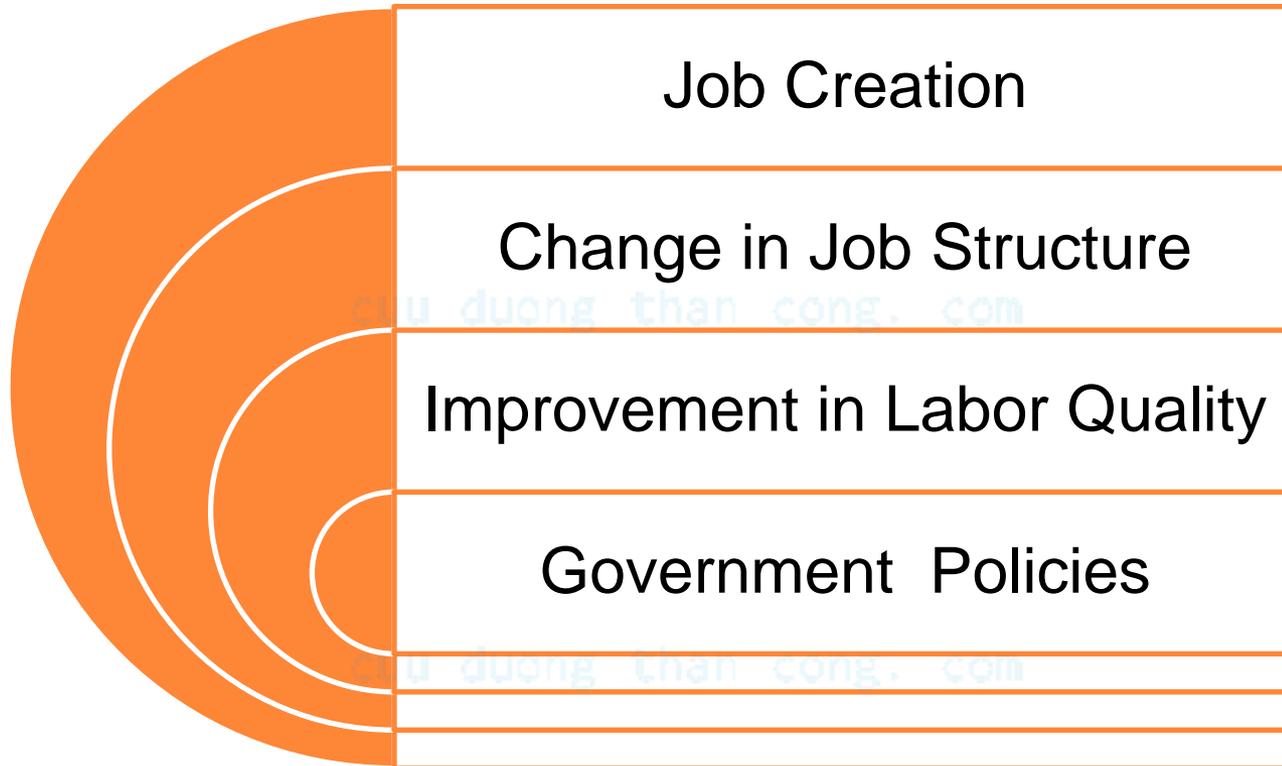


FDI'S BENEFITS ON HUMAN RESOURCES IN DEVELOPING COUNTRIES

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Group 8:
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CONTENT



JOB CREATION

FDI inflows into developing countries

Greenfield investment

**M & A
(Merge & Acquisition)**

**Direct
Indirect**

**New
Jobs**

JOB CREATION

Direct

Establishment of new facilities

Expansion of existing facilities



Indirect

Linkages backward with local suppliers

Linkages forwards with local retailers

On average, TNCs employ almost **twice** as many workers as the average local firm (World Bank)



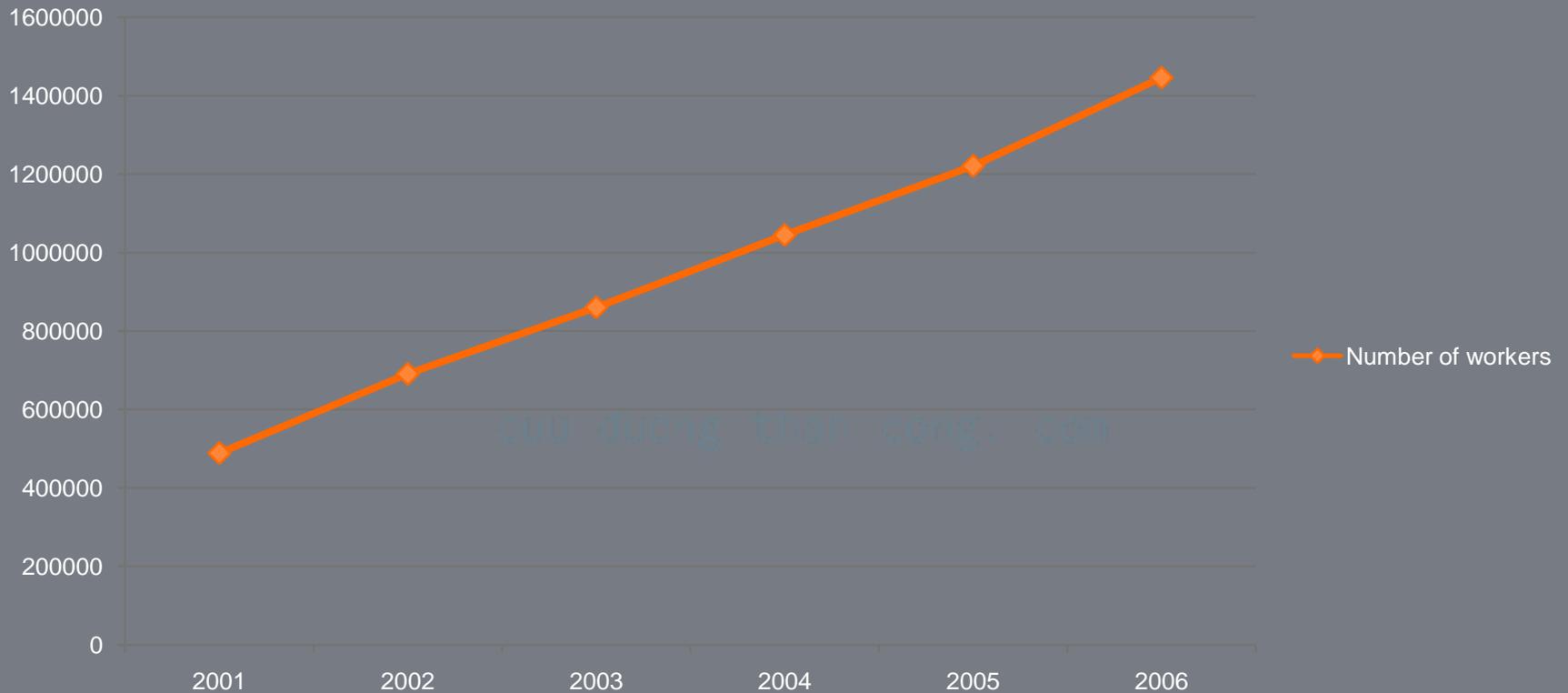
- **UNCTAD** (1999), foreign affiliates of TNCs in developing countries in 1998.
- ✓ Direct employment : 19 million people
- ✓ Indirect employment: 1 – 2 times greater than direct employment.

- **In Thailand:** FDI accounted for about 17% of the total manufacturing employment in the late 1980s, as well as a growing share of new employment generation in the *poorer provinces* far away from Bangkok

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Number of workers in FDI enterprises in Vietnam In the period of 2001 - 2006



IN VIETNAM: UNTIL 2010, FDI SECTOR

- USE 1.9 MILLIONS OF DIRECT WORKERS
- CREATE MILLIONS OF INDIRECT JOBS



FIRM CHARACTERISTICS BY OWNERSHIP IN CHINA IN 1998 AND 2004

Firm characteristics	Domestic Non-private		Foreign		Domestic Private		Other	
	1998	2004	1998	2004	1998	2004	1998	2004
Number of firms	85543	36268	23817	55248	9974	112856	10341	43379
Average employment per firm, headcount	352	281	304	309	150	127	497	320
Export as a share of sales (%)	7.9	7.0	45.9	48.3	13.1	13.4	9.6	9.4
Average annual wage per employee, 1000 Yuan	6.5	11.3	12.0	16.6	6.8	10.6	7.5	12.1
Value added per employee, 1000 Yuan	114.5	249.5	259.6	369.1	209.1	283.8	168.6	306.5
Fixed assets (capital) per employee, 1000 Yuan	42.3	67.2	106.5	104.6	41.3	51.3	55.2	78.8

Source: Sune Karlsson et al (2005)

QUALITY OF JOBS CREATED

- Blue –collar: unskilled workers (in labor-intensive industry)
 - White –collar: Highly skilled graduates in natural sciences, engineering, business sciences, finance,...
- ➔ *Vary widely especially in terms of wages and benefits, and safety and health matters.*



WAGES

- Higher wages:
 - Average wages are almost 50% higher in foreign MNEs than in domestic firms
 - Pay differences are larger in Asia and Latin America

Average percentage difference in wages by host region

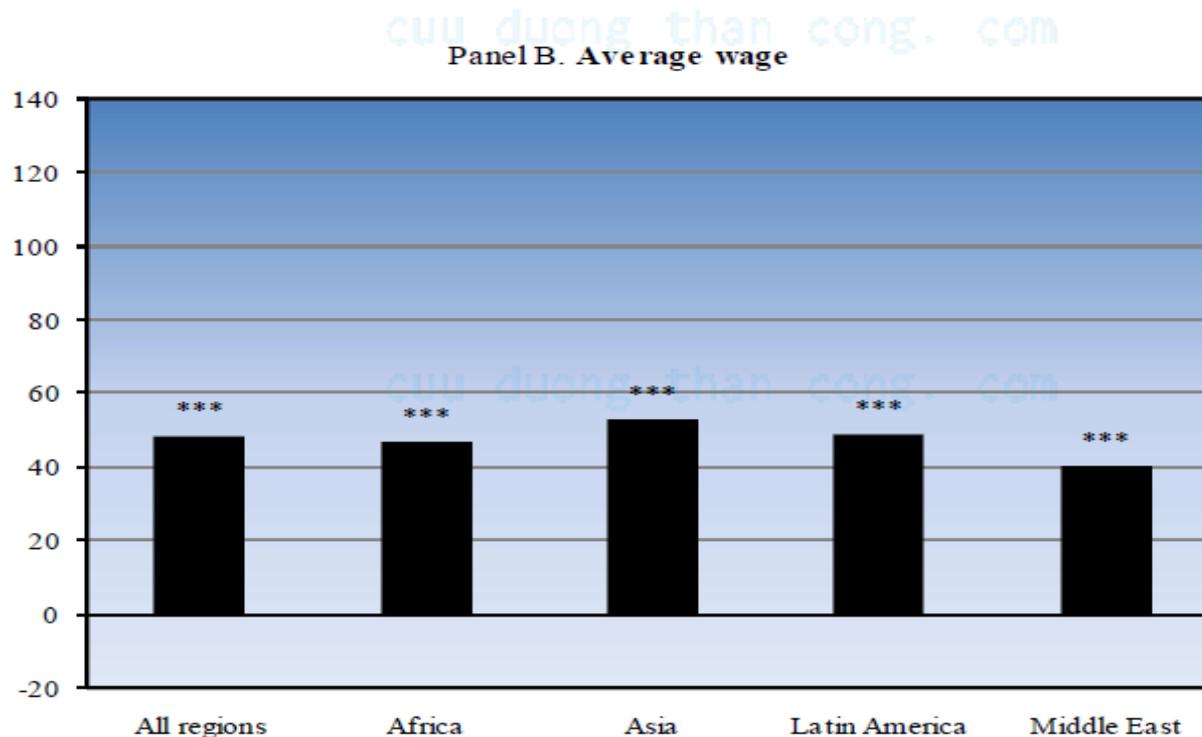
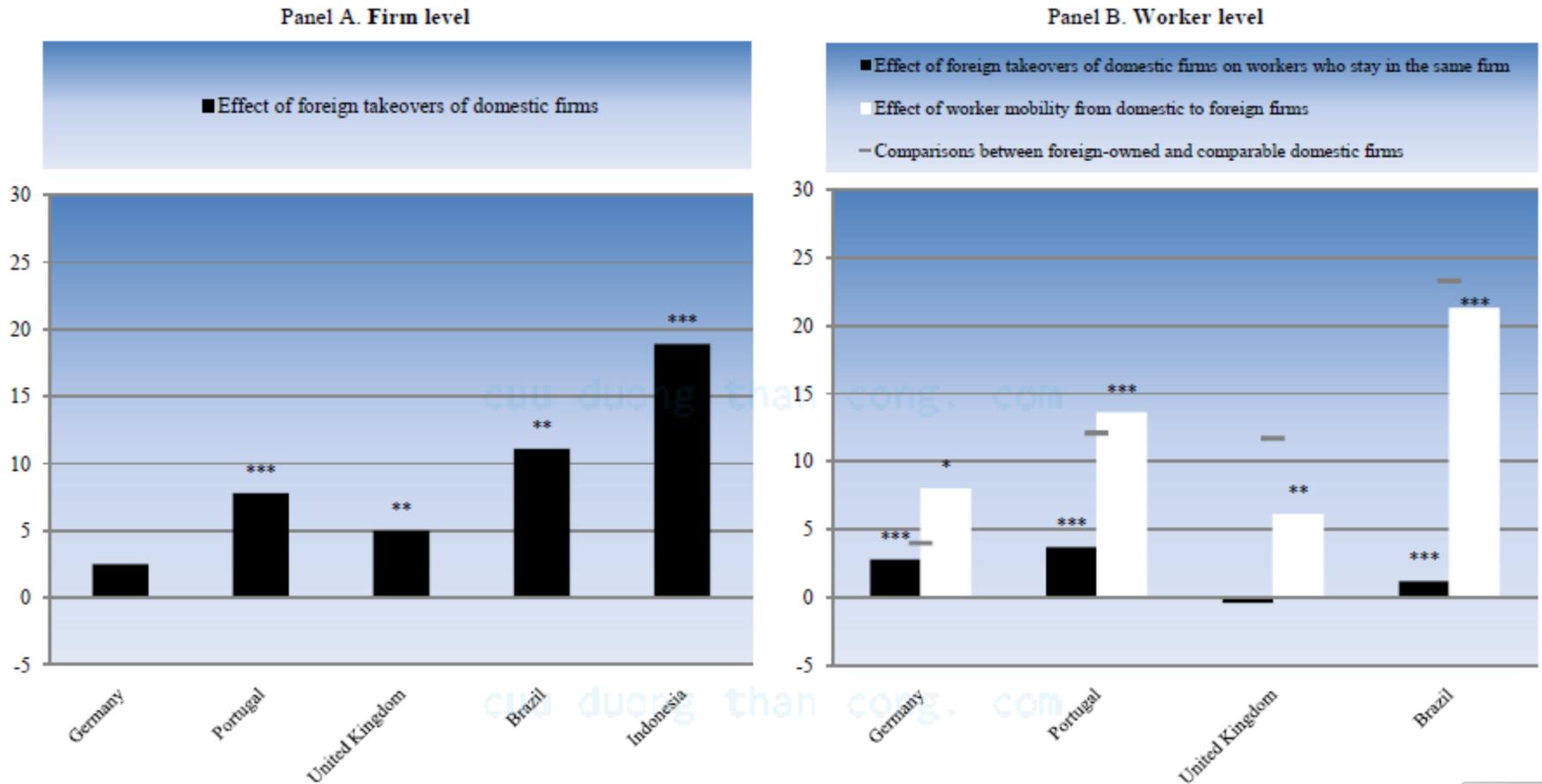


Figure 7. The effects of foreign ownership on wages

Average percentage differences



Source: OECD report (2008)

WAGES

- Spillover effects on domestic firms
- ➔ Increase minimum wage among domestic firms

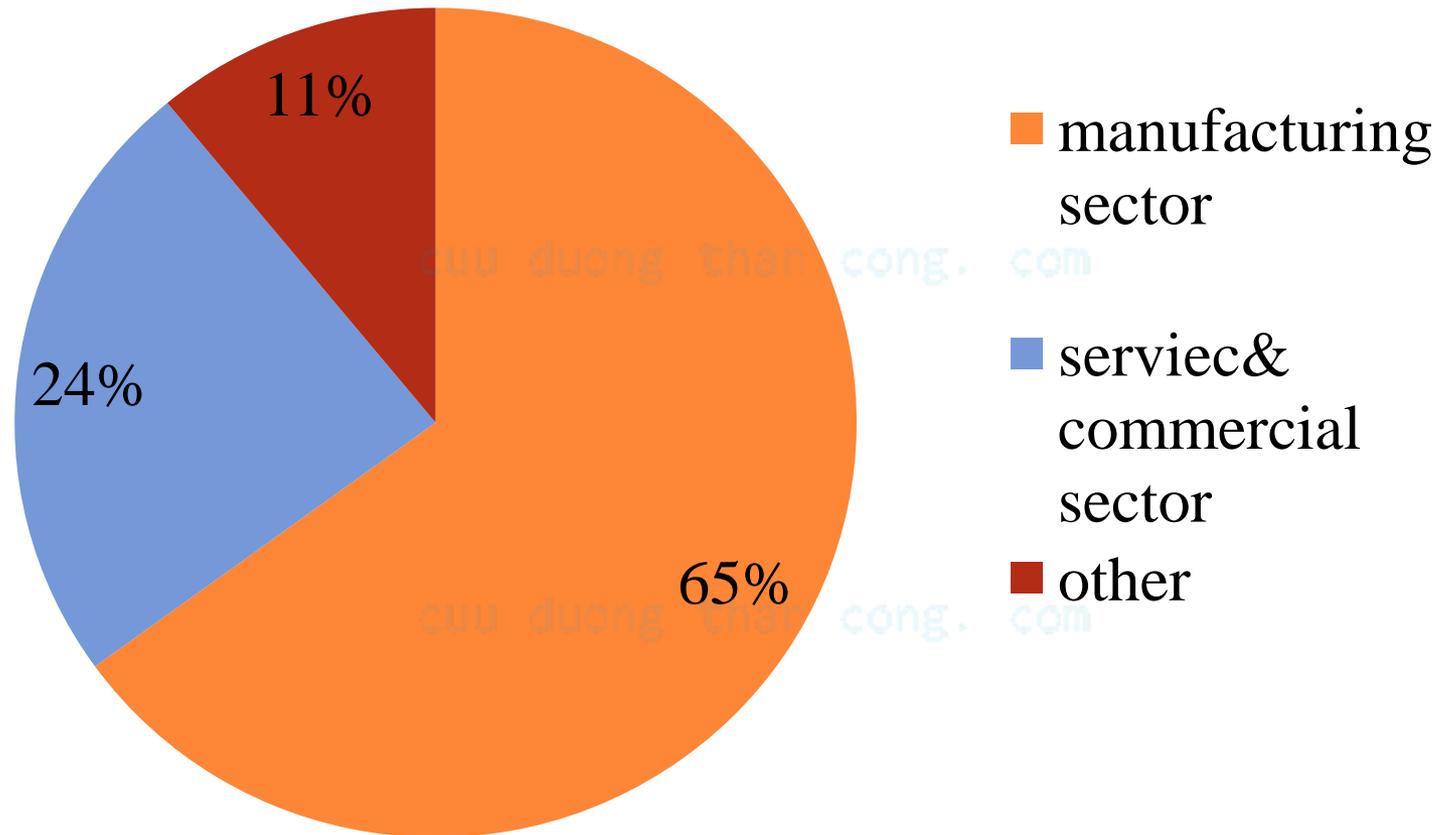
Minimum wages in Vietnam

Source: Corporate Responsibility Essence

FDI Companies		2008	2009	2010	2011	2012
Region	1	1,000,000	1,200,000	1,340,000	1,550,000	2,000,000
Region	2	900,000	1,080,000	1,190,000	1,350,000	1,780,000
Region	3	800,000	950,000	1,040,000	1,170,000	1,550,000
Region	4	n.a.	920,000	1,000,000	1,100,000	1,400,000
VN Companies		2008	2009	2010	2011	2012
Region	1	620,000	800,000	980,000	1,350,000	2,000,000
Region	2	580,000	740,000	880,000	1,200,000	1,780,000
Region	3	540,000	690,000	810,000	1,050,000	1,550,000
Region	4	n.a.	650,000	730,000	830,000	1,400,000



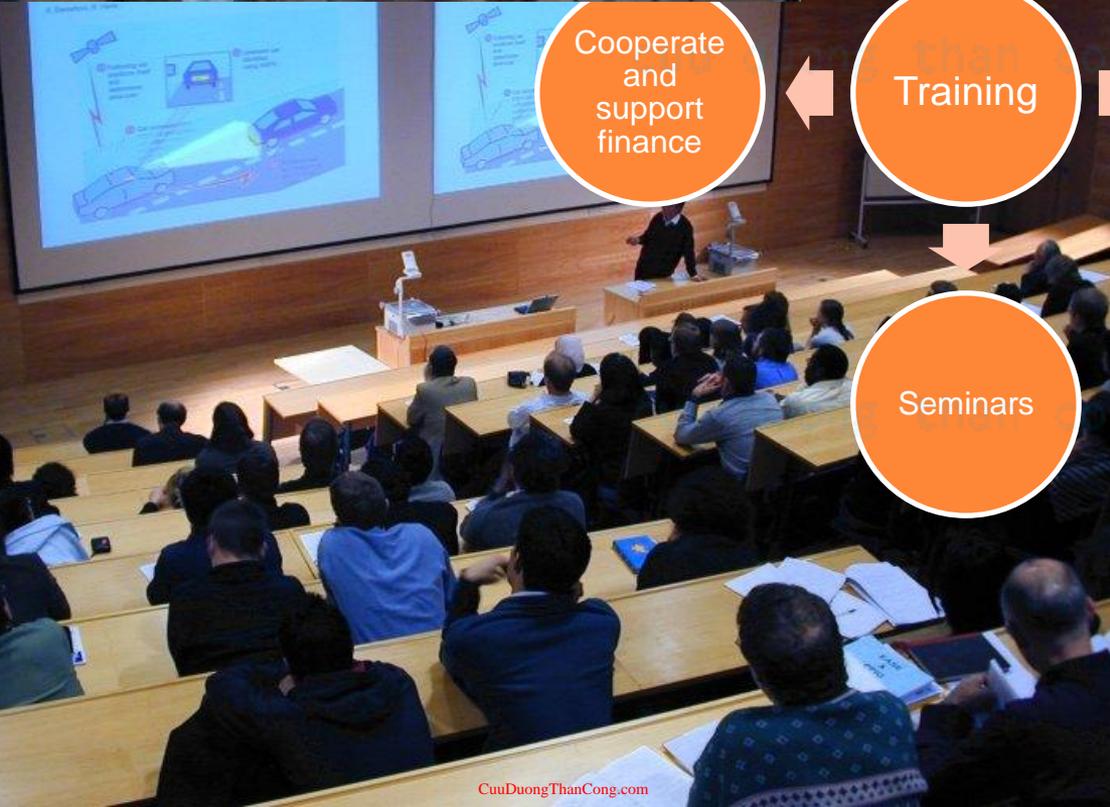
JOB STRUCTURE



Percentage of sectors in the economy of 1970 FDI firms
Source: GSO Vietnam, 2011.



ALITY



IMPROVE LABOR QUALITY

- In **Thailand**, international chambers of commerce (FDI firms are prominent mems) and the Thai government.
- In **Malaysia**, several skill development centers have been established, the Penang Skills Development Centre

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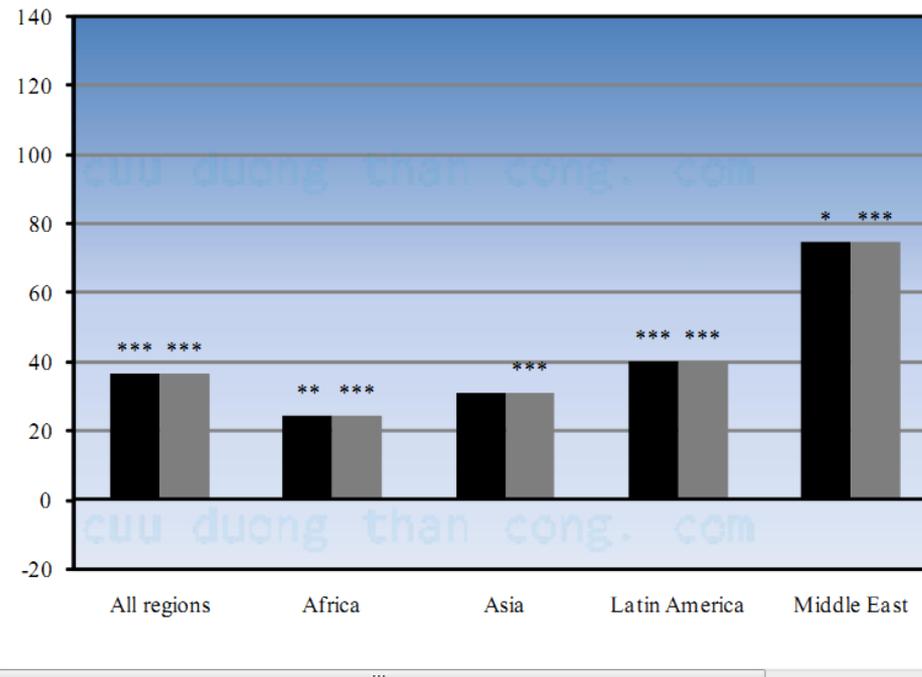


IMPROVE LABOR QUALITY

- Set new employment norms and higher labor standards
- Work discipline
- Offer higher remuneration, superior working conditions, and more skill upgrading opportunities, other incentives
- Knowledge transfer and technology transfer
- Job security

PERFORMANCE

High productivity



Average percentage differences about labour productivity by host region
Source: OECD, 2008



PERFORMANCE

Self-study



Skilled labor: management skills, tactics → Domestic firms and start-up businesses

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GOVERNMENT'S POLICIES ON HUMAN CAPITAL

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Technology promoting

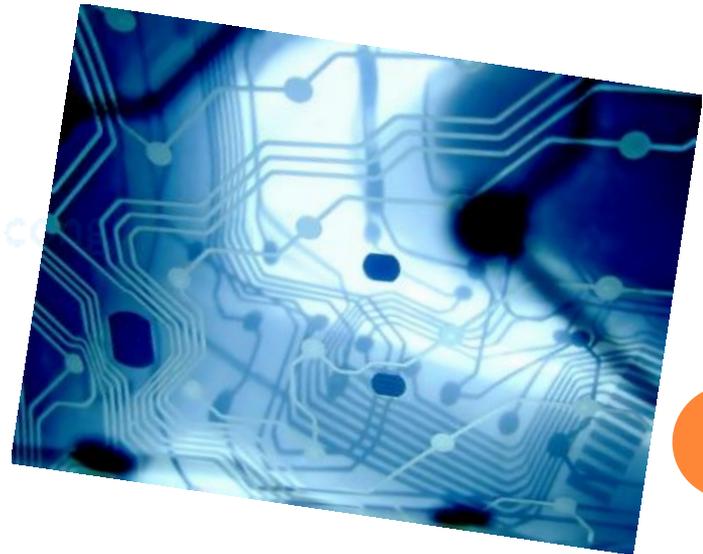
Education improvement

Labour standards will be improved

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TECHNOLOGY PROMOTING

- **China** - great attraction for FDI, encouraging investing in high-tech fields, tele-communications, through reducing tariff.



TECHNOLOGY PROMOTING

○ Singapore

- Industries with high-tech

contents from Japan and West Europe



- Science research and technology innovation → tax-exempt
- Copyrights and patents imported → tax exempt.
- Corporate income → tax-exempt: 5-10 years → manufacture and services requiring high-tech.



TECHNOLOGY PROMOTING

→ famous for shipbuilding, oil refining, building materials and toys → compete with developed countries.



○ Malaysia:

- exporting final goods

instead of raw materials

→ in mining and processing industries.

- manufacturing industries, especially electricity and electronics
- joint venture form → domestic enterprises' participation
- partners are developed industrialized countries, major partners are Japan and USA.



EDUCATION IMPROVEMENT

- **Singapore:** investment in vocational training is tax-exempt

- **Malaysia:**

- ✓ Encourage university

- education, vocational training

- ➔ Rise the number of labours with high school and university education. (36% in 1995).

- ➔ Employees are productive and highly disciplined

- ✓ Encourage the useage of Internet

- ✓ Facilitate the conditions for domestic enterprises to learn from countries of high technology potentials such as Japan, USA and Belgium



- o **Vietnam:** the model of associated training between industrial complexes and colleges, universities and vocational training school to meet the need for qualified and skilled labours.



LABOUR STANDARDS WILL BE IMPROVED

- Standards of working conditions
- Labour safety and hygiene
- Social insurance
- will be gradually raised to the standards recognised by international organisation



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- Eg: The International Labour Organisation sets the general standard at 48 regular hours of work per week, with a **maximum of 8 hours per day**.



CONCLUSION



Thank you for listening!

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