. Subsequently production and sales orientations are likely to be prevalent.

With the continued growth in manufacturing firms, and the advent of more open global competitors, these conditions are likely to drastically change. Already the exploratory results indicate that more market research skills are in demand. From the perspective of the Human Resource Manager, identifying these changing demand and personnel requirements will allow transition between competitive orientations to be smoothly achieved.

IMPLICATIONS

This research highlights the importance in the future growth and demand for skilled marketing personnel. In order to avoid shortages in this critical area, and provide Sarawak SMI's with access to skills that should increase their potential for developing global competitive advantages, the government should emphasis the training of marketing graduates.

There is a requirement in government policy development that these changing demand conditions are foreseen and integrated into policy objectives. A prime policy of many national and local governments has been the encouragement of SMI's due to the belief that SMI's have great potential to generate job and wealth creation (Westhead and Birley, 1995). These SMI's have been characterized as being dominated by owner managers (Kerr and McDougall, 1999). SMI's are therefore often lacking in key marketing skills, which are reinforced due to limited competitive manufacturing organizations. As market conditions become more consumer driven these marketing expertise will be increasingly in demand.

Government Human Resource Policies should acknowledge the accepted process of market development and use industrial and survey data analyses, such as those represented here, to guide them in the development of their education policies. As there is a lead time in terms of producing skilled personnel, these market transition conditions can be used as a guide and implemented to ensure key expertise are available to firms when required.

SMI's have short-term perspectives because of the substantial uncertainty they face (Casson, 1982). This has unfortunately lead to a view in SMI's that training is an operational expense rather than an investment (Finegold and Soskice, 1988). Extra training is often only provided when the firm is making money (Hendry et al, 1991), and it is normally informal on the job types of training (Bacon et al, 1996). Government policies to encourage SMI's to invest in training, may therefore be necessary to ensure skill development is not under-prioritized. The Singaporean model of training development for small firms is an example of such successful policies.

CONCLUSIONS

It is inevitable that as Sarawak continues to develop, rising living standards and income levels, increasing competition, and a more educated and sophisticated population, will lead to consumers becoming the dominant force in the marketplace. This situation is occurring throughout Asia, where wealth creation in the past few years is causing a shift in demand conditions.

Increasingly businesses will find that they can no longer expect sales either through manufacturing efficiencies or the use of persuasive sales tactics. For organizations to continue to be successful requires that they become market-orientated. This change in emphasis will require a range of new human resource skills and expertise to be developed to take on this challenge. SMI's will increasingly need to analyze their customers in order to understand their changing needs and demands.

The success of every business is determined by its overriding decision-making policies. There is a need to ensure that a company's strategy stays in line with the overriding conditions of its environment. In an increasingly competitive consumer driven environment a change in emphasis toward the customer is an inevitable forerunner to long-term success. A study by Wright, Pearce, and Busbin (1997) on 188 manufacturing firms show that those who are customer orientated outperform those who are not. Sarawakian SMI's need to realize and identify these changing marketing conditions for continued growth and success.

LIMITATIONS & AREAS FOR FURTHER RESEARCH

The research survey in this paper is exploratory in nature and was used to corroborate the findings posited from the industrial data analysis. The exploratory character of this data requires that it is not viewed in isolation, but only as a basis of tentative support to more comprehensive industrial figures. The survey findings point to further areas of necessary research including the needs for human resource planning at all levels within SMI's in Sarawak.

The literature alludes to the fact that marketing in theory and in practice is often two different things. Greenley and Bayus (1994) views of marketing planning in SMI's are that "… the general tenor of these results is that few companies seem to adopt the prescriptions of marketing planning that are advocated in the literature." Carson (1993; 1995) states that much marketing decision making in practice corresponds to entrepreneurship and thus is less based on textbook definitions. Carson (1998) goes on further to suggest pragmatic teaching of marketing in Universities so that it will meet the demands of the business world.

One of the problems for human resource training of marketing personnel in SMI's is the basis of emphasis. Universities emphasize theoretical based systems that are often not viewed as practical for managers in SMI's, particularly those that are involved in more production and sales orientated systems. This leads to the need to develop training systems that allow for this combination of practical and theoretical expertise to support current SMI activities that are in transition. Further research into the content analysis of such training programs is required.

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HUMAN RESOURCE MANAGEMENT AND SME DEVELOPMENT IN VIETNAM

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ABSTRACT

Since 1986, Vietnam has been implementing its "DOI MOI" policy to confirm that Vietnam is heading toward a market- driven economy within the framework of a multi-sector economic system. In the last years Vietnamese Government pays more and more attention on development of private sector development, especially on small and medium enterprises (SMEs). The importance of the role that Vietnam SMEs should play is becoming a more important factor for our economy. In the near future Vietnam will have Government Degree on SMEs promotion policies, in which will be introduced some measures of training, information, capital... support for SMEs.

This paper sets out to introduce some issues of HRM in Vietnam and its impact on SME development. Vietnam is one of the countries, which is always enthusiastic about education, nowadays it has been intend in introducing education and training programs on cooperate management, economy, technology and skills from developed countries. However, with the exception of some programs now under way with assistance from some foreign countries, the level of the education and training programs have been inadequate due to the shortages of funds, facilities, teaching materials and instructors. Not all the contents of these programs have been highly regarded by cooperate managers.

Base on analyzing bought two sizes (supply and demand) of labour force, and their correlation; the paper shows that there are some problems to be solved. The paper also introduces some recommendations to restructur educational and training system and to improve policy system for giving better conditions to SMEs to develop in the coming time.

First of all I would like to thank the committee of the APEC Human Resource Management Symposium on Small and Medium Enterprises (SMEs) for giving me opportunity to attend this very important forum.

According to the terms of population Vietnam stands 12th in the world list and 2nd in the Southeast Asia region. Abundant and skilled Labour force is the important source for economic development but also poses a heavy pressure on employment and ensuring the living conditions on the people.

In Vietnam and in many other countries all over the world, the small and medium enterprises (SMEs) have the large development potentials. These enterprises also play an extremely important role in promoting the socio-economic development of each country. The roles of SMEs are embodied as follows:

- They produce many goods for domestic consumption, the machinery, equipment, tools, and capital goods necessary to the industries producing consumer goods and handiwork as well as the art handicrafts.

- They create the jobs for a large number of laborers. It is very important for those who are unemployed in urban areas or who are searching for jobs coming from the rural areas, and especially for those who are the old, children, women and handicapped.

- They explore and utilize effectively the potentials in financial funds and the domestically available raw materials or intermediate inputs, including the craps from consumption and production.

- They contribute the effort to allocating the industries in many different resident areas, reducing the development gaps between the areas, and stimulating the balanced development in the regions over country.

- They play a complement role in supporting the large industries to create the cooperation and the competition with each other in the development process.

- They contribute importantly to sustaining and development the professional villages and traditional handicraft occupations to produce the goods characterized with the national culture.

At present, the SMEs in Vietnam do not develop correspondingly with their inherent potentials, facing many difficulties in the business activities. On one hand, the transparent legal framework for the SMEs to operate is still not available. On other hand, the government policies are still lacking the appropriate promoting measures and the effective supporting solutions suitable to the characteristics of SMEs.

There are many things Vietnam has to do to develop SMEs; among them Human Resource Management is most important one because Education and Training have had quite big impact on Labour force and SME development in our country. In this paper I would like to introduce 2 issues of HRM in Vietnam: i) The training system in Vietnam, and ii) Labour market in Vietnam.

CURRENT STATUS OF PROFESSIONAL EDUCATION FOR SMES BUSINESS MANAGEMENT IN VIETNAM

When one say about the professional education for SMEs in Vietnam, it can be useful to keep in our mind the followings:

- There are different features between state owned SMEs and private one.

- In most of the cases the ownership and management are not separable for private SMEs.

The professional education, which is refereed to here is defined as the training for business management for executives, managers and students who are working and will work for SME in the fields of general management, accounting and financial management, marketing, production technology management and so on.

1. Main forms of education in Vietnam

It could be better for understanding the education system of Vietnam as a whole and Professional Education for SMEs Business Management in Vietnam if one consider it as a system of two main forms of education: Long term and short term.

<u>1.1.Long - term **education** for future professionals</u>

This kind of education (hereafter will be refereed as First Kind of Education) consists of various training programs such as full time training, specialized supplementary training and in service training, which are carrying out at universities, colleges, remote education centers and technical schools with the training periods from 2- 5 years.

The students of this kinds of education are mainly young peoples who just came from secondary schools (like upper-secondary schools in Japan) but few of them can be executives, managers, who came from business environment and want to get higher degrees of education (as usual, they follow the programs of specialized supplementary training and in service training).

This kind of education is supervised and controlled by Vietnam Ministry of Education and Training in terms of degrees, training programs and curriculum, lectures, places of learning and financially supported by the government through the Ministry. Statistical data of this kind of education are always available for every year.

<u>1.2. Short-terms education</u>

This kind of education (hereafter will be refereed as Second Kind of Education) is applied for managers, executives who are working for SME recently and want to upgrade or improve their knowledge and management skills. As usual, the training period lasts from one week to 3 months and only in few cases it lasts more than 3 months.

This kind of training is organized at ministerial business schools, various training centers under various non-governmental organisations, provinces and universities and colleges acting under control of Ministry of education and training. This kind of training had been developed very rapidly since DOIMOI started in Vietnam. So it has played very big role in training business people on the market economy, new skills and knowledge of business management in the context of market economy.

2. Training institutions involved in professional business management training for SMEs in Vietnam.

2.1. Universities, colleges acting under supervision of the Ministry of education and training of Vietnam.

The main function of universities and colleges is to organize long-term training programs through various forms such as full time training, supplementary, in service training and even new form of remote education. But since the process of DOIMOI in Vietnam started these institutions have taken very active parts in organisations of short-term training courses for various target groups of people coming from SMEs.

2.2. Management schools under industrial ministries

In Vietnam each ministry has it's own management schools where executives and managers of enterprises can come and improve, renew their knowledge and management skills. This kind of institutions used to play very important role during the period of central planning before DOIMOI and since DOIMOI up to now these schools could manage to diversify their training program according to changing needs of trainees and play important role in organization of training for the people from business world in Vietnam.

2.3. Other organisations

Along with the mentioned about institutions, that take a part in training process for SME, there are various centers acting under the umbrella of NGO organisations that actively participate in the process of training of business management for SME such as VCCI center, VICOOP SME center, Youth centers, Woman center and so on.

3. General Department of Vocational Training/MOET and MOLISA

The history: The General Department of Vocational Training established firstly in 1969 as agency attached to the Government.

1987-1992 moved to formal Ministry of Higher, Secondary Technical and Vocational Education and was reorganised as one of the Department (not General) of this ministry. Before 1992 the word "Vocational training" was interpreted as training of workers only.

From 1992 up to 1998 it was merged to the Department of Secondary Technical Department with such a name as the Department of Secondary Technical and Vocational Education.

According to Decision of Premier Minister No 67/1998/QD-TTg, 23-5-1998 General Department of Vocational Training under control of MOLISA was created based on human and physical resources of Department of Secondary Technical and Vocational Education under MOET. In other words, the function of state control and realization of strategy of vocational training was passed to MOLISA from MOET.

According New Education Law in Vietnam passed by National Assemble 02/12/1998, vocational training consists of two components: (1) Secondary vocational schools with the courses of 3-4 years for those persons who has a certificate of Senior Secondary School and 1-2 years for those who has a certificate of Junior Secondary School; (2) Craft-teaching Schools with short-term courses less than 1 year and long-term courses of 1-3 years for those who has suitable level of knowledge and health.

Vocational training was separated from MOET to MOLISA as a General Department by some reasons:

- Until 1996s there was only 10% Labour force of the whole country who has been trained. Among those who has been trained, there existed inconsistent structure between higher education, secondary technical and worker training (1: 1,5: 2,5) compared to 1: 4: 10 structure of Southeast Asian Countries. So Vietnam now is in short of skilled workers and craft-man.

- The target was set for the year of 2000 was that 22-25% of Labour force to be trained as for whole country.

- Under control of MOET vocational education had been neglected.

- MOLISA seem to be more closed to the need of the Labour market in the country.

Generally speaking, by moving from MOET to MOLISA with higher legal status (General Department) General Department of Vocational Training has better conditions (much more resources) to implement the vocational strategy of the country.

4. Role of private sector in professional education

Nowadays in Vietnam the role played by private sector in professional education is not significant. According to the data of MOET-1998, in terms of university and college's education (number of students) the weight of private sector is about 8%. Today among 139 universities and colleges we have 16 private one (15 universities and 1 college). There almost is not private participation in secondary vocational training. In terms of the quality of private professional education, it is just enough to say that the students who had graduated from private sector are very difficult in looking for jobs. For the long term, the role of private sector must be increased in the sense of limited government's budget and supporting policies of the Government.

5. Professional education

As mentioned about the Long-term training programs refereed to about as First Kind of Education are supervised and monitored by Ministry of Education and Training of Vietnam.

The thing that should be paid more attention here is that of short-term training programs (the Second Kind of Education). Until recently, there is three kind of training programs applied for this kind of education, they are as follows:

- Programs that are carrying out by foreign trainers (teachers, mentors or coach). As usual these programs are financed by foreign organisations.

- Programs that are carrying out by local trainers

- Programs that are carrying out by mix group of foreign and local teachers, trainers.

The are three forms of professional education: Technical Secondary School, MBA course and Short term training course.

5.1.Technical Secondary School

According to Education Statistical Data dated 31-12-1998 among 247 Technical Secondary Schools, there are 86 ministerial schools and 161 provincial schools. Table 1 shows the number of schools in Vietnam by sectors.

Table 1. Number of Schools

School Years	Total amount of Schools	Of which					
		Industrial	Agriculture-Forestry culture	Economic management and service	Teacher's training	Health and sport	Culture and Art
1988-1989	269	39	41	60	58	47	24
1989-1990	270	30	42	57	53	46	26
1990-1991	261	37	42	57	53	46	26
1991-1992	265	38	31	58	57	47	24
1992-1993	266	37	42	56	54	49	28
1993-1994	272	35	35	60	62	48	32
1994-1995	259	35	31	60	54	48	31
1995-1996	264	37	30	65	51	48	33
1996-1997	244	33	31	52	46	48	34
1997-1998	244	33	31	52	46	48	34
1998-1999	247	46	37	53	29	48	34

Source: Education Statistical Data- Information Center for Education Management, MOET.

To understand the structure of the National Education System under Decree 90/CP dated November 24, 1993, especially the characteristics and differences between Secondary Vocational School, Specialized Secondary School and craft teaching Schools one should base on a truly designed structure of the National Education System under Decree 90/CP, which is unlike the interpreted one.

5.2. MBA course in Vietnam.

MA and MBA training is the new form of training applied in Vietnam by moving gradually from old (similar to formal Soviet Union Education System) system of education to the new one, that can meet the need of market economy. According to MOET Decision No 2902 dated 14-11-1991, MA training can be applied for 10 subjects, those are as follows:

Political Economy
History of National Economy
Economics of Labour and Population
Economics of Industry and Transport
Economics of Agriculture
Economics of Trade and Services
Finance and Credit
Statistics
Accounting
Public Economy

MBA training was just allowed from the date of 1995, August by MOET Decision No2631. This kind of training is just started and needs a further development for being the independent education block building. The training is carrying out according to "so called" adaptation's program, which has to be much improved. So it is too soon to say about the quality of that kind of training in Vietnam.

5.3. Short-term training course

There are 28 ministries and agencies attached to the government has their own training school for their cadres, but those of following list consist of number of schools that are more or less concerning professional business management training.

THE CURRENT SITUATION OF THE LABOUR MARKET IN VIETNAM

1. Some information about education and training in recent years

Enrollment of each level of education by region for 1997-1998 School year is showed in table 2-4.

Table 2. Enrollment of each level of education.

1000 per

Level of Education	1989 -90	1990 -91	1991 -92	1992 -93	1993 -94	1994 -95	1995 -96	1996 -97	1997 -98	1998 -99*
1.. Primary	2157	2233	2166	2126	2178	2321	2349	2417	2268	2091
2.Secandary										
- Junior	928	882	842	935	1081	1314	1476	1548	1547	1660
-Senior	208	136	235	259	290	359	419	460	600	682
3Vocational										
- Secondary Technical	37,8	41,4	40,5	37,6	33,6	44,4	48,9	54,2	-	88,1
- Short-term	74,5	71,4	29,8	35,9	23,9	34,0	45,8	51,1	-	-
4.Colleges and universities	32,8	48,4	59,5	73,5	80,7	77,0	124	169	-	140

- Data of 31/12/1998.

Source: Education Statistical Data- Information Center for Education Management, MOET.

Table 3. Enrollment of each level of education by regions
100% for whole country Percentage (%)

Regions*	I	II	III	IV	V	VI	VII	VIII
1. Kindergartner	24,2	15,8	3,3	20,3	8,6	5,2	12,8	9,7
2. Grade Schools	19,6	15,2	2,9	15,1	8,4	4,5	14,6	20,0
3. Vocational** -Technical Secondary(full time)	19,7	15,7	4,7	12,8	11,6	2,7	18,6	14,3
-Technical workers	25,0	18,0	1,5	13,1	9,6	1,6	22,6	8,6
4. Universities and colleges (full time)**	42,0	6,0	0,7	7,3	8,8	2,0	26,2	6,9

*Note:
I- Red River Delta II- North East III- North West
IV- North Central coast V- South Central Coast VI- Central Highlands
VII- North East South VIII- Mekong River Delta

** Excluding private sector

Source: Estimation based on data of Statistical Yearbook 1998.

Table 4. Enrollment as a % of total students of each education level
1000 per, %

	1995	1996	1997	1998
Creches	434	452	444	409
Children (0-2 y.o)	5,872	5,875	5,819	5,836
% of enrollment	7,39	7,69	7,63	7,01
Infant schools	1,932	2,093	2,246	2,171
3-5 y.o children	5,687	5,709	5,741	5,773
% of enrollment	33,97	36,67	39,12	37,61
Primary school	10,200	10,378	10,431	10,248
6-10 y.o children	8,859	8,900	9,100	9,300
% of enrollment	115,1	116,6	114,6	110,2
Junior secondary school	4,300	4,861	5,252	5,578
11-14 y.o children	6,998	7,247	7,312	7,101
% of enrollment	61,4	67,0	71,8	78,6
Senior secondary school	1,000	1,176	1,390	1,654
15-17 y.o children	4,656	4,728	4,842	5,090
% of enrollment	21,4	24,9	28,7	32,5

Source: Estimation based on data of Statistical Yearbook 1998.

In the recent years, Vietnam government pays more and more attention on training for businesses; it is showed in table 5.

Table 5. Main training indicators at 30/12/1998.

No	Main indicators	Data of 1998-1999 Schools year
1.	Enrollment	88,149
	Of which:	
	Regular Full Time Courses	59,468
	In Service Courses	20,818
	Specialized Supplementary	668
	Other	7,195
2.	Number of students	178,244
	Of which:	
	Regular Full Time Courses	125,893
	In Service Courses	40,557
	Specialized Supplementary	1,640
	Other	10,154
3.	Graduated students	46,366
	Of which:	
	Regular Full Time Courses	33,197
	In Service Courses	9,385
	Specialized Supplementary	-
	Other	3,784

Source: Estimation based on data of Statistical Yearbook 1998.

2. General features of the Labour force - Labour supply of the Labour market of Vietnam

The outcome of the survey *'The current situation of Labour and employment in Vietnam in 1996*" indicated that the Labour force of the country is about 35,9 million people (19.06% in urban areas, 80.94% in rural areas) accounts for 72.7% of the population aged 15 above and 80.1% of the working population. (Similarly the percentage in urban areas is 66.85% and 73.67%; in rural areas is 78.24% and 86.35%). Due to low level and scale of development in Vietnam, the percentage joining the Labour force in Vietnam is lower than the average level of the world (85% - 87% of the working population), thus remains large potential.

The age structure is young for the people aged 15 above, nearly 72% is under 45 years old of which the group of 15 -24 years stands the largest portion (28.3%), followed by the group of 25 - 35 years (24%). All are available for the Labour market.

The aged structure of the Labour force: young Labour force for a large portion and is an advantage of the Labour force, 55.8% of the Labour force is at the age of 15 - 34 years, of which the group aged 25 - 34 holds the largest percentage (29.8%); followed by group aged 15 -25 (26.2%). The majority of the Labour force is of the 3 age group under 45 years old of which the group age 25 - 34 accounts for the largest percentage in urban areas (31.3%), but in rural areas the percentage of young Labour force is higher.

The educational level of the Labour force of Vietnam, which is ground for technological training and absorbing new technologies, is generally high in comparison with that of countries of the same GDP per capita Only 8.4 % never attended classes (3.7% in urban and 10.2% in rural areas respectively). The literate percentage of the population aged above 10 is 86.6%, of which the literate percentage of the population aged 18-34 is 92%, the average schooling years are 7. These shows that the young Labour force with the advantages like large numbers and high academic level, is strong point of Vietnam.

In general, throughout the country, 45.5% of the Labour force completed primary education (9 years) and secondary education (10-12 years) of which 13.5% graduated from secondary schools; 26.7% has not finished primary schools, and 5.7% is illiterate. Out of 7 territorial areas, the highest number of people in the Labour force completed primary and secondary schools is in Red River Delta (72%), followed by Northern Center (62.2%), Northern mountainous areas and mid-land areas (48.9%). The percentage is about 35% in the South, except the Mekong River Delta with that of 19.9%. This implies that the academic level of the Labour force in the North is much higher than that in the South. The gap between urban and rural areas is very large, namely: 60.9% and 41.9% respectively. The academic level of female Labour force is generally lower than national average level, which is 42.3%.

The percentage of the Labour force taken training out of the total Labour force through out the country is 12.3%, of which only 2.4% is holders of College, University or Masters degrees; professional secondary education and technical workers account for 9.9%, the untrained percentage is still big - 87.7%. The percentage in terms of training ranks out of the total Labour force of Vietnam is far smaller than that of industrial countries: 65%, 5.5%, 59.5% respectively with only 35% unskilled workers.

Comparing with industrial countries, the quality of our technical Labour force is very unreasonable in the structure between levels: in Vietnam, the situation is more masters than workers are. We lack a lot of skilled workers.

Table 6. The structure of level of the Labour force

	Vietnam	industrial countries
Total	100.0	100.0
University-college above	20.3	5.0
secondary education	35.5	20.0
skilled workers	44.2	75.0

Source: DSI, 1998

The technical and professional levels of the urban Labour force are much higher than that of the rural Labour force: The percentage of trained urban Labour force is 31.68%, 3.4 times higher than that of the rural areas. The higher the level, the bigger the difference with the appropriate percentage of technical workers, professional education is 23/3%, 3.7 times higher and with colleges, universities, and masters levels of 8/3%, 9.2% times higher. This is an inevitable result caused by the effects of supply and demand relationship in the market. However, this limits the shift of economic structure in rural areas and in undeveloped areas as well as industrialization and modernization if resolution is not found.

2. Socio-economic Development and employment situation - demand of Labour market

During the past time, thank the positive effects of the renovation process, the economy has enjoyed fast and continuous growth for a long time, creating employment, increasing productivity and incomes, and improving living conditions of the workers.

In 1996, 34.9 million people were working in the national economy, accounting 97.3% of the Labour force (female: 97.7%, urban areas: 98%, rural areas: 94.5%) and of 98.5% in comparison with the working Labour force.

Labour scale and structure distributed in accordance with general national economic branches, urban, rural and other areas are showed in table 2-4.

The above Labour structure working in the national economic branches indicates that the majority works in the agricultural sector (69.8%), 10.55% in industry and construction, 19.65% in service industry. The highest number of the Labour force working in services, industry-construction is in eastern part of the South (38.7% and 27.7%), followed by the Mekong River Delta (24.7% and nearly 10%). The northern areas have the highest number in agriculture (74% and 85%).

In terms of economic sectors, the highest number of regular workers is in the joint economic sector (52.7%), followed by non-state economic sector (38.64%); satiate sector (8.4%), foreign sector represented a small portion (0.28%).

Regarding employment status, household employment accounts for the largest portion (45%) followed by self-employed entrepreneurs (36.85%), employees (17.55%); others represent a small portion.

On territorial areas, the relation in employment status is similar to that of the above employment status. Except eastern part of the South, employees account for the highest percentage (40.62%), followed by self-employed entrepreneurs (approximately 32%), with only 25% for household employment. Employment status in urban arisen general and other areas (except Taynguyen) is similar to that in the eastern part of the south.

3. Correlation of Labour Supply and Demand

There are not enough jobs for people who are in working age; Throughout the country, 7.2 million people in rural areas are unemployed, accounting for 26.6 of the Labour force of the age; notably, the highest number of unemployment falls on young group of 15-24 (36% -37%), followed by group 25-34 (27% -28%), group 35-44

(20%). These people are in good physical conditions with high economic level. On 7 territorial areas, the rural areas of the Red River Delta and Mekong River Delta suffered from the highest rates of unemployment (30.5%), followed by Northern Midland and Central Coast (28%-29%). Agricultural workers represent the highest number of unemployment (86.9%), indicating the urgent need for the shift of economic structure to change employment structure.

In view of employment relations status, the majority of those who are unemployed are in household businesses (55.8%), followed by self-employed entrepreneurs with new demand for Labour organization. The percentage of using workers of the rural Labour force is only 72% (71% for female workers). For the whole economy, the average working days are low in the north, particularly they area only 208 days in northern Mid-land, equivalent to 84.5% in comparison with the average level of the whole country.

- Throughout the country, urban unemployment is 5.9%, 7.7% in Hanoi, 5.7 in Ho Chi Minh City. The highest unemployment rates are in the Red River Delta (7.3%), followed by northern Mid-land (6.67%) and mountainous areas and mid-land areas (6.1%).

- The outcome of the survey on the current situation of employment proved that although the number of people with regular jobs is quite big, unemployment are one of the issues that should be solved with priority socially and economically, the objects are not those unemployed but also those who are semi-unemployed, those who incomes are low or inadequate for living.

- Free migration from rural areas to urban areas: through a survey in 12 months from7/1995 to 7/1996, there were more than 2 million people aged 15 above migrated from rural areas to urban areas for jobs is in Red River Delta with approximately 800,000 people accounting 13% of the rural Labour force. In Hanoi alone, the figure is approximately 140,000 people while it is 60,000 in Ho Chi Minh City.

Throughout the country and in other areas in view of the relations between Labour supply and demand, between scale and quality structures of the Labour force with the above scale and employment structure show considerably unreasonable differences. In the sectors and areas of large employment and high quality of worker force, the employment rates are high. In the areas with high quality of worker force and large skilled and trained employment source, the economic growth, economic structure and social Labour division (employment structure in the national economy) are low. In contrast, there are some areas with large foreign investments, fast economic growth, but the quality of worker force is low. They seriously lack skilled workers. Though they have attracted a lot of outside technical workers, the demand can not be meet resulting in big unbalance and causing social evils. So is there a “distraction” in allocating resources for economic growth? particularly allocating of productive force without taking into account the organization and development of human potential, the most valuable advantage of our country - resulting in “false" Labour redundancy and shortage in each area.

In 1996, industrial and construction workers were about 3.7 million people accounting for 11% of the Labour force working in the national economy (27% in urban areas, 6.8% in rural areas).

Though the professional level of industrial workers is higher than average level of the whole country, it is still low. Of the total industrial workers, 32.5% are trained (2.6 times higher than that of workers in national economy). The shrink of the vocational system currently is causing it difficult to supply skilled workers for industries, particularly in areas with big foreign investments.

Table 7. Labour in professional level 1996

	Industry		**Whole national economy**	
Total number of workers of which:	**3,530.0**	**100.0**	**35,866.2**	**100.0**
1. untrained	2,382.8	67.5	31,452.2	87.7
2. Technical workers	917.8	26.0	2,207.5	6.15
3.Professionalecondary Education	141.2	4.0	1,378.3	3.84
4. University - College	88.2	2.5	877.66	2.6

Source: DSI, 1998

The results of the survey of 200 businesses in 1996 (100 in Hanoi, 100 in HCMCT) implied that the industrial Labour structure in terms of professional levels of forms of business is as follows:

Table 8: Survey results of 200 businesses

	general	of which				
		stock companies	Ltd. companies	private enterprise	Joint - ventures	State Enterprises
Total	100.0	100.0	100.0	100.0	100.0	100.0
of which						
unfinished secondary education	9.0	0.0	15.9	14.3	0.0	7.6
finish secondary education	26.0	28.6	29.5	25.0	19.0	24.3
finished technical vocational education	23.0	28.6	27.3	25.0	23.8	20.0
professional secondary education	23.0	0. 0	20.5	10.7	28.6	26.8
university – college	19.0	42.8	6.8	25.0	28.6	19.0

Source: CIEM, 1996

The figure show that even in the biggest cities, 1/3 of the total Labour forces in businesses finished primary schools with no professional training.

Recently, due to the impacts of renovating economic management structure, though the value of industrial productions keeps rising quite high (12% - 14%) - higher than the average level of the national economy - industrial Labour is low, often lower than the working rates in the national economy. This has positive impacts increasing productivity and effectiveness of industrial production. This trend, however, does not create much employment in industry, nor promote the shift of social Labour division in the direction of industrialization and modernization. It is not suitable for the reality of the Labour market in Vietnam. The shift of ramifications with high Labour volume branches, appropriates technological structure reasonably allocated in territorial areas in order to bring into full play the advantage of young Labour with high economic level, low wages to create large employment and not to cause too severe needs for training skilled technical workers in those areas, is an urgent task in the process of reforming enterprises in Vietnam.

THE PROBLEMS ABOUT HUMAN RESOURCE DEVELOPMENT IN THE COMING TIME AND SOME RECOMMENDATIONS

1. Analysis of the census forecast to the year 2020 and socio-economic problems

To the year 2020, our population will be from 100-108 million people depending on the results of the implementation of the family planning program, working people is about 68 million. Changes of age structure of the population (PAI) are showed in table 5.

Table 9. Census forecast and population structure

	1995	2000	2010	2020
Total	**74,000**	**81,350**	**95,000**	**105,000**
Of which:				
1. Under working age	27,662	28,254	28,186	26,325
- Portion in comparison with total	37.4	34.7	27.3	25.1
2. In working age	38,995	45,175	57,772	68,000
- Portion in comparison with total	52.6	55.5	60.8	64.7
3. Above working age	6,154	6,833	8,200	9,875
- Portion in comparison with total	8.3	8.4	8.6	9.5

**Total is complete population, in age groups and permanent addresses.*

Source: DSI, 1998

Population activity in 2001-2020 will have positive and negative impacts on the development of human resources.

- Reduced birth rate leads to reduced population growth (averagely 1.9% in 1996-2000 down to 1.56%/year in 2001-2020) creating favorable conditions for the fast increase of average GDP per capita and better concentration of resources to the improvement of other per capita socio-economic criteria.

- Changes of the population structure in the ways to keeping the number of children stable (to about the year 2010) and then gradually reducing to the year 2020. On the one hand, it creates favorable conditions to develop education (concentrate to develop education quality and higher education generalization). On the other hand, it is signal of the danger of absolute reduction in the scale of employment resource and population in the farther future. The growth rate together with the absolute growth rate of the number of working people (averagely 1,260 people/year in 2011-2020), on the one hand reduced employment pressure but on the other hand, it shows that the Labour supply is gradually reducing. The average age of the working population groups, the portion of young people decreases; the portion of the old aged groups increases implicating that our advantage of young Labour force is disappearing gradually.

The continuous and fast increase of the number of old people requires increases in the total subsistence expenses for them while the present social insurance system has yet widely attracted these population groups.

Table 10: Increases in Human Resources to the year 2020.

	In working age	Percentage compare with total	Average growth rate
1985	29,500	49.3	...
1990	33,728	50.8	2.70
1995	38,955	52.6	2.92
2000	45,175	55.5	3.00
2010	57,772	60.8	2.49
2020	68,000	64.7	1.64

Source: DSI, 1998

The average growth rate of the working population increases gradually each 5-year plan because of a large number of active working populations and a stable retired population. Changes are as follows:

Table 11: Yearly Working Population Growth

Unit: Thousand people

	Total active age	Total retired age	Total in added working age
1995	1,632.5	384.2	1,248.6
2000	1,747.7	356.9	1,390.8
2005	1,812.4	369.9	1,442.5
2010	1,879.9	491.6	1,338.3
2020	1,862.9	892.0	970.9

Source: DSI, 1998.

The above situation requires the national economy-in each 5 year plan, followed primary education-to train millions of young people professionally and vocationally, to crease more than 5-6 million new jobs for new Labour force, let alone those lose their jobs due to increased productivity and those are currently unemployed or semi-unemployed.

However, it should be noted that though the number of young people aged 15-30 keeps increasing in absolute number from 21.4 million (1995) to 24.2 million (2000), 28.1 million (2010); and 26.9 million (2020), the portion of young Labour force in the total number of specified working population tends to decrease from 55.0% (1995) to 53.6% (2000), 48.6% (2010) and 41.3% (2020) implying that the advantage of young Labour force will continue to decrease. We have failed to take this advantage during the past 10 years and if we still fail to take this advantage in the coming 10 years, it is assumed that our country has lost a remarkable opportunity in the process of development (Japan succeeded in taking this advantage in the past). At the same time we will have to face their consequences socially.

From a bird's eye view, the young population of our country does not continue to grow shown by the gradual decreases of the portion of children aged 0-14; on the one hand, the continuous growth of the working population to the year 2020 highlights the advantage of our country in number, high growth rate and young Labour force. On the other hand, they pose great challenges for employment creation, foresee the period with increased portion of old people after 2010 when those born in 1950s and 1960s are retired.

2. Main problems to be solved

The training policy, which is generally applied to enterprises including SMEs is not, attached with appropriate importance. Most of the enterprises have, in fact to finance training of professional skills for their employees and managers from their already limited budget. The State has not issued suitable policies nor taken effective measures to promote and support enterprises through tax reduction or exemption for training costs incurred by the enterprises, assist in the formulation of vocational training centers for enterprises, stimulating the formation of professional associations as a forum to exchange information and experience which are considered as a practical and positive training method, etc. The field study results show that the professional and managerial levels in SMEs are extremely limited, namely up to 74.8% of employees of the SMEs have not yet completed 10-grade education and approximately 30% of laborers have not net provided with any regular training course. This is proven to be one of the reasons causing lower productivity and poor product quality, and hence the competitiveness of these enterprises in the market.

As a whole, training system for SME in Vietnam does not meet the training needs of the SME business people. There are some problems, which must be solved in near future, as follows:

- There is not a kind of governmental institution, who takes care about development of professional training for SME in Vietnam in terms of it's system's perspectives, development programs, coordination of training activities, government policy in support of development of the training system in the country.

- Production technology training and high level technical worker's education have not received due attention. In another words, one can say that "technology education" in context of market economy is almost absent.

- Training programs are not diversified enough in terms of time and location of training. Training curriculums are poor and can not meet the needs of various target groups of learners.

- Teachers, trainers, mentors/ coaches are in short quantitatively and qualitatively; training of trainers have no received due attention. Teaching methods in most of cases are traditional; learners are in passive position.

- Training rooms and facilities are in short and poor in quality that do not allow the new and active methods of training to be applied.

3. Some recommendations

<u>3.1.Restructure educational and training system in conjunction with expanding scale</u>

To concentrate in completing primary education generalization in the year 2000, then secondary education generalization in 2010, at the same time efforts to be taken to improve education quality.

Significant changes to the ramification of pupils after completing secondary education. Quickly increase the number of secondary education degree holders to the vocational system.

Diversify forms of education and training

The State plays the leading role in the education generalization to be the foundation for the development of jobs training and other higher professional training forms.

To encourage and attract the participation of businesses, private sector, social and people's associations etc. to develop education and training.

Improving education-training quality through following measures:

- To improve the infrastructure
- To improve teaching content and quality
- To further quality teachers
- Mobilization of resources
- Diversify of forms and resources
- To recover expenses reasonably

3.2.Improve policy system

The HRD policy toward SMEs should be improved, following measures should be implemented in near future:

a) *The State should place a leading role in the education issues*, particularly in primary education level; it is necessary to increase funds for education and training in pace with the socio-cultural development needs. Also, it is very important to encourage social forces to participate in training the Labour force, as well as contributions from learners. There should have policies in premises, grant or confessional loans including State funds at the early state to encourage social forces to actively participate in the establishment of vocational schools. Quickly increase the role of the business sector and individuals, particularly in higher education and human resources training.

b) *To attract foreign businesses into training human resources for industrialization*, because our workers go aboard to get intensive training not basic knowledge. It must be the responsibility of our education. Training abroad can not replace basic training. Workers who wish to undergo skilled training must finish secondary education and possess basic professional knowledge. The important thing is to make use of the advantage of export production zones in order to train qualified staff and skilled workers. Export production zones must be training establishments. Experienced and skilled staff and workers in Export production zones can be used to form the core for the development of other export production and industry zones.

c) *To create market encourages trained Labour force and movement of resources between areas and regions*. The establishment of market encourages trained Labour force requires improvement in payment policy. Though presently the Government does not directly intervene in the payment of salary of businesses, basically, the payment policy of businesses is still based on Degree No. 25-26 CP, in which differences between workers with different levels are very small, and average yearly increase in payment without taking into consideration the willing to study to improve levels, working efficiency etc. does not encourage workers to improve skills and productivity. The encouragement of skilled Labour market through payment policy must be done timely and conjunction with the improvement of skilled levels meeting the development needs. In the present integration and competition trend, advantage of cheap Labour is no longer attractive, therefore, concentration should be paid to improve professional levels of workers to bring into full play the advantage of young Labour force with high academic level must be the top priority to industrialize the country and to attract foreign investments.

d) *To give special treatments to training establishments*; Circular No. 32 TC/TCT dated 6/07/1996 of the Ministry of Finance provides guidelines for the implementation of tax reduction and exemption to training establishment under regulation of Labour Law. Applied objects consist of: Establishments of businesses, organizations, individuals, provide vocational training for those who need to get vocational training to seek jobs or to create jobs for themselves. Establishments of vocational businesses provide vocational training for workers to meet the needs for business and production development, to change production structure, or technology of the business.